

Annual Report 2004

Japan Policy and Human Resources Development Fund

**The World Bank
Concessional Finance and
Global Partnerships Vice Presidency**

**The Faces of the PHRD:
Partners in Development**

Inside covers in separate file due to size

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Concessional Finance and Global
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FY04 Program Highlights

For a society to effectively reduce poverty, build the necessary foundations for sustainable development and promote growth, its people and institutions need the skills, tools and know-how to address their own development. Lack of capacity remains a major impediment to the goal of poverty reduction. The Japan Policy and Human Resources Development Fund (PHRD) was established in 1990 through an agreement between the Government of Japan and the World Bank to address that lack and alleviate poverty by developing capacity. Japan is the sole financier of the program.

In FY04, the PHRD program continued its commitment to capacity building in all sectors through the existing portfolio of programs and, in addition, developed new ways in which PHRD could expand its reach in capacity development. Highlights from FY04 include:

- The PHRD Technical Assistance (TA) Program continued to be the largest grant program supported by PHRD, and grew substantially over FY03 levels. In FY04, 129 TA grants were approved with a total allocation of US\$113.5 million. This represents a dramatic increase in funding from US\$71.5 million in FY03.
- A Project Cofinancing window was launched in FY04 as part of the PHRD TA Program to address the capacity needs of borrowers currently undertaking large-scale Bank operations through the provision of technical assistance (TA). Project Cofinancing grants benefits the poorest low-income countries, which normally cannot afford to borrow for TA. The assistance provided by the PHRD grants will strengthen institutional capacity and support good governance, ensuring the timely and successful implementation of project investments and reforms.



The PHRD Fund approaches capacity building holistically, focusing not only on institutional development, but on the individuals, organizations and policies that are the building blocks of strong institutions.



PHRD Fund is committed to effectively responding to the dynamic needs of the developing world.

- The PHRD program expanded its support to the World Bank Institute (WBI) with the creation of the Japan PHRD Capacity Development Grants Program. These innovations reflect the PHRD Fund's commitment to responding effectively to the dynamic needs of the developing world. The PHRD Fund continued its focus on enabling skills development, knowledge sharing and education opportunities. WBI delivered 996 learning activities and reached more than 72,000 participants during FY04.
- The PHRD Fund's Joint Japan/World Bank Graduate Scholarship Program (JJ/WBGSP) awarded 342 scholarships to scholars from more than 100 countries.

To increase program effectiveness in FY04, the World Bank and the Government of Japan (GOJ) worked to further simplify the processes and procedures that guide the implementation of the

PHRD Fund and provided new tools to clients to improve PHRD communication and management processes.

The impact of PHRD grants is high, as demonstrated by enhanced project performance. However, due to some of the requirements associated with preparation of funding requests and subsequent management of the grants, the PHRD grant process takes on average roughly 36 months from the time a grant proposal is approved to its closure. Working together, the World Bank and the Government of Japan have taken steps to increase the impact of the PHRD Program by simplifying PHRD processing, in particular for project preparation.

The aim is to address sequencing problems and streamline documentation and procedures to enable operational units and clients to make more efficient and effective use of funds and to alleviate the burden on staff of trusteeship. The improvements are being designed to: i) facilitate the application process and reduce delays in grant start-up; ii) streamline the grant documentation process; and iii) increase flexibility for grant implementation by focusing on grant results, rather than on the provision of inputs. For FY04, it was agreed to implement the following policy/procedural simplifications: i) simplify the grant application documentation; ii) eliminate the need for most amendment procedures and align them with Bank procedures to facilitate implementation; and iii) move to annual status reporting instead of semi-annual. The process will be continued in FY05.



Lack of capacity remains a major impediment to the goal of poverty reduction.

Over the years, PHRD has made a positive impact on poverty reduction and sustainable growth. PHRD grants have improved the quality and development effectiveness of project investments and strengthened capacity and institution building in recipient countries. With the generous support of the Government of Japan, the PHRD Fund will continue to strengthen partnerships at many levels and empower grant recipients to manage their own development.



The PHRD Fund initiated new and refocused programs for FY04 to address development challenges. Photo by Ricard Lacort.

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Acronyms and Abbreviations

AFR	Africa Region
APL	Adaptable Program Loan
CAS	Country Assistance Strategy
CDCF	Community Development Carbon Fund
CDM	Clean Development Mechanism
CE	Capacity Enhancement
CEPF	Critical Ecosystem Partnership Fund
CFP	Concessional Finance and Global Partnerships Vice Presidency
CTF	Consultant Trust Fund
EAP	East Asia and Pacific Region
ECA	Europe and Central Asia Region
FY	Fiscal Year
GOJ	Government of Japan
HIPC	Heavily Indebted Poor Countries
IDA	International Development Association
JJ/WBGSP	Joint Japan/World Bank Graduate Scholarship Program
JPCF	Japan Post-Conflict Fund
JSDF	Japan Social Development Fund
JTFMU	Japan Trust Funds Monitoring Unit
LAC	Latin America and Caribbean
LICUS	Low Income Countries Under Stress
M&E	Monitoring and Evaluation
MENA	Middle East and North Africa
NGO	Non-governmental organization
ODA	Official Development Assistance
PHRD	Japan Policy and Human Resources Development Fund
PMU	Project Management Unit
PRSP	Poverty Reduction Strategy Papers
PRSTF	Poverty Reduction Strategy Trust Fund
RCMS	Recipient-Centered Monitoring System
SDP	Standard Disbursement Percentage
TA	Technical Assistance
TTL	Task Team Leader
VPU	Vice Presidential Unit
WBI	World Bank Institute

Chapter 1: Year in Review: The PHRD FY04 Portfolio

In 1990, the Japan Policy and Human Resources Development (PHRD) Fund was established through a joint agreement between the World Bank and the Government of Japan (GOJ) to alleviate poverty by developing capacity. For more than a decade, the PHRD portfolio of programs has supported the transfer of knowledge and skills to developing countries to help build the foundation for sustainable development. In Fiscal Year 2004 (FY04), the PHRD Fund continued its commitment to capacity building through its existing portfolio of programs including the World Bank Institute (WBI), the Consultant Trust Fund (CTF), the Joint Japan/World Bank Graduate Scholarship Program (JJ/WBGSP), and programs funded solely by Japan such as the Technical Assistance (TA) Program, the Partnership Program and the Staff Grants Program.



The PHRD Cofinancing Grant for the Vietnam Urban Upgrading Project seeks to alleviate poverty in urban areas by improving the living and environmental conditions of the urban poor. Photo by Rumana Huque.

Working together, in FY04 the World Bank and the GOJ also developed new ways in which PHRD could expand its reach in capacity development. New this year:

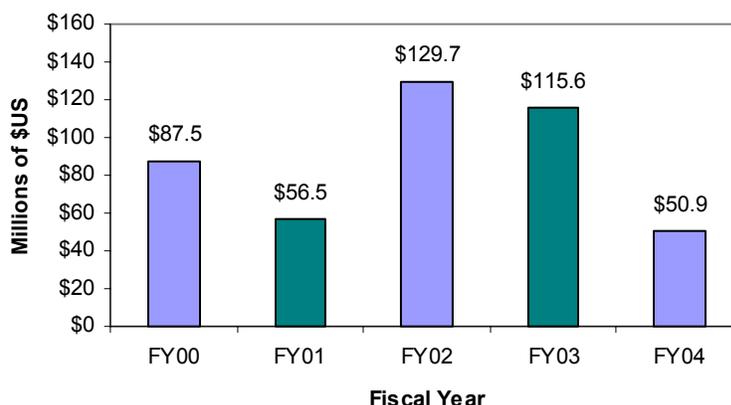
- 1) A PHRD Project Cofinancing window was added to the PHRD TA program to strengthen institutional capacity needs of Projects funded by the World Bank.
- 2) PHRD TA program project implementation grants were refocused to better address constraints or weaknesses that have hampered the implementation of ongoing World Bank-financed project activities.
- 3) In FY04, the GOJ and World Bank continued to simplify the processes and procedures that guide the implementation of the PHRD Fund. In addition, PHRD worked to better serve clients, providing new tools to clients to improve PHRD communication and management processes.
- 4) To support institutional and capacity building of public officials, the PHRD program has expanded its support of WBI with the creation of the Japan PHRD Capacity Development Grants Program. Created in FY04, the Program will provide grants for WBI capacity development programs designed, developed, and delivered either solely by WBI or by WBI jointly with partner institutions.

The FY05 Technical Assistance Policy Document (see Annex 3) was approved to define PHRD TA Program guidelines and grant approval criteria that will guide the administration of the program for the coming year. In this document, the Government of Japan endorsed the simplification initiatives taken in FY04 to increase the efficiency and effectiveness of the program.

The PHRD Fund is financed by contributions¹ by the Government of Japan. Over the last five years, the GOJ has contributed more than US\$440 million² to the PHRD Fund and its development efforts. In FY04 alone, replenishing contributions by the GOJ to the PHRD Fund amounted to US\$50.9 million³ (Figure 1). In addition, in FY04 the PHRD Fund made special allocations⁴ to global and regional programs including the Cities Alliance (US\$1 million), the Information for Development Program (*infoDev*, US\$9.8 million), and the Consultant Trust Fund (CTF, US\$9.7 million).

The PHRD Fund has contributed greatly to the goal of poverty alleviation. Through PHRD grants, recipients are better equipped to effectively manage their own development processes. In FY04, the PHRD Fund had many significant achievements that help illustrate the Program's impact throughout the developing world. These achievements include building client capacity, fostering human development, promoting participation, sharing knowledge and mobilizing resources - all important tools for creating sustainable development.

Figure 1. Total Contributions to the PHRD Fund, FY00-FY04 (millions of US\$)



1.1. BUILDING CLIENT CAPACITY TO DESIGN AND IMPLEMENT DEVELOPMENT PROGRAMS: PHRD TECHNICAL ASSISTANCE PROGRAM

The PHRD Technical Assistance (TA) Program continues to be one of the main instruments in the Bank for support to the preparation and implementation of Bank operations. The program is funded solely by the Government of Japan to help World Bank clients and countries prepare and implement development projects financed by the Bank. Through the PHRD TA Program, the PHRD portfolio of grants supports a large proportion of the projects in the Bank's pipeline.

Three PHRD TA Program proposal submission Rounds were held in FY04, and 129 TA grants, totaling US\$113.5 million, were approved (Annex 1, List of Projects receiving grants). This represents a 59 percent increase over FY03 allocations and an 11

Table 1. PHRD TA Grants Approved FY04

	Number of Grants	Amount (US\$)
Project Preparation	103	\$65,986,488
Project Cofinancing	9	\$35,389,000
Project Implementation	8	\$4,033,500
Climate Change	7	\$4,758,145
Special Grants	2	\$3,285,200
Total	129	\$113,452,333

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

² All figures are reported in US dollars.

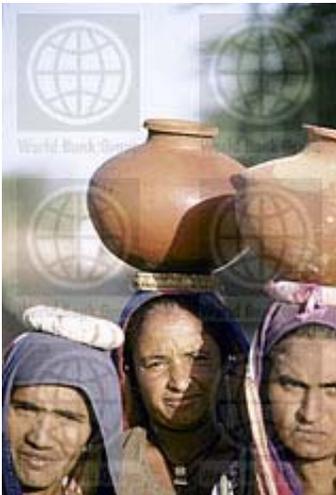
³ This total does not include special allocations noted below, which come from existing funds.

⁴ Allocations refer to the funds approved by Japan to fund specific grant proposals and other programs.

percent increase over the number of grants approved in FY03. For the PHRD TA Program, grants are approved specifically for: a) Project Preparation; b) Project Cofinancing; c) Capacity Building for Project Implementation; and d) Climate Change Initiatives. In addition, two Special Grants were awarded in FY04. Of the TA grants approved in FY04, 80 percent support preparation of Bank funded projects, seven percent support project cofinancing grants, six percent support project implementation activities, five percent support climate change grants, and two percent support special grants. Regional and sectoral data, as well as more detailed financial information, are provided in Chapter 3.

(a) Project Preparation Grants

Project preparation grants finance TA needed by recipient countries and their project implementation agencies to help prepare World Bank-financed projects or programs. Project preparation grants account for the largest percentage of PHRD TA grants. In FY04, the Government of Japan approved 103 Project Preparation TA grants amounting to US\$66 million (see Annex 1). This is more than half of the PHRD TA allocations for the year. These grants help build borrower capacity through the provision of TA and training.



In India, PHRD TA grants are helping prepare projects designed to improve rural water quality and access to sanitation services.

PHRD TA grants approved in FY04 are helping to prepare Bank operations for a variety of sectors and regions (refer to Chapter 3 for detailed financial performance information). For example, project preparation grants will support nine health system modernization projects and energy service expansion and reform in Zambia, Ukraine and Turkey, and multiple poverty reduction projects. In Vietnam, a country utilizing a number of PHRD grants, TA grants are helping to prepare projects designed to improve the urban transport system, improve the efficiency and effectiveness of the energy system, strengthen the customs administration, reduce the incidence of flooding and reverse environmental degradation and increase confidence in the Vietnamese banking system. In Ethiopia, PHRD TA grants are helping to prepare projects which aim to create the necessary conditions for private sector competitiveness and growth, reduce the vulnerability, food insecurity and hunger of rural households, and improve the investment climate in urban and rural areas.

In India, PHRD TA grants are helping prepare projects designed to improve rural water quality and access to sanitation services and to assist the Government in urban slum improvement and sanitation provision in underserved areas. In Mexico, PHRD TA grants are helping to prepare five projects working to increase the quality of education, improve the living conditions of landowners within forest ecosystems, improve water resources, and to increase the access to land for young farmers. In Albania, PHRD TA grants are helping prepare projects designed to facilitate the adoption of practices for sustainable resource use in local communities, and to modernize the health system. In the Middle East and North Africa region, PHRD TA grants are helping the Government of Morocco increase access of rural communities to potable water supply, improve safe sanitation and hygiene practices, and increase road access to rural populations. Supporting work in a wide variety of grant topic areas, the PHRD program effectively responds to the needs of the developing world.

(b) Project Cofinancing Grants

New in FY04 is the PHRD Cofinancing Program, which was established as part of the PHRD TA program in FY04 with a US\$40 million allocation by the Government of Japan. Project cofinancing

Box 1. Project Cofinancing Grants Approved in FY04

- Armenia** - Health System Modernization Project - US\$1,250,000
- Azerbaijan** - Rural Investment Project - US\$3,300,000
- Georgia** - Rural Development Project - US\$4,500,000
- Indonesia** - Urban Sector Development and Reform Project (USDRP) - US\$5,000,000
- Indonesia** - Government Financial Management and Revenue Administration Project - US\$5,000,000
- Kyrgyz Republic** - Natural Disaster Mitigation Project - US\$1,950,000
- Kyrgyz Republic** - Agribusiness and Marketing Project - US\$4,750,000
- Lao People's Democratic Republic** - Road Maintenance Program (Phase 2) (APL) - US\$4,800,000
- Vietnam** - Vietnam Urban Upgrading Project - US\$4,839,000

grants support TA in low-income countries to strengthen institutional capacity for Projects funded by the World Bank. The grants meet the TA needs of qualifying countries where borrowing for TA may be unaffordable given budgetary constraints and borrowing limitations.

Exclusively available to IDA/IDA-blend countries and with a target of fifty percent of funds for Asian Countries, the Cofinancing Program funds grants designed to strengthen institutional capacity in order to facilitate the implementation of a Bank Operation's key policy reforms and good governance initiatives. The grants fund consultant services and local training, and, through the development of local capacity, facilitate the implementation of key policy reforms and good government initiatives under the project.

Cofinancing grants are limited to US\$5 million with about 25 percent of capacity building activity costs being financed by the World Bank and the borrowing country. The grants are to be exclusively recipient-executed.

In FY04, nine Cofinancing Grants were approved by the Government of Japan, amounting to a total of US\$35.4 million (see Box 1). Seven of the nine grants are working to support capacity building activities in Asian countries, amounting to a total of US\$29.6 million, or 84 percent of the Cofinancing portfolio. Each of these grants is described in detail in Chapter 2 and Annex 2 of this report.

(c) Implementation Grants

In FY04, the project implementation grants program was refocused to better address constraints or weaknesses that have hampered the implementation of ongoing World Bank-financed project activities. In the Japan PHRD Technical Assistance Grants Program FY04 Policy Guidelines and Program Allocation document, the scope of the grant program was narrowed to include only projects that improve the institutional capacity of the implementing agency that is to implement the Bank financed project. In the proposal template for the implementation program, applicants are asked to describe the project implementation issues and weaknesses that have hampered efforts by the implementing agency to carry out project activities, and to detail how grant activities address these constraints.



The PHRD Implementation grant for Uzbekistan, Rural Enterprise Support Project, supports the emergence of private sector initiatives. In this Uzbekistani workshop, "Tandir" ovens made from clay and grass are drying in the sun. Photo by Anvar Ilyasov.

Box 2. FY04 PHRD Implementation Grants In Focus

<p>Niger, Agro-pastoral Export Promotion Project, US\$200,000</p> <p>The Niger Agro-pastoral Export Promotion Project aims to boost Niger's agricultural and livestock exports by giving private sector enterprises and producers the tools for increased production and profitability. Project implementation, underway for almost three years, has suffered due to the extremely low capacity of project staff in project cycle management skills and the lack of capacity in the implementation of trade facilitation studies. The grant will finance assistance in project management, capacity building of project staff in carrying out export market and trade facilitation studies, and environmental and social evaluation.</p>	<p>Indonesia, Provincial Health Project II, US\$889,300</p> <p>The project aims to bring about effective health sector decentralization in the provinces of North Sumatera, West Java, and Banten by initiating key sector reforms and putting health financing on a firm footing, while protecting health services which are essential for the poor and the public at large during a period of government restructuring. Implementation experience has demonstrated that local capacities are insufficient to efficiently and effectively plan, manage and implement increased and expanded health sector activities. The PHRD Implementation grant is working to address the insufficiency of local institutional capacity on both a policy level, by developing strategic options to address the issues on a national level, and in a practical way, by supporting implementation of pilot activities in three priority regions of the country.</p>
<p>Honduras, Community-Based Education, US\$715,000</p> <p>The project aims to improve the quality of preschool and lower basic education (grades 1-6) in targeted rural areas in Honduras, including the improvement of the quality of intercultural and bilingual education in indigenous communities. Weaknesses in institutional capacity and internal organization have hindered efforts to fully implement the project and meet planned sector targets. The proposed grant would address the constraints by delivering key TA to decentralized units of the Ministry of Education and community- and school-based associations.</p>	<p>Congo (Republic of), Transparency and Governance Capacity Building, US\$665,500</p> <p>The development objective of the project is to increase efficiency and improve transparency and governance in i) petroleum operations; ii) financial operations of the Ministry of Economy, Finances and Budget; and iii) the Government's public enterprise reform and privatization process. The project lacks a comprehensive monitoring and evaluation (M&E) system which is hampering the implementation agencies' ability to monitor project progress. The PHRD Implementation grant is designed to develop the M&E instruments needed to ensure project success for better governance and transparency as well as project sustainability.</p>
<p>Uzbekistan, Rural Enterprise Support Project, US\$517,100</p> <p>The Rural Enterprise Support Project aims to i) increase profitability and productivity in the agricultural sector; ii) support the emergence of private sector initiatives; and iii) ensure sustainability of the agricultural sector through rehabilitation of irrigation and drainage systems and improved farm management. Delays in implementation due to lack of expertise of the implementing agency are being addressed by the PHRD Implementation grant. The grant will provide assistance to the Rural Restructuring Agency and will address the gap between the willingness of the commercial banks to provide advice about its credit application requirements to the prospective borrowers, current limitations in capacity of both the Rural Restructuring Agency and Rural Business Advisory Centers and the lack of necessary financial and business skills among the growing community of private farmers.</p>	

PHRD Project Implementation grants are available for IDA/IDA-blend and lower-middle income countries and support ongoing Bank operations under implementation for at least 12 months. The grants are designed to address particular weaknesses in the capacity of implementing agencies that were not identified during the preparation of the project and are detrimentally impacting the effectiveness of the operation. Grants rectify capacity problems, supporting new institutional capacity building activities and local training.

In FY04, eight project implementation grants amounting to US\$8 million were approved (see Box 2, featuring a selection of grants). The grants are being utilized in a variety of sectors, including human development, transportation, and multisectoral programs.

(d) Climate Change Initiative Grants

In FY04, the Climate Change Initiative Grants Program completed its third year of operation. The program was established in April, 2002 and provides grants to recipient countries' government entities to support the inclusion of climate-change concerns in the countries' development planning process. The grants also support the preparation and implementation of World Bank-financed projects that 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.



The PHRD Climate Change grant for Timor Leste will be used to carry out a gas seep harvesting project on the southern coast of Timor Leste. Photo by Alex Baluyut.

Box 3. PHRD Climate Change Grants In Focus

<p>Romania, Shelterbelts and Sustainable Agriculture, US\$603,570</p> <p>The grant will support the detailed design of a project that will establish approximately 2,000 hectares of forest shelterbelts on communal and individual land in eight counties of Romania (Calarasi, Constanta, Dolj, Galati, Giurgiu, Ialomita, Olt, Teleorman). The BioCarbon Fund will then purchase the Emission Reductions generated by this project.</p>	<p>Senegal, South Africa, Development of Carbon Finance Contracts, US\$982,300</p> <p>While new opportunities in carbon finance are emerging, the capacity to develop and implement carbon finance contracts in the Africa Region is still limited. As such, in order to facilitate the participation of sub-Saharan African countries in the global carbon market, this grant will support the inclusion of carbon finance capacity building and partnership development sub-components in a number of specific Global Environment Facility projects.</p>
<p>Timor Leste, Gas Seep Harvesting Community Development Carbon Fund (CDCF) Project, US\$274,065</p> <p>The grant will be used to carry out a gas seep harvesting project, sell carbon credits to CDCF, and invest proceeds in the development of power generation and distribution facilities to service remote rural villages on the southern coast of Timor Leste. The results will include methane emission reduction through generation at gas seep harvesting sites in Timor Leste and displacement of diesel power generation.</p>	<p>Uganda, Kenya, Capacity Building to Support Carbon Finance Transactions, US\$982,300</p> <p>The grant will enhance the ability of target countries to develop carbon finance proposals, evaluate project feasibility, measure baselines, and establish the financial and administrative processes required to enter into carbon mitigation and sequestration contracts. The project will also develop partnerships between relevant institutions (including community based organizations) and the private sector for the provision of TA and the establishment of joint strategies.</p>
<p>Albania, Community-Based Carbon Sequestration, US\$578,160</p> <p>The grant development objectives are for local communities to undertake pilot carbon sequestration activities eligible under the Kyoto Protocol contributing to i) the restoration of degraded lands, reduction of erosion and improved water quality, ii) poverty reduction through new income and sources of livelihood from carbon credits in the short run and from forest management in the long run and iii) an assessment of opportunities for scaling up carbon sequestration activities which could contribute to global climate change mitigation.</p>	<p>Philippines, Laguna de Bay Community Carbon Project, US\$358,450</p> <p>The grant will help develop an enabling environment for a carbon market for small-scale environmental interventions in the Laguna de Bay watershed, done through i) building the capacity of the Laguna Lake Development Authority as an intermediary to enable small-scale environmental projects to result in certifiable emission reductions, ii) piloting the implementation of carbon emissions reducing interventions that address priority environmental issues such as waste management and erosion reduction, and, iii) preparing a set of environmental projects from which emissions reductions credits could be purchased by the CDCF.</p>
<p>Brazil, Clean Development Mechanism (CDM) in Brazil, US\$979,300</p> <p>The overarching objective of the project is to reduce emissions, improve urban and rural environmental quality and reduce poverty in the Brazilian waste management sector. This will be accomplished by giving support to municipalities, the private sector, and NGOs working on waste management and other sectors all over Brazil by i) taking advantage of the potential for Clean Development Mechanism (CDM) and ii) at the same time, by building capacity, promoting studies and elaborating an improved database to promote sustainable development and reduce poverty in 100 major urban areas in Brazil. This latter objective will be obtained by emphasizing Integrated Municipal Waste Management Strategies to promoting better living conditions of scavengers and waste collectors.</p>	

The program takes a holistic approach to climate change, working at both the national level on areas of policy development and strategic planning and at the local level, supporting a variety of climate change initiatives and best practices including carbon sequestration, alternative fuel source development and helping to prepare large-scale energy efficiency operations. During the fiscal year, seven new Climate Change grants were approved, amounting to US\$4.8 million. These grants are detailed in Box 3.

(e) Special Grants

In FY04, two PHRD TA program Special Grants were awarded for a total of US\$3.3 million: a) the Comprehensive Capacity Building to Strengthen ODA Management in Vietnam grant for US\$2,785,200 is designed to help improve the institutional and legal framework for Official Development Assistance (ODA) management in Vietnam, and build necessary capacity to more effectively manage ODA projects and non-project aid modalities; and b) the 2004 TICAD Asia-Africa Trade and Investment Conference (TICAD: Tokyo International Conference for African Development), is also being funded with a US\$500,000 PHRD Special Grant. The Conference, scheduled to be held on November 1st and 2nd, 2004 in Tokyo, will bring together key players in



Official Development Assistance resources are used by Vietnam for socio-economic policy and institutional analysis and in support of its public expenditure program for human resource, institutional and infrastructure development. Photo by Tran Thi Hoa.

African and Asian private sectors, government officials, and International Organizations in order to i) share the knowledge on recent trends and the latest developments in trade and investment between Asia and Africa; ii) focus on the needs and requests from the private sector for reforms in government policies towards the promotion of trade and investment; iii) explore concrete government policies which will encourage private businesses by highlighting viable key sectors which have been identified during the preparation phase; iv) share the experience of trade and investment promotion in Asian countries that are in the development process; and v) provide a platform for networking between business people and policy makers.

1.2. FOSTERING HUMAN DEVELOPMENT

1.2.1. World Bank Institute (WBI)

The World Bank Institute (WBI) supports the World Bank's capacity enhancement (CE) agenda by providing learning programs and policy services in various thematic areas such as environment and sustainable development, poverty reduction and economic management, finance and private sector development and human development. WBI draws on and disseminates the World Bank's global knowledge and expertise by combining face-to-face and distance learning, including the Internet and videoconferencing, to reach policymakers as well as representatives from civil society. In FY04, WBI delivered 996 learning activities (a 40 percent increase from FY03) and reached more than 72,000 participants (23 percent increase from FY03). Eighty-three percent of clients gave their WBI programs an overall rating of useful or very useful. In order to better integrate CE into Bank operations and to enhance effectiveness,

WBI closely works with country teams to develop a strategic approach to CE in priority countries⁵ and with units of WBI's thematic teams to develop focused programs.

PHRD contributions play an important role in helping WBI meet its CE goals by supporting WBI activities that are aligned with Japan's development priorities and consistent with World Bank Country Assistance Strategies (CAS), reflecting the need to integrate CE programs with other development interventions. The PHRD-WBI Capacity Development Grants awarded by Japan in FY04 complemented this effort as the funding decisions were implemented with input from the Bank's operational units. Inaugurated in FY04, the Japan PHRD Capacity Development Grants Program will provide grants of up to US\$200,000 for WBI capacity development programs designed, developed, and delivered either solely by WBI or by WBI jointly with partner institutions. PHRD Capacity Development Grants to WBI are intended to support learning, knowledge-sharing and capacity building programs and activities that are aligned with Japan's development priorities and consistent with World Bank CASs. Approximately 80 percent of the total amount allocated for grants will be targeted for activities in countries of East, South, and Central Asia, with East Asia being the region of highest priority. Groups targeted by the capacity building efforts will include central and local Government officials and other agents of change, preferably at mid-levels, who are key figures in shaping and implementing policy decisions. The approved activities for FY04 for the WBI-PHRD program are shown in Table 2.

Table 2. WBI-PHRD Approved Activities, FY04

WBI Activity Title	PHRD Funding Amount
<i>Finance and Private Sector Development</i>	
Strengthening Financial Market Integrity in East Asia: Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT)	\$100,000
Improving Corporate Governance through Accountability and Transparency	\$190,000
Frontiers in Infrastructure Finance - EAP	\$150,000
Improving the Investment Climate in South Asia	\$190,000
Strengthening Urban Management (SUM) India	\$170,000
Indonesia: National Urban Capacity Building Program	\$160,000
<i>Environment and Sustainable Development</i>	
Environment and Natural Resources Program	\$175,000
Water Sector Reform and Institutional Capacity Building	\$185,000
Clean Air Initiative for Asian Cities (CAI-Asia)	\$75,000
Urban Environmental Management – Training Capacity and Partnership Building in China (Phase II)	\$140,000
<i>Human Development</i>	
Meeting Asia's Skills Needs for the 21st Century: Towards Accelerated Economic Growth	\$100,000
Social Protection and Risk Management Learning Program	\$100,000
<i>Poverty Reduction and Economic Management</i>	
Improving Parliamentary Oversight in Thailand	\$100,000
Capacity Building Program in Intergovernmental Fiscal Relations & Local Finance	\$100,000
Partnership for Excellence in Research and Policy Analysis at Bangladesh Bank	\$160,000
Vietnam World Trade Organization (WTO) Accession awareness raising	\$95,000
Capacity Enhancement in Poverty Analysis, Monitoring, and Evaluation in Asia	\$100,000

⁵ WBI FY04 Focus Countries: AFR: Burkina Faso, Chad, Ethiopia, Ghana, Kenya, Madagascar, Nigeria, Senegal, Tanzania; ECA: Bosnia & Herzegovina, Tajikistan, Russia, Turkey; EAP: China, Indonesia, Laos, Thailand, Vietnam; LAC: Brazil, Bolivia, Guatemala, Mexico; MENA: Egypt, Iran, Morocco, Yemen; SAS: Afghanistan, Bangladesh, India, Sri Lanka

State and Local Fiscal Management and Citizen-Centered Governance in India	\$100,000
Capacity Building for Responsive and Accountable Local Governance	\$170,000
Evaluation	
Enhancing Regional and Country Capacity in Monitoring and Evaluation	\$100,000
Regional Capacity Enhancement	
Design and Implementation of CE Strategy for the LAO PDR Country Program	\$190,000
Indonesia: Fiscal Decentralization	\$100,000
Total PHRD Funding in support of WBI Activities	\$2,950,000

Some of the country focus activities supported by PHRD grants include those in Bangladesh (Research and Policy Analysis), India (Urban Management, Local Governance), Indonesia (Urban Management, Fiscal Decentralization), Laos (Design and Implementation of CE Strategy), Sri Lanka (Intergovernmental Fiscal Relations), Thailand (Parliamentary Oversight, Poverty Analysis), Turkey (Local Governance), and Vietnam (WTO Accession). These activities support the implementation of the CE activities as part of operational work and strengthen WBI's contribution toward meeting CAS objectives.

1.2.2. The Joint Japan/World Bank Graduate Scholarship Program

The Joint Japan/World Bank Graduate Scholarship Program (JJ/WBGSP), sponsored wholly by the Government of Japan, provides opportunities for mid-career professionals from World Bank member countries to pursue graduate studies in development-related fields. The Program has two parts: the Regular Program and Program for Partner University Scholars. Since its establishment in 1987, the JJ/WBGSP has awarded 2,484 scholarships as a result of the processing of 45,000 applications for study at universities in member countries and awarded 745 scholarships for study at the various Partnership Program partner institutions. The Program sponsors scholars from Central Banks, ministries and civil service departments and institutions, including universities and schools, who actively participate in the development process in their countries. The World Bank and the Government of Japan require that scholarship recipients return to their home country after their studies. With an almost 80% rate of return to their home countries or to another developing country (4%), JJ/WBGSP scholars are utilizing the knowledge and skills received during their programs to contribute to development in their respective regions and countries

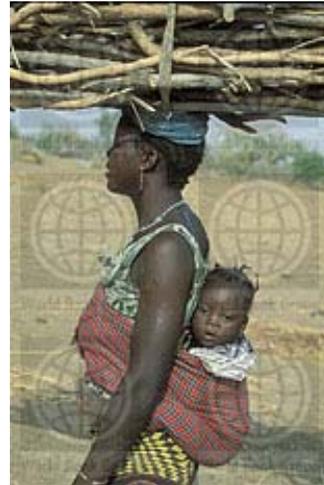
JJ/WBGSP Facts in Focus

In its first year, 1987, the program funded 31 scholars. Today the program is supporting 20 times more scholars each year. These recipients are studying development in diverse fields such as social development, NGO management and finance. A high percentage (61%) of scholars are from poor families and an increasing number are women.

In FY 2004, the Government of Japan contributed almost US\$14 million to the Joint Japan/World Bank Graduate Scholarship Program (JJ/WBGSP), a 12 percent increase from FY 2003 levels. In 2004, the Program awarded; i) 342 scholarships to scholars from more than 100 countries with emphasis on Low Income Countries Under Stress (LICUS), and WBI Priority countries; and ii) 52 scholarships to partner University Scholars.

For the Regular Program, from a pool of 3,461 applicants, Africa submitted about 63 percent of total applications followed by Latin America with 12 percent of total applications. Africa continues to receive the most scholarships (41%). Latin America received the next highest number of scholarships with 16%. East Asia followed with 15.5%.

The JJ/WBGSP supports eleven Partner 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 with an eye to achieving gender and geographic balance as in the Regular Program. In FY04, 52 scholars were selected as Partner University Scholars for a total of 119 active scholars during FY04 at partner Universities.



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 Côte d'Ivoire and Yaoundé II University in Cameroon and are of 15 months' duration, including a three-month internship. The Anglophone programs at Makerere University in Uganda and the University of Ghana at Legon are of 18 months' duration and also include a three-month internship. Both programs lead to Masters degrees in Economic Policy Management. Five additional partner 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 scholarships in that they are open only to scholars selected and supported by JJ/WBGSP. The partner 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 sponsors a maximum of 15 new scholars each year for the Harvard program. The program in Economic Policy Management at Columbia University lasts 14 months including the 3 months for an internship.

1.3. PARTNERING WITH THE INTERNATIONAL COMMUNITY

1.3.1. Japan and World Bank Partnership Program

The Japan and World Bank Partnership Program supports activities that build relationships between the Japanese and the Bank on key development issues, stimulate public interest in Japan for international development issues, and strengthen aid coordination through joint initiatives. Some examples of activities approved in the past include studies, research, and seminars jointly planned and/or implemented by Japanese institutions and the Bank (excluding those sponsored by WBI); conferences on development aid policies and aid coordination hosted by the Bank and conducted in Japan; and activities conducted by the Bank for the purpose of strengthening the development partnership between Japan and the Bank and for enhancing publicity of Bank activities among Japanese nationals, such as information disclosure and translation of Bank documents into languages for recipient countries and areas.

In FY04, Japan approved five Japan and World Bank Partnership Program grants for US\$12.1 million (see Box 4).

Box 4. Japan-World Bank Partnership Program Grants Approved in Fiscal Year 2004

Japan-WB Policy Dialogue Enhancement Support Fund - Phase II - US\$143,638

This PHRD Partnership Grant supports policy level interactions between the World Bank and Japanese stakeholders and organizations, including media, academics, parliamentarians and other major constituencies.

Japan-WB Partnership Program - Distance Learning Partnership Project - US\$3,785,000 + US\$5,123,000

The Tokyo Development Learning Center assists existing and new Development Learning Centers in the East Asia and Pacific Region to enhance their development effectiveness. This is a release of funds for the first and second tranches out of five potential tranches, to be released on an annual basis, subject to satisfactory implementation of the Project and following consultation and agreement between the Japanese government and the Bank. The first tranche was for US\$3,785,000 million and the second for US\$5,123,000

World Bank Annual Meetings Participation - US\$20,000

East Asia and Pacific Region Flagship Study for East Asia - Infrastructure Services Provision and Financing: Key Challenges and Policy Implications - US\$950,000

The objective of the flagship report on infrastructure services provision in the East Asia and Pacific region is to provide practical guidance to policy makers, Multilateral Development Bank, and donor agencies, on how to engage in infrastructure service provision and financing in light of the lessons learned from past experience. The unique value-added of the report is to review the region's infrastructure business at a key juncture.

Research and data activities related to the Millennium Project - US\$2,100,000

This grant is supporting the World Bank's efforts in conjunction with the UN and the Millennium Project, with the goal of strengthening data and research to analyze policy options and develop a plan of implementation for achieving the Millennium Development Goals.

1.3.2. Staff Grant Program

The Staff Grant Program, previously administered jointly with the Japan Consultant Trust Fund, finances the following types of appointments: (a) open-ended term appointments of Japanese nationals appointed to the Bank, with 100 percent of funding available only for the probationary period; (b) term appointments, with 50 percent support coming from the program; and (c) extended-term appointments for an initial period of one year, with 100 percent of funding available for the year. The Bank is required to hire staff according to World Bank rules, namely following a competitive process. The Staff Grants Program received US\$3.1 million from GOJ in new contributions in FY04. A total of six grants totaling about \$1.05 million were approved in FY04.

1.4. PROMOTING PARTICIPATION, SHARING KNOWLEDGE, AND MOBILIZING RESOURCES AT A GLOBAL OR CROSS-COUNTRY LEVEL

1.4.1. Consultant Trust Fund Program

The Consultant Trust Fund (CTF) program is funded by tied grants from 24 participating donor countries to support Bank work. In FY04, Japan allocated US\$9.7 million in existing PHRD funds to the program in addition to a US\$4.4 million new contribution. The CTF program provides resources that complement the Bank's own budget, financing consultants engaged by the Bank for activities carried out by the Bank in furtherance of the Bank's business. A "new" CTF program was introduced at the start of FY03 while the "old" program closed down as of June 30, 2003. The establishment of a New CTF Program forms part of the Bank's reform of selected Trust Fund Programs adopted by the Board of Executive Directors in February 2002. The CTF Program will now be phased out, with FY05 being the last year for the Bank to accept new trust fund contributions that impose nationality restrictions on procurement.

1.4.2. PHRD Contributions to Global Programs

In addition to its support to core PHRD Programs, in FY04 the PHRD Fund made allocations from existing funds to two global programs.

Cities Alliance was created to foster new tools, practical approaches and knowledge sharing to promote local economic development and make a direct attack on 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. 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. Japan allocated US\$1.0 million to the Cities Alliance in FY04.

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 called the 'Incubator Initiative' and 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 and Communication Technologies enabled enterprises in developing countries. Japan allocated US\$9.8 million to *infoDev* in FY04.

Chapter 2: A Renewed Focus on Building Borrower Capacity

"...it is essential for each country to create a good policy and institutional environment as well as to build capacity for the public sector."

Remarks by H.E. Sadakazu Tanigaki, Minister of Finance of Japan,
June 1, 2004.



2.1. PHRD CAPACITY BUILDING TARGETS: THE BUILDING BLOCKS OF EFFECTIVE DEVELOPMENT

Poverty is systemic, affecting individuals, communities, institutions and the policies and strategies that guide a society. Any effort designed to build the capacity of a developing country to alleviate poverty must also be systemic if it is to be effective. The Government of Japan and the World Bank are committed to equity, inclusion, and the transfer of skills, knowledge and experience to all levels of a developing society. The PHRD Fund, founded upon these principles, also recognizes the importance of building the capacity of individuals and institutions throughout a society as one of the key contributors to sustainable and effective development.

Government institutions are only as strong as the policies and strategies that guide their actions, the civil servants that staff them and, most importantly, the awareness and involvement of the people and organizations they represent - civil society. If a society is to effectively develop and implement a sustainable development plan, its people and organizations must have the skills, know how and opportunity to inform, participate in and guide the development process. Recognizing this, PHRD programs each target the capacity development of a specific segment of a developing society (see Figure 2).

Additionally, as the development process is a dynamic one which consists of several distinct phases (preparation and design, implementation and monitoring and evaluation) the PHRD Fund also supports grant programs targeting specific phases of the development cycle. The PHRD capacity building approach is holistic, targeting specific segments in a developing society while supporting their capacity development throughout the development cycle.

The PHRD Technical Assistance (TA) Program has been and continues to be a primary instrument for institutional capacity building and investment operation preparation 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 the PHRD. On average, TA Program Project Preparation grants awarded through the PHRD TA Program help prepare 45 percent of the projects in the Bank's pipeline.

PHRD TA Program Project Implementation Grants also have a strong capacity-building focus. Grants are available for IDA/IDA-blend and lower-middle income countries and support ongoing Bank operations under implementation for at least 12 months. The grants are designed to address particular weaknesses in the capacity of implementing agencies that were not identified during the preparation of the project and are having a detrimental impact on the effectiveness of the operation.

In FY04, two new PHRD-funded programs were launched, renewing and strengthening the PHRD Fund's focus on building borrower capacity. New in FY04 is the **PHRD Japan WBI Capacity**

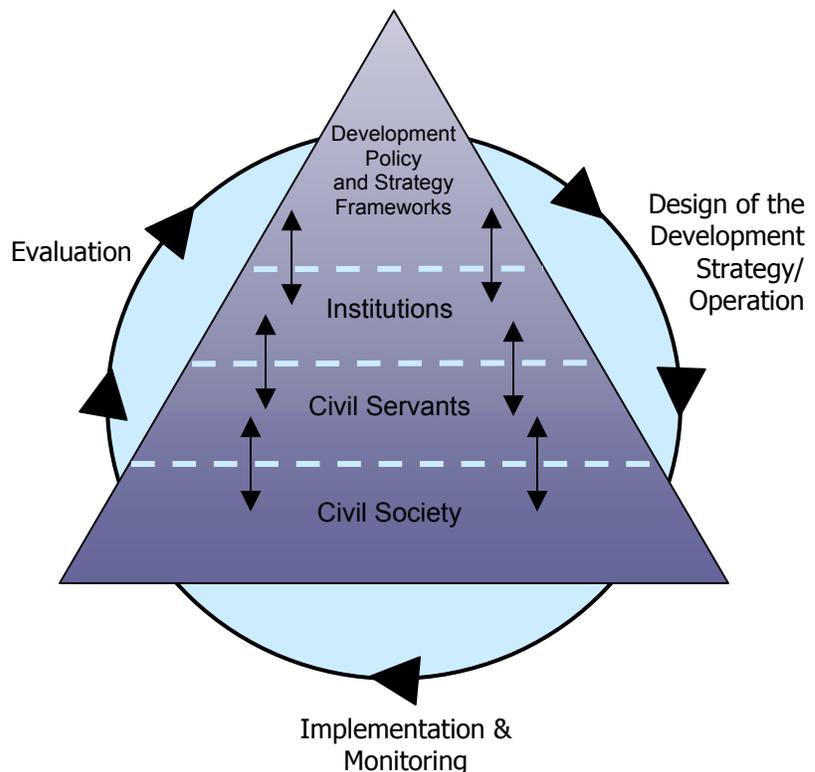
Development Grants Program. Administered by WBI, this grant facility will provide grants of up to US\$200,000 to support learning, knowledge-sharing and capacity building programs and activities that are aligned with Japan's development priorities and consistent with World Bank country assistance strategies.

Further strengthening Japan's commitment to capacity building and reducing poverty, the **PHRD Project Cofinancing Program** was launched in FY04 as part of the PHRD TA Program to address the capacity needs of borrowers currently undertaking a large-scale World Bank-financed operation through the provision of consulting services and training. This program, and its work in building capacity, is discussed below.

2.2. THE PHRD PROJECT COFINANCING GRANTS PROGRAM: PROMOTING SUCCESSFUL IMPLEMENTATION OF WORLD BANK-FINANCED DEVELOPMENT PROJECTS FOR THE POOREST COUNTRIES

The PHRD Cofinancing Program was launched in FY04 with a US\$40 million allocation by the Government of Japan. The program is available to IDA/IDA-blend countries, with a target of fifty percent of funds for Asian Countries. The Cofinancing Program funds grants designed to strengthen institutional capacity in order to facilitate the implementation of a Bank Operation's key policy reforms and good governance initiatives. The grants enable borrowers to contract TA

Figure 2. A Systemic Approach to Capacity Development



where borrowing for such assistance may be unaffordable given budgetary constraints and borrowing limitations.

Cofinancing grants are limited to US\$5 million with about 25 percent of capacity building activity costs being financed by the World Bank and the borrowing country. The grants are to be exclusively recipient-executed and can finance TA and consulting services.

In FY04, nine Cofinancing Grants were approved by the Government of Japan, amounting to a total of almost US\$35.4 million. Seven of the nine grants are working to support capacity building activities in Asian countries, amounting to a total of US\$29.6 million, or 84 percent of the Cofinancing portfolio. Two Cofinancing Grants amounting to \$5.75 million are assisting countries in the Eastern and Central Asia region to strengthen institutional capacity in the areas of health and rural development. Summaries of the nine Cofinancing grants approved in the first year of the program are provided below. More detailed Case Studies of each grant are included in Annex 2 of this report.

“...The grant has freed up resources from IDA to be used to maximize the physical interventions. The activities to be funded by the grant are absolutely essential for the IDA funds to be used well. It will allow the financing of a range of multi-disciplinary technical assistance activities to strengthen local capacity for the design of state-of-the-art modern solutions for the works on tailings and landslides as well as for agencies and communities to be better able to respond to disasters. Therefore, the output of the grant will go beyond doing the necessary tasks to implement a project, but will allow institutional development of Kyrgyz specialists.”

- Joop Stoutjesdijk, World Bank Task Team Leader

Vietnam Urban Upgrading Project Japan Cofinancing Grant: US\$4,839,000

To alleviate poverty in urban areas, the Vietnam Urban Upgrading Project is working to improve the living and environmental conditions of the urban poor through the use of participatory planning methods. As there is a severe lack of capacity in the areas of housing management, project management and participatory methods at both the central and local levels of Vietnam, the project is being supported by a \$4.8 million PHRD Cofinancing Grant. The grant will provide much needed TA and training to relevant government departments involved in land and housing management, work to enhance the lending capacity of loan providers and partners and facilitate the direct participation of project stakeholders in the development process.

Kyrgyz Republic Natural Disaster Mitigation Project Japan Cofinancing Grant: US\$1,950,000



During the Soviet period, 23 assorted tailing deposits (waste material from the mining industry) including uranium waste were developed, in close proximity to the Mailuu-Suu river. Many of these tailings are unsafe and potential landslides may threaten their structural integrity. Photo by Project Team.

The objective of the Natural Disaster Mitigation Project is to reduce the risk of radiation and water contamination due to the presence of hazardous mine tailings and loss of life from catastrophic landslide events. The PHRD Cofinancing Grant awarded in April, 2004 is supporting the acquisition of TA and training in support of the project in four main areas: the design of state-of-the-art modern solutions for urgent works on tailings and landslides; increasing planning, analysis, and training capabilities of various administrative levels; promoting public awareness and preparedness at local community levels to lessen the impact of natural disasters; and assisting the Government in securing additional resources (from donor

assistance) in order to solve all the landslide and tailings issues in the Mailuu-Suu area.

Kyrgyz Republic Agribusiness and Marketing Project
Japan Cofinancing Grant: US\$4,750,000

The US\$8.5 million Agribusiness and Marketing Project is designed to improve the efficiency and output of the agriculture sector of the Kyrgyz Republic. A \$4.8 million Cofinancing Grant is financing TA and training to increase the competitiveness of Kyrgyz agricultural and food production by focusing on the development of value chains for a select number of commodities. Grant activities are building the capacity of participating financial institutions through in-house training and TA.

Indonesia Urban Sector Development and Reform Project
Japan Cofinancing Grant: US\$5,000,000

The US\$95.8 million Urban Sector Development and Reform Project is designed to strengthen Indonesia's local governance capabilities and to improve urban services in order to enhance the quality of life of people in the participating municipalities, particularly the urban poor. The project supports strengthening local governance and improving urban services to improve the quality of life of people in the twenty target areas. To support the significant capacity building requirements of the project, a \$5 million PHRD Cofinancing Grant is providing TA and consulting services to help the local governments implement Financial Management Reform, Procurement Reform and to help local entities implement these reforms in an effective way.

Armenia Health System Modernization Project
Japan Cofinancing Grant: US\$1,250,000

The US\$13.8 million Health System Modernization Project aims to improve the organization of the health care system of Armenia to provide more accessible, efficient and sustainable health care services to the population, in particular to the most vulnerable groups. A PHRD Cofinancing Grant was awarded in April 2004 to support the TA and capacity building activities required to implement the Bank operation effectively. The grant includes five components, each tackling a particular area of the health system including health policy, regulation, health promotion, Primary Health Care, health monitoring and the rational purchasing of health services.

Azerbaijan Rural Investment Project
Japan Cofinancing Grant: US\$3,300,000

The US\$15 million Azerbaijan Rural Investment Project aims to increase rural household participation in the market in targeted regions of Azerbaijan. The project is employing a community-based approach to implementation, providing small scale rural infrastructure investments (US\$35,000 or less) based on priorities defined by the communities themselves. To help stakeholders identify, implement, and operate micro-projects, a \$3.3 million PHRD Cofinancing Grant is providing advisory services and training to communities, NGOs/community-based organizations, Regional Grant Approval Committees, and agriculture extension staff.

Indonesia Government Financial Management and Revenue Administration Project
Japan Cofinancing Grant: US\$5,000,000

The objective of the US\$60 million Government Financial Management and Revenue Administration Project is to strengthen integrity and efficiency in public financial management and revenue administration, through strengthening governance, accountability and transparency. A \$5.5 million PHRD Cofinancing Grant is providing the essential TA, through advisory services

and training, for strengthening institutional capacity in the Ministry of Finance and the line ministries in the areas of macro forecasting, budget preparation and budget execution/ oversight. Funds are also being provided to strengthen the capacity of the Budget Committee and sectoral commissions through local training, stakeholder forums, conferences and workshops.

**Lao People's Democratic Republic Road Maintenance Program
Japan Cofinancing Grant: US\$4,800,000**

The US\$25 million Road Maintenance Program is the second and concluding phase of the Road Maintenance Program for Lao PDR. As many of the capacity deficiencies of the sector were not sufficiently addressed in the first project, the project team applied for a \$4.8 million PHRD Cofinancing Grant. The grant will provide training and TA to help enable effective development, operation, maintenance and oversight of the new road management system. Areas of focus include TA for Road Management and Financing, Road Transport Management and Safety, Organization and Business Process Improvements, and Human Resource Development.

**Georgia Rural Development Project
Japan Cofinancing Grant: US\$4,500,000**

The US\$22.3 million Rural Development Project focuses on the need to strengthen and diversify sources of growth by removing remaining barriers to private sector development to achieve sustained growth. A PHRD Cofinancing Grant was awarded to support the TA and capacity building activities required to implement the Bank operation effectively. The Grant includes four components: develop capacity in agricultural marketing; strengthen rural finance services; institutional development of the State Land Registration Cadastre Agency to establish an efficiently operating agency; and strengthen the project management capacity of Bank counterparts to effectively manage the project.

2.3. CLOSING THE FINANCING GAP FOR TECHNICAL ASSISTANCE FOR PROJECT IMPLEMENTATION

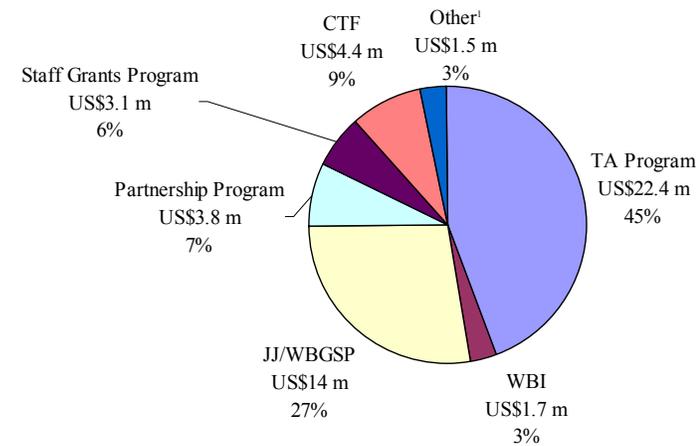
While it is too early to report on the impact of cofinancing grant funds, the program has been met with enthusiasm by Bank staff and grant recipients alike. The implementation process of a development operation can be the most challenging aspect of realizing development achievements but, due to limited resources, building the capacity necessary to manage the project effectively is not always recognized as a priority. The PHRD cofinancing program aims to address this weakness in the development process and to do so early on in the implementation cycle so the desired development outcomes can still be achieved.

Chapter 3: Financial Performance of the PHRD Fund by Program Fiscal Year 2004

In FY04, the Government of Japan continued its generous support of PHRD programs with replenishing contributions of US\$50.9 million over the full twelve months of FY04. This number excludes transfers to global and multilateral initiatives. This new contribution is a reduction from FY03, when contributions totaled US\$115.6 million.

Contributions were allocated across the variety of programs supported by the PHRD Fund which include the i) PHRD TA Program, ii) World Bank Institute (WBI) Training, iii) Joint Japan/World Bank Scholarship Program, iv) Japan/WB Partnership Program, v) Staff Grant Program, and vi) Consultant Trust Fund (see Figure 3).

Figure 3. FY04 New Contributions by PHRD Program, US\$50.9 million (millions of US\$ and by percent of total contributions)



¹ "Other" refers to Service Fees

Between July 1, 2003 and June 30, 2004, PHRD Program disbursements totaled US\$71 million compared to US\$59 million in the previous year. In FY04, in addition to the US\$50.9 million in new contributions, US\$20.5 million in existing funds were transferred from the PHRD Fund to three programs: the Consultant Trust Fund (CTF, US\$9.7 million in addition to a US\$4.4 million new contribution), the Cities Alliance Program (US\$1.0 million), and the Information for Development Program (*infoDev*, US\$9.8 million).



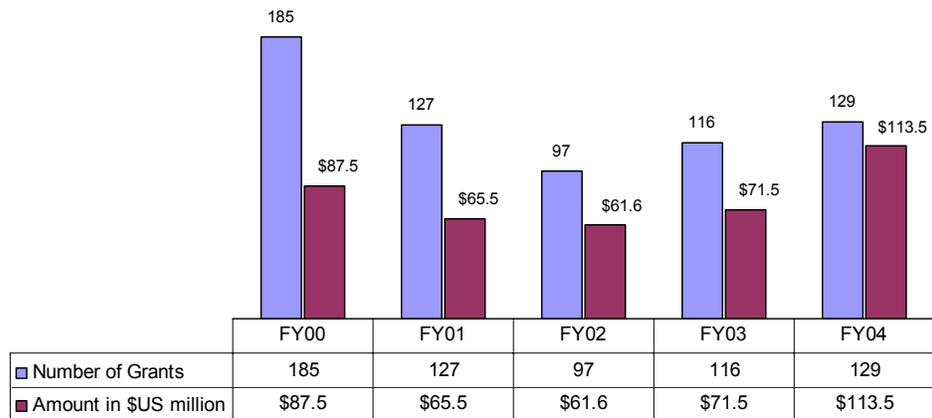
A PHRD Climate Change Grant is at work in Kiribati, where a dying pandanus forest in Tarawa atoll shows the potential impacts of climate change. A recent storm led to salinization of water sources, killing the main pandanus forest in Tarawa. Pandanus leaves are used to thatch roofs and the fruit is a subsistence staple food in Kiribati. Photo by Maarten van Aalst and Sofia Bettencourt.

3.1. TECHNICAL ASSISTANCE PROGRAM

In July 2003, the Government of Japan and the World Bank negotiated the FY04 Annual Policy Document which authorized US\$150 million to be made available for TA activities during FY04 (compared with US\$110 million for FY03). This amount included US\$40 million for the newly-launched Project Cofinancing window which was created to address the capacity needs of borrowers currently undertaking a large-scale Bank operation through the provision of TA. Replenishing contributions to the TA program by the GOJ were US\$22.4 million in FY04.

Three PHRD TA Program proposal submission Rounds were held in FY04, and 129 TA grants, totaling US\$113.5 million, were approved (Annex 1, List of Projects receiving grants). This reflects a sustained

Figure 4. Number and Amount of PHRD TA Grants Approved, FY00 – FY04 (number of grants and millions of US\$)

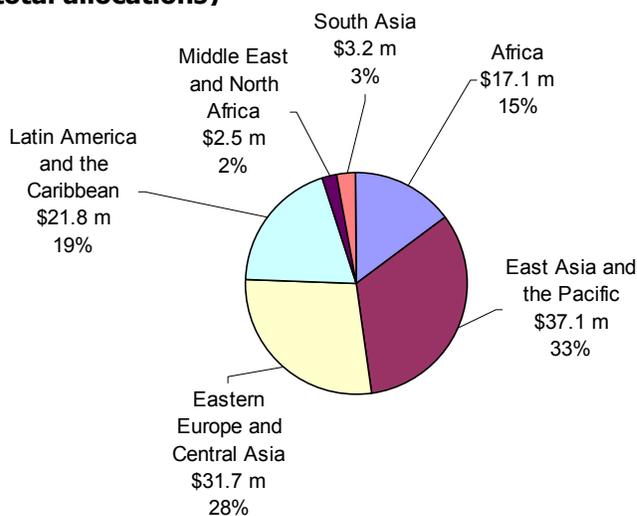


interest in the value of the program and a significant increase in funding in FY04 supporting lending operations (see Figure 4).

The Cofinancing window represents a large portion of this increase, accounting for US\$35.4 million of the total allocations for FY04. The popularity of the new window, and the overall increase in allocations over the last several years, highlights the PHRD program’s success in adapting and growing to better meet the needs of the developing world.

The quality of proposals continues to be high, increasing the percent of proposals approved in FY04 to 88 percent of 145 proposals submitted (up from 81 percent in FY03). The Cofinancing window started strong in its first year, with 11 proposals in FY04. Project preparation led with 108 proposals for the fiscal year.

Figure 5. Regional Distribution of Technical Assistance Grants by Total Allocations, FY04, US\$113.5 million (millions of US\$ and percent of total allocations)



In line with the Bank’s operational policy to encourage recipient-execution of grants, only one regular TA program grant approved in FY04 will be Bank executed. The grant that was approved for Bank execution was faced with a post-conflict situation with limited implementation capacity. One special grant will also be Bank executed.

In FY04, the East Asia and Pacific region had the largest share of PHRD TA grant allocations with US\$37.1 million (see Figure 5). Europe and Central Asia Region followed with US\$31.7 million. The Latin America and Caribbean region was third with US\$21.8 million. Details are provided in Box 5.

Box 5. At the Regional Level, Grants Mirrored the Overall PHRD TA portfolio

Africa – The Region had 24 grants totaling US\$17.1 million, and accounting for 15 percent of total FY04 allocations for the TA program. Five of these grants were specifically for the preparation of Poverty Reduction Support Credits. The region had two of the seven Climate Change grants for FY04, and several other grants focused on environmental issues. Grants also maintained a focus on Human Development and Multisectoral issues, covering topics such as health and education

Middle East and North Africa – The region had 6 grants totaling US\$2.5 million. Two of these grants went to Morocco for rural water and road related projects. Three of the other grants were for education

Europe and Central Asia (ECA) – Of the 32 grants for this region, totaling US\$31.7 million, five were for Cofinancing grants. ECA grants in FY04 emphasized Human Development and Multisectoral issues such as education and health. Two grants were for energy sector reform, while three focused on the rural sector. Fifteen countries in the region received TA grants in FY04.

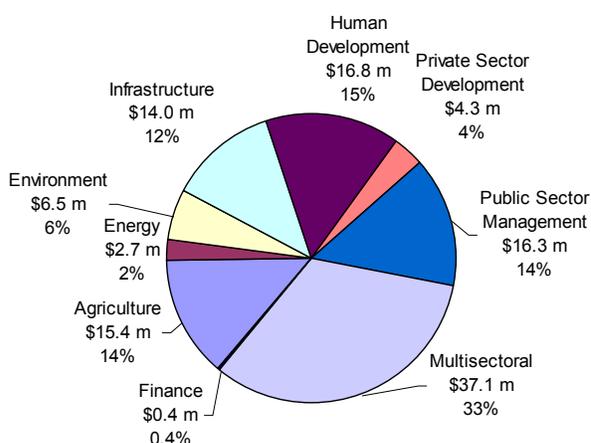
Latin America and the Caribbean (LAC) – The LAC Region had the highest number of grants of any region, with 36 TA grants. These grants, totaling US\$21.8 million, made the region the third largest recipient in FY04. The region focused on Human Development grants, with several for education and health related topics. LAC also had two land access grants and five follow-on projects on topics such as agricultural technology, water resources management and land administration.

South Asia – The South Asia region was awarded 6 grants for a total of US\$3.2 million. Three of these grants went to India for a rural water supply and sanitation Program, urban reform and slum upgrading. The remaining grants went to Sri Lanka, Nepal and Pakistan for projects in health, agriculture and housing reconstruction.

East Asia and the Pacific (EAP) – EAP's 25 grants, totaling US\$37.1 million, represented the largest portion of PHRD TA grants for FY04. The grants varied widely in sector focus, with projects for Urban Development, Health, Education, Transportation, and many more issues. The region had four Cofinancing Grants in FY04, accounting for nearly US\$20 million. Vietnam received 9 of the region's 24 grants, while Indonesia received 6.

As in FY03, multisectoral grants accounted for the largest percentage of PHRD TA grants in FY04, with a total of 32 grants and US\$37.1 million, or 33% of total allocations (see Figure 6). This high percentage is due in part to the fact that 5 of the 9 Project Cofinancing grants approved in FY04 are supporting multisectoral projects. The human development sector followed, with 28 grants amounting to US\$16.8 million, or 15% of total funding. TA program grants focused mainly on education, health, and social protection through projects in the human development sector, poverty reduction credits, and multisector rural development programs for the most disadvantaged populations.

Figure 6. Sectoral Distribution of PHRD Technical Assistance Grants by Total Allocation, FY04 US\$113.5 million (millions of US\$ and percent of total allocations)



Sector	Total		
	Number of Projects	Amount (US\$ million)	% of Total
Agriculture and Rural Development	19	\$15.4	14%
Energy	4	\$2.7	2%
Environment	10	\$6.5	6%
Infrastructure	14	\$14.0	12%
Human Development	28	\$16.8	15%
Private Sector Development	7	\$4.3	4%
Public Sector Management	14	\$16.3	14%
Multisectoral	32	\$37.1	33%
Finance	1	\$0.4	0.4%
TOTAL:	129	\$113.5	100%

3.2. WORLD BANK INSTITUTE

During FY04, Japan approved new funding of US\$1.7 million for WBI, which was supplemented by an uncommitted balance from previous contributions of US\$1.35 million to fund new and continuing education activities offered by WBI. The majority of the new allocation was earmarked for activities in FY05. The total PHRD allocation for WBI programs in FY04 was US\$5.27 million, of which US\$2.32 million was utilized to fund ongoing programs from previous fiscal years and US\$2.95 million funded new grants. This represented about 18 percent of overall available donor funds in WBI in FY04.

3.3. THE JOINT JAPAN/WORLD BANK GRADUATE SCHOLARSHIP PROGRAM

In FY04, the Government of Japan contributed US\$14 million to the Joint Japan/World Bank Graduate Scholarship Program (JJ/WBGSP), a 12 percent increase from FY03 levels. In 2004, the Program awarded 342 scholarships to scholars from more than 100 countries with emphasis on LICUS and WBI Priority countries. In addition, 52 scholarships were awarded through the Partnership Programs.

3.4. JAPAN AND WORLD BANK PARTNERSHIP PROGRAM

In FY04, Japan approved five Japan and World Bank Partnership Program grants for US\$12.1 million. New contributions of US\$3.8 million were provided by Japan for FY04.

3.5. CONSULTANT TRUST FUND (CTF) PROGRAM

The Consultant Trust Fund (CTF) program is funded by tied grants from 24 participating donor countries. In FY04, Japan allocated US\$9.7 million in existing PHRD funds to the program in addition to a US\$4.4 million new contribution.

3.6. STAFF GRANT PROGRAM

The Staff Grant Program completed its second year in FY04. For the fiscal year, new contributions to the Staff Grant Program were for US\$3.1 million. Six grants totaling \$1.05 million were approved in FY03.

3.7. JAPAN PHRD SUPPORT OF OTHER ONGOING PROGRAMS

In addition to its support of core PHRD Programs, in FY04 the PHRD Fund made allocations from existing funds to two global programs. The Cities Alliance received an allocation of US\$1.0 million from Japan in FY04. The Information for Development Program (*infoDev*), a multi-donor grant facility, received an allocation of US\$9.8 million from Japan in FY04.

Japan provides ongoing support for several other global programs. *The Critical Ecosystem Partnership Fund* (CEPF) is a partnership between the World Bank, the Global Environment Facility, Conservation International 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. Although CEPF received no new funding from Japan in FY04, Japan has a generous ongoing commitment of US\$25 million to the program.

The *Poverty Reduction Strategies Trust Fund* (PRSTF) is a multi-donor trust fund supporting capacity-building activities that strengthen the preparation and implementation of the Poverty Reduction Strategy Papers (PRSPs). The PRSPs are produced by client countries themselves and become the basis for debt relief under the HIPC Initiative and concessional lending by the Bank and IMF. The PRSTF was launched in November 2001 with pledges amounting to \$20 million from Japan and the Netherlands to be allocated over a four-year period. Cumulative grant approvals from program inception to the end of FY04 totaled \$12 million, and cumulative disbursements amounted to \$3.4 million. Donor contributions in FY04 were \$6.6 million. No new allocations were made from Japan in FY04.

Japan also has an ongoing commitment to the *Heavily Indebted Poor Countries* (HIPC) Debt Initiative. HIPC 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. Japan has a contribution agreement with HIPC for a total of US\$104 million. In FY03, Japan allocated US\$50 million from PHRD to the HIPC Trust Fund. No new allocations were made in FY04.

In 1996, Japan began its support for post conflict activities with a US\$50 million contribution through the Post Conflict Reconstruction Assistance Program to help in the reconstruction of Bosnia. In FY99, the Program became the *Japan Post-Conflict Fund* (JPCF). Since that time, Japan has approved grants through the JPCF for almost US\$100 million.

With the help of Japan, the Bank is working to build its own capacity to better serve clients, providing new tools to clients to improve PHRD communication and management processes. In FY04, work on the pilot *Recipient-Centered Monitoring System* (RCMS) for PHRD and Japan Social Development Fund (JSDF) grants continued. The design of this pilot RCMS, which will be integrated into the Bank's new Client Connection Web System, will be validated with implementing agencies during FY05 in the seven selected countries - Cambodia, Ethiopia, Indonesia, Pakistan, Peru, Sri Lanka and Yemen. Next steps for the RCMS project include: i) RCMS will be built into Client Connection; ii) the Japan Trust Funds Monitoring Unit (JTFMU) will fine tune the sample of pilot grants for RCMS and make sure that they are still relevant and appropriate; iii) JTFMU will complete documentation on RCMS; iv) JTFMU will plan missions to launch RCMS in pilot countries; v) RCMS pilot will run for six months to one year; and vi) the

RCMS pilot will be evaluated to consider launch to all Trust Funds. Japan is funding this ongoing effort.

Table 3. Financial Performance for the PHRD Fund, FY04 (thousands of US\$)

	Contribution	Allocation	Disbursement
TA Program	\$22,405.1	\$114,452.3	\$48,862.5
WBI	\$1,677.0	\$5,270.0	\$1,462.5
IJ/WBGSP	\$13,978.9	\$13,979.0	\$14,894.0
Japan/ WB Partnership	\$3,766.2	\$12,478.0	\$4,768.1
Staff Grant	\$3,098.0	\$1,051.0	\$1,247.5
Multilateral	\$4,402.0	\$32,746.6	\$0.0
Post Conflict	\$0.0	\$0.0	\$0.0
Service Fee	\$1,547.3	\$0.0	\$0.0
Total	\$50,874.6	\$179,976.9	\$71,234.6

Notes:

Allocations for the TA Program for FY04 include a transfer of US\$1 million to Cities Alliance.

"Multilateral" consists of the following non-PHRD funds: a) PRSP; b) *info*DEV; c) HIPC; d) CTF.

Allocations for Multilateral include transfers made to and from other trust funds. Details are as follows: US\$9,670,118.53 transferred to Non PHRD CTF; US\$ 9,807,488.89 transferred to Non PHRD *info*Dev; US\$13,269,000 transfer from the old CTF to the new CTF.

Chapter 4: Improving Implementation of Grants to Achieve Results: PHRD Simplification

The Policy and Human Resources Development Fund (PHRD) helps the World 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 impact of PHRD grants is high. However, due to some of the requirements associated with preparation of funding requests and subsequent management of the grants, the PHRD grant process takes on average 36 months from the time a grant proposal is approved to its closure.



The World Bank and the Government of Japan have taken steps to increase the impact of the PHRD Program by simplifying PHRD processing.

The World Bank and the Government of Japan have taken steps to increase the impact of the PHRD Program by simplifying PHRD processing. Although some simplifications have been introduced over the past couple of years, the major simplification initiatives will become effective in FY05.

The World Bank Concessional Finance and Global Partnership Vice Presidency (CFP) is working actively with others across the Bank on simplifying PHRD procedures for project preparation grants, with the goal of cutting the PHRD process time in half (down from a current period of 36 months). The aim is to address the sequencing problem and streamline the documentation requirements and procedures to enable operational units and clients to make more efficient and effective use of funds. The improvements are designed to: i) streamline the grant application and approval process; ii) reduce delays in grant start-up; iii) allow flexibility to accommodate change during the implementation period; and iv) simplify reporting and improve client support through the Bank's new "Client Connection" and "e-Trust Funds". The Client Connection website will allow government officials to access information related to all of their loans, credits, grants, and trust funds through a secure, password-protected website. The e-Trust Funds project will streamline and simplify trust fund procedures, embedding trust fund procedures in an automated work flow within a web browser.

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. The PHRD operational framework was revised further for FY04 to better reflect the priorities of the World Bank and Japan, and these efficiency gains helped the PHRD program gain recognition for its responsiveness. Furthermore, in FY04 many key simplification measures were designed in response to the Bank-wide effort to improve responsiveness; these measures were reflected in the FY05 PHRD Annual Policy Document (Annex 3) approved by Japan and are summarized below:

- *Simplified Proposal and Streamlined Review Process.* The current multistage clearance process to approve and activate a PHRD grant will be streamlined. A one-page PHRD Funding Proposal, which will become the basis for the Grant Agreement, will prevent start-up delays and allow flexibility during implementation.

- *Standardized Legal Agreement.* A legal agreement template will attach the one-page funding proposal approved by Japan, containing key information pertinent to the grant, to a standard Annex template. This will generate significant savings in clearances and redrafting by various units, eliminate many amendments, and facilitate review by the client.
- *Standardize Full Disbursements for Grant Expenditures.* For TA grants, there will be only two expenditure categories: i) consultant services; and ii) goods, training and operating costs. Both categories will be disbursed at 100%, with increased flexibility for reallocations, in accordance with the program guidelines. Full disbursements will also eliminate the financing gap and improve implementation results.
- *Strengthen Task Management and Reporting.* All task team leaders are now required to be trust fund accredited through the Trust Fund Learning and Accreditation Program (TLAP). As a result, the letter of undertaking, internal documentation formerly required from task teams on PHRD grants, has been eliminated.



Women in Uzbekistan working on looms making 'Hon Atlas' cloth, woven from silk, in a previously state owned workshop, now run as a private enterprise. Photo by Anvar Ilyasov.

- *Financial Management.* The application form itself will include an entry addressing the proposed audit approach. The financial management staff will undertake such assessment work as is necessary to advise the task team on the selection of the audit requirement: annual audit; single audit upon completion; or audit exemption.
- *Closing Dates.* In response to strong client and staff demands, PHRD preparation grants would be utilized up to six months beyond the project's Board approval date.
- *Simplified Reporting and Improved Client Support.* The PHRD team is working with the e-Trust Funds team and with the Client Connection team to streamline reporting requirements for trust funds in a friendly web-based environment, making information on Trust Funds easily accessible.
- *Procurement.* Accountability for preparation of the "Procurement Plan" will be directly to the Region's procurement staff, in accordance with the Procurement and Consultant Services Guidelines for grants over US\$1 million. For grants under US\$1 million, the Task Team is responsible for reaching a conformed understanding with the recipient of the basis for awarding contracts.

A Grant Process timeline was developed to highlight the impact these above-mentioned changes would have on the grant process. The timeline represents a 50% reduction in the Bank's process time for PHRD grants (see Figure 7).

Figure 7. Simplified PHRD Technical Assistance Grant Process Timeline

Steps	Activity	Duration	Timeline and Schedule of Activities										
			Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11
Phase I: PHRD Grant Application Process													
1	TTL develops PHRD grant application with recipients input.	5 days	→										
	TTL begins discussions on FM, disbursement, procurement and legal issues with relevant staff (capacity assessments, audit requirements, etc).	Completed before procurement begins.	→	→	→	→	→	→	→	→	→	→	
	Grant Disbursement Letter is prepared by Disbursement Officer.	Completed before step 9.	→	→	→	→	→	→	→	→	→	→	
	Development of Procurement Plan, TORs and preparation for the establishment of the special account can begin.	Completed before procurement begins.	→	→	→	→	→	→	→	→	→	→	
	Process to obtain grant recipient signature on grant application can begin.	Precondition to effectiveness.	→	→	→	→	→	→	→	→	→	→	
Phase II: Grant Application Review and Approval													
2	TTL Submits PHRD grant application for Bank clearances (Sector Manager, Country Director, Regional TF Coordinator, Country Lawyer)	5 days		→									
3	Country Director signs grant application and TTL submits PHRD grant application to TFO for review.	1 day			→								
4	TFO Reviews Grant Applications and TTL revises when necessary.	7 days			→	→	→	→	→	→	→	→	
5	TFO Submits Cleared Grants to Japan for Review.	1 day				→							
7	Japan provides decisions on grant application approvals.	3 - 4 weeks					→	→	→	→	→	→	
Phase III: Preparing for Grant Effectiveness													
8	TFO notifies TTLs, legal, disbursements, and procurement on list of grants approved by Japan. All documents should be final by this time.	1 day							→				
9	PHRD Grant Agreement Package to include Grant Legal Agreement and Disbursement Letter cleared by Country Lawyer and submitted to grant recipient.	1 day								→			
10	Client Signature on Legal Agreement requested.	10 weeks									→		

In addition, during consultations and brainstorming sessions with grant Task Team Leaders (TTLs), several issues were raised for later discussion and consideration. Amongst others, these ideas included:



- *Addressing capacity needs of the Implementing Agencies.* TTLs felt that Grant implementing agencies/ counterparts need training in how to implement a PHRD grant.
- *Financial Management Assessments.* Task teams felt that these are difficult exercises to undertake at such an early stage in the preparation process.
- *Reporting.* Operational staff would like simplified reporting requirements for PHRD.

The World Bank and the Government of Japan continue to make efforts to simplify and streamline PHRD. As some of the changes are quite significant, for these simplification initiatives to succeed, it will be important that all involved recognize the important role they have to play.

Annex 1: List of Approved FY04 Technical Assistance Grants

Africa Region		
Country	Grant Name	Amount
Africa Region	2004 TICAD Asia-Africa Trade and Investment Conference	\$500,000
Burkina Faso	Poverty Reduction Support Credit (PRSC) V	\$470,175
Burkina Faso	Agropastoral Product Diversification, Intensification & Market Development	\$500,000
Chad	Demobilization and Reintegration Project	\$437,300
Chad	Urban Development Project	\$960,000
Congo (Republic of)	Transparency and Governance Capacity Building	\$665,500
Ethiopia	Private Sector Capacity Building	\$750,200
Ethiopia	Poverty Reduction Support Credit II	\$763,585
Guinea	Village Communities Support Programs 2 (VCSP2)	\$986,100
Kenya	Programmatic Structural Adjustment Credit	\$498,500
Kenya	Poverty Reduction Support Credit (PRSC)	\$828,850
Madagascar	Integrated Growth Poles	\$991,275
Madagascar	Watershed Management Project	\$687,020
Madagascar	Poverty Reduction Support Credit 2	\$647,600
Mozambique	Vocational Training	\$695,700
Niger	Third Health Sector Support Project	\$470,899
Niger	Agro-pastoral Export Promotion Project	\$200,000
Nigeria	Urban Youth Employment and Empowerment	\$900,000
Rwanda	Poverty Reduction Strategy Credit 1	\$874,375
Senegal	Integrated Coastal and Marine Resource Management (GIRMaC)	\$522,200
Senegal, South Africa	Development of Carbon Finance Contracts	\$982,300
Uganda, Kenya	Capacity Building to Support Carbon Finance Transactions	\$982,300
West Africa	West Africa Road Transport	\$936,818
Zambia	Increased Access to Energy Services	\$852,000
Africa Region Total		\$17,102,697

East Asia and Pacific Region		
Country	Grant Name	Amount
Indonesia	Urban Sector Development & Reform Project	\$5,000,000
Indonesia	Governance Financial Management and Revenue Administration Project	\$5,000,000
Indonesia	Provincial Health Project II	\$889,300
Indonesia	Government Financial Management and Revenue Administration Project	\$797,800
Indonesia	Western Java Environmental Management Project/APL2	\$755,670
Indonesia	Higher Education for Competitiveness	\$586,250
Lao People's Democratic Republic	Second Road Maintenance Project (APL)	\$460,000
Lao People's Democratic Republic	Road Maintenance Program (Phase 2) (APL)	\$4,800,000
Mongolia	Index Based Livestock Insurance Project (IBLI)	\$358,865
Philippines	Laguna de Bay Community Carbon	\$358,450
Philippines	Mindanao Rural Development Project - Adaptable Program Loan Phase 2 (MRDP- APL 2)	\$987,684
Philippines	Manila Third Sewerage Project	\$976,000
Philippines	Comprehensive Agrarian Reform Communities Development Project	\$725,050
Timor Leste	Gas Seep Harvesting Community Development Carbon Fund (CDCF) Project	\$274,065
Timor-Leste	Transition Support Program IV: Policy Development and Pro-Poor Budgeting	\$441,475
Viet Nam	Urban Upgrading Project	\$4,839,000
Viet Nam	Mekong Transport Infrastructure Development Project	\$999,000
Viet Nam	Vietnam Customs Modernization Project	\$996,500
Viet Nam	Hanoi Urban Transport and Development Project	\$998,600
Viet Nam	Second Transmission and Distribution Project	\$540,000
Viet Nam	Financial Sector Modernization and Information Management	\$845,000
Viet Nam	Poor Communes Livelihoods and Infrastructure Program	\$996,475
Viet Nam	Coastal Cities Environmental Sanitation Project	\$1,210,300
Viet Nam	Second Payment System and Bank Modernization Project	\$444,250
Vietnam	Comprehensive Capacity Building to Strengthen ODA Management in Vietnam	\$2,785,200
East Asia and Pacific Region Total		\$37,064,934

Europe and Central Asia Region		
Country	Grant Name	Amount
Albania	Natural Resource Development Project	\$501,020
Albania	Community-Based Carbon Sequestration	\$578,160
Albania	Health System Modernization	\$499,500
Albania	Education Quality and Equity Project	\$509,000
Armenia	Health System Modernization Project	\$1,250,000
Armenia	Rural Economy Modernization Project	\$925,000
Armenia	Poverty Reduction Support Credit (PRSC)	\$620,000
Azerbaijan	Rural Investment Project	\$3,300,000
Bosnia-Herzegovina	Health Scale-Up Project	\$385,600
Bulgaria	Community Services Project	\$450,000
Croatia	Education Reform Project	\$766,150
Croatia	Sustainable Health System Project	\$425,000
Georgia	Rural Development Project	\$4,500,000
Kazakhstan	Second Urban Water Supply and Sanitation Project	\$749,150
Kazakhstan, Kyrgyz Republic, Tajikistan, and Uzbekistan	Central Asia Regional AIDS Control Project	\$889,300
Kyrgyz Rep.	Agribusiness and Marketing Project	\$4,750,000
Kyrgyz Republic	Poverty Reduction Support Credit	\$705,346
Kyrgyz Republic	Natural Disaster Mitigation Project	\$1,950,000
Kyrgyz Republic	Small Towns Infrastructure and Capacity Building Project	\$851,750
Kyrgyz Republic	Urban Transport Project	\$215,600
Moldova	Public Finance Management	\$534,526
Romania	Shelterbelts and Sustainable Agriculture	\$603,570
Serbia and Montenegro	Montenegro Education Development Project	\$379,555
Tajikistan	Community and Basic Health Project	\$500,000
Tajikistan	Ferghana Valley Water Resources Management Project	\$650,000
Tajikistan	Structural Adjustment Credit III	\$766,500
Tajikistan	Tajikistan Municipal Infrastructure Project	\$420,500
Turkey	Railway Restructuring Project	\$700,000
Turkey	Municipal Services Project	\$500,000
Turkey	Energy Liberalization Project	\$600,000
Ukraine	Energy Sector Reform Project	\$670,000
Uzbekistan	Rural Enterprise Support	\$517,100
Europe and Central Asia Region Total		\$31,662,327

Latin America and the Caribbean Region		
Country	Grant Name	Amount
Bolivia	Secondary Education for the Poor	\$436,975
Bolivia	Spatial Sustainable Development Project (Rural Space)	\$746,165
Brazil	Pará Rural Poverty Alleviation and Environmental Protection (Amazon State Program - Integrated Development)	\$696,900
Brazil	Support to the National Forest Program	\$805,000
Brazil	Programmatic Fiscal Reform Loan III	\$489,889
Brazil	Health Quality Improvement Project (QUALISUS)	\$747,808
Brazil	UBERABA - Enhancing Municipal Governance and Quality of Life	\$500,000
Brazil	Teresina: Enhancing Municipal Governance and Quality of Life	\$500,000
Brazil	Support to CDM program in Brazil	979,300
Colombia	Programmatic Fiscal and Institutional Structural Adjustment Loans III and IV	\$790,000
Colombia	Judicial Sector Development Project	\$750,000
Colombia	Disaster Vulnerability Reduction Program Phase 2 APL	\$923,500
Costa Rica	Port-City of Limón Integrated Infrastructure Project	\$335,000
Ecuador	Rural Productivity and Sustainability	\$607,000
Ecuador	Urban Poverty Reduction	\$604,250
Ecuador	Inclusion and Quality Education Project	\$305,720
Ecuador	Public Health and Social Security reform	\$631,000
Ecuador	Competitiveness	\$550,000
El Salvador	Land Administration Project II	\$549,500
El Salvador	Social Protection and Local Development (FISDL)	\$670,000
Honduras	Rural Infrastructure	\$700,000
Honduras	National Urban Integrated Development	\$450,000
Honduras	Community-Based Education	\$715,000
Honduras	Regional Development in the Copan Valley Project	\$400,000
Honduras	Access to Land Project : Capacity Building for Project Implementation	\$431,000
Mexico	Forest Environmental Services Project	\$515,000
Mexico	Water Resources Management Project II	\$500,000
Mexico	Higher Education Financing for Inclusiveness and Competitiveness (Mexico Student Loans)	\$642,730
Mexico	Quality of Education (PEC)	\$640,000
Mexico	Access to Land for Young Farmers	\$650,000
Nicaragua	Agricultural Technology Project APL II	\$556,000
Nicaragua	Health Sector Modernization Project (Second phase of an APL)	\$722,758
Paraguay	Strengthening Ministry of Finance	\$802,000
Paraguay	Paraguay Health II Project	\$592,700
Paraguay	Rural Sustainable Development	\$482,600
Peru	Regional Roads Decentralization	\$410,000
Latin America and the Caribbean Region Total		\$21,827,795

Middle East and North Africa Region		
Country	Grant Name	Amount
Iran - Islamic Republic of	Basic Education Project	\$380,000
Jordan	Regional and Municipal Development Project	\$517,000
Morocco	Rural Roads Project	\$500,000
Morocco	Rural Water Supply and Sanitation Project	\$323,300
West Bank and Gaza	Higher Education Project	\$275,000
Yemen	Technical Education & Vocational Training	\$553,600
Middle East and North Africa Region Total		\$2,548,900

South Asia Region		
Country	Grant Name	Amount
India	Uttaranchal Rural Water Supply and Environmental Sanitation (URWSES) Project	\$898,500
India	Support to Urban Reform Incentive Fund	\$597,440
India	Slum Upgrading and National Sanitation	\$710,490
Nepal	Agricultural Commercialization and Trade	\$355,250
Pakistan	Community Based Maternal and Child Health Project	\$244,000
Sri Lanka	North East Housing Reconstruction Project	\$440,000
South Asia and the Pacific Region Total		\$3,245,680

Annex 2: PHRD Cofinancing Grants Approved in FY04

Development Challenge: Vietnam's Urban Poor

- ❖ In 2000, an estimated 32% of the population was living below the poverty line.
- ❖ 15% of the poor lived in urban areas and this figure is rising as urbanization increases.
- ❖ Urban poor work primarily in the informal sector, which provides very low and unstable income.
- ❖ Infrastructure and living conditions are extremely poor with little access to clean water, sanitation, electricity, and critical social services.
- ❖ Housing settlements are of poor quality and create negative environmental consequences.



In Vietnam, the rapid rate of urbanization is a major issue contributing to urban poverty. Higher population densities will put additional pressure on already inadequate infrastructure services and make the situation in low-income areas even more grim.

Vietnam Urban Upgrading Project Japan Cofinancing Grant: US\$4,839,000

The objectives of the Vietnam Urban Upgrading Project (VUUP), a US\$228 million, 10 year project, are to alleviate poverty in urban areas by improving the living and environmental conditions of the urban poor through the use of participatory planning methods to facilitate more inclusive and pro-poor planning processes. The project is being carried out in Ho Chi Minh City and Can Tho in the south, and Haiphong and Nam Dinh in the north and includes seven distinct Components, each tackling a particular aspect of urban poverty in each of the four cities targeted by the project.

Vietnam Urban Upgrading Project Components

<p>Component 1: Community Upgrading Through Tertiary Infrastructure and Service Improvements</p>	<p>Depending on the needs in the specific communities, provide a multisectoral package of tertiary infrastructure and service improvements to include a combination of water supply, drainage, paved access, electricity, sanitation services, solid waste management, rehabilitation of markets and public toilet facilities, and social services such as health or education facilities.</p>
<p>Component 2: Complementary Primary and Secondary Infrastructure</p>	<p>Implement primary and secondary infrastructure works where necessary to complement the tertiary improvements at the community level (Component 1).</p>
<p>Component 3: Resettlement Housing</p>	<p>Apply design standards to minimize resettlement, for both the tertiary infrastructure upgrading component and for the trunk infrastructure. Appropriate resettlement sites will be located, and infrastructure provided to service these sites.</p>
<p>Component 4: Land and Housing Management</p>	<p>Provide TA, training and equipment for strengthening the decentralized administration of Building Ownership and Land Use Certificates (BOLUCs).</p>
<p>Component 5: Housing Improvement Loan Program</p>	<p>Provide access to credit to poor households to improve their houses in the project areas and strengthen the housing microfinance system to facilitate the provision of housing improvement loans to the urban poor.</p>
<p>Component 6: Capacity Building</p>	<p>Finance consulting services and goods/equipment to develop the capacity of the following targeted beneficiaries: i) Utility companies ; ii) District Authorities; iii) Communities; iv) Project Management Units; v) RAP and Environmental</p>

<p>Component 7: National Urban Upgrading Program</p>	<p>Monitoring; and vi) Implementing partners for the Housing Improvement Loan program.</p> <p>This component will provide TA to the Ministry of Construction to set up a National Urban Upgrading Program with the objective of improving the living and environmental conditions of low-income households in cities across Vietnam.</p>
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A US\$4.8 million PHRD Cofinancing Grant, awarded in February, 2004, is supporting the acquisition of TA in support of this project in four main areas:

Cofinancing Grant Component 1: Land and Housing Management

In support of component four of the project, the PHRD grant will provide US\$600,000 to finance the provision of TA, training and equipment to build the capacity of relevant government departments in land and housing management and in the issuance of BOLUCs. Expected outputs of this component include a proposal for i) establishing a land administration and housing management system, including the need for any supplementary cadastral maps or other data; ii) establishment of a networked system; and iii) training of government staff responsible for issuance of BOLUCs.

Cofinancing Grant Component 2: Housing Improvement Loan Program Component

In support of component five of the project, the grant will finance US\$739,000 for the provision of TA and training for partner organizations involved in the loans for housing improvement program. Capacity building efforts will enhance the lending capacity of the partners. Expected outputs of the grant component include: i) a high percentage of loan officers from five partner organizations trained in prudent micro-credit management principles; ii) local workshops conducted; and iii) adequate supervision of the component.

Cofinancing Grant Component 3: Capacity Building

The grant will finance US\$2,750,000 for the provision of TA and training to: i) the city/district/ward levels for participatory planning, design and implementation, and to improve operations and maintenance of the infrastructure financed; ii) to communities to organize more effectively to participate in the project; and iii) to the Project Management Unit (PMU) for project management and implementation.

Cofinancing Grant Component 4: National Urban Upgrading Program

This component of the grant will provide US\$750,000 for TA for the development of a National Urban Upgrading Program and will strengthen the capacity of the entities responsible for developing and managing such a program. Expected outputs will include publications, seminars and workshops and consultancy services.

Development Challenge: The Effects of Natural Disasters in the Kyrgyz Republic

- ❖ The Kyrgyz Republic is a very mountainous country and most of its population live in the foothills, areas vulnerable to the effects of natural disasters (landslides, floods, earthquakes, etc.).
- ❖ The full economic impact of natural disasters in the Kyrgyz Republic ranges between US \$2 million and \$20 million per annum.
- ❖ In addition to loss of life, important infrastructure is damaged, creating immediate economic impact.
- ❖ Hazardous waste stored in these areas is a tremendous threat in terms of radiation and water contamination.
- ❖ The Ministry of Ecology and Emergency (MEE) is responsible for emergency response and management and is severely lacking in capacity and resources to do its job effectively.

**Kyrgyz Republic Natural Disaster Mitigation Project
Japan Cofinancing Grant: US\$1,950,000**

The objective of the Natural Disaster Mitigation Project is to reduce the risk of radiation and water contamination due to the presence of hazardous mine tailings and loss of life from catastrophic landslide events. This objective will be accomplished through mitigation measures to address long-standing health hazards near abandoned mines in the Mailuu-Suu area, and increased safety measures and preparedness against landslides in major hazard areas of the Kyrgyz Republic. The proposed Natural Disaster Mitigation Project has two major components, with a third smaller component providing project implementation support.

Kyrgyz Republic Natural Disaster Mitigation Project Components	
Project Component 1: Priority Interventions for Mailuu-Suu	Finance interventions to decrease the contamination risks of waste tailings and decrease the risks of potentially damaging landslides in Mailuu-Suu. Activities include i) improving the stability of tailings embankments; ii) decreasing leaching of contaminating heavy metals and uranium from tailings; iii) river bank strengthening; iv) urgent landslide stabilization; and v) measures to restrict access to tailing areas.
Project Component 2: Strengthening the Institutional and Technical Capacity for Disaster Preparedness	Assist the Ministry of Ecology and Emergency (MEE) to develop and implement a monitoring and warning program at important potential disaster sites throughout the country, and assist with institutional development to improve the preparedness of the MEE to predict, analyze and respond to disasters. Activities include: i) provision of measuring and early warning devices, linked to Global Positioning Systems (GPS), to monitor the movement of major landslide areas and warn populations against excessive movement; ii) provision of water and soil monitoring equipment and development of emergency procedures in Mailuu-Suu; iii) development of awareness and educational programs, not only for the people in the potentially affected major areas, but also more broadly at country-level; and iv) provision of equipment and training to improve the institutional capacity in the MEE for disaster prediction, analysis, and evaluation.
Project Component 3: Support for Project Implementation and Long-term Investment Plan	Provide funding for the staffing and operation of a Project Implementation Unit. Consultants will be hired to design the long-term remedial options for the Mailuu-Suu tailings (e.g. relocation of deposits, tunneling of the Mailuu-Suu River, landslide stabilization, or controlled landslides).

The PHRD Cofinancing Grant awarded in April, 2004 is supporting the acquisition of TA in support of the project in the following main areas:

Cofinancing Grant Component 1: Priority Interventions for Mailuu-Suu

The PHRD grant is providing US\$700,000 for TA to strengthen capacity for the design of state-of-the-art modern solutions for the urgent works on tailings and landslides to be financed under the project's Component 1. The products developed during this consultancy will help the MEE design an appropriate strategy for priority hazard mitigation as well as build their capacity in the long term to effectively manage disaster response. Expected outputs of the component include modern norms and standards, designs for each of the interventions planned under the project, preparation of supervision reports reflecting the progress with construction works according to the approved designs, norms and specifications, progress reports and on-the-job training of Government personnel to properly use and maintain monitoring systems and early warning systems funded under the project.

Cofinancing Grant Component 2: Strengthening the Institutional and Technical Capacity for Disaster Preparedness

The component will finance US\$1,000,000 in institutional strengthening activities at various administrative levels to increase planning, analysis, and training capabilities, and promote public awareness and preparedness at local community levels to lessen the impact of natural disasters. Expected outputs include progress with development of planning and management practices in MEE for medium- and long-term mitigation activities to international best-practice standards; training and workshops; and an Emergency Response/Operations Center created and functioning in MEE to collect the disaster data and analyze and disseminate information, all aimed at better prediction of disaster occurrences.



Meeting with Project stakeholders. The PHRD Cofinancing grant is financing public awareness and preparedness sessions to lessen the impact of natural disasters. Photo by Project Team.

Cofinancing Grant Component 3: Support for Project Implementation and Long-term Investment Plan

This component will provide US\$250,000 to assist the Government in securing additional resources (from donor assistance) in order to solve all the landslide and tailings issues in Mailuu-Suu. Consultants would assist Ministry of Environment technical staff in carrying out technical surveys and investigations and determining all possible alternatives for long-term mitigation of the landslide and tailings problems before selecting preferred solutions.

Development Challenge: Poverty and Lack of Opportunity in the Kyrgyz Republic

- ❖ About half of the Kyrgyz population of 5 million live below the poverty line. The majority of the impoverished live in rural areas.
- ❖ Many of the inefficient Soviet-era factories have shut down and unemployment is widespread.
- ❖ Agriculture accounts for roughly 35% of GDP.
- ❖ As part of the agricultural growth strategy for Kyrgyzstan, stronger and more developed linkages need to be built between farms, downstream processing and marketing, and service providers.
- ❖ The problems to be dealt with are substantial; poor business environment, lack of entrepreneurial and business management skills, small farming structures and the lack of strong farmers' associations, poor access to credit, barriers to export development, and small size of the domestic market.

Kyrgyz Republic Agribusiness and Marketing Project Japan Cofinancing Grant: US\$4,750,000

The US\$8.5 million Agribusiness and Marketing Project aims to expand the level of activity of processing, marketing, and trade enterprises between the farm level and the ultimate consumer of agricultural and food commodities, increase the number and economic importance of producer organizations in agriculture, and to build trade linkages between producers and primary and secondary level trade organizations. The project includes two components addressing regulatory and policy issues affecting agro-food trade and commerce on a broad front while improving value chain linkages for specific commodities.

Kyrgyz Republic Agribusiness and Marketing Project Components

Component 1: Market Development

This component will provide successful models of value chain development that can then be expanded more broadly throughout the economy. The types of services to be provided under the component will include basic business and technical training programs, support to development of producer organizations, a matching grant program for commercial innovation, and the identification of relevant regulatory, policy, and infrastructure constraints impeding competitiveness.

Component 2: Access to Credit

Under this component a credit line will be extended with two objectives: i) to address the shortage of longer-term capital; and ii) to assist in the development of innovative working capital relations between processors and traders on one hand, and producers and suppliers of agricultural commodities on the other. Capacity of participating financial institutions will be enhanced through in-house training.

The PHRD Confinancing Grant is designed to address the TA and capacity requirements needed to implement the project effectively while creating lasting capacity. The grant consists of two components.

Cofinancing Grant Component 1: Market Development Component

This component will finance US\$4,300,000 of TA and training to increase the competitiveness of Kyrgyz agricultural and food production by focusing on the development of value chains for a select number of commodities. Expected outputs include training for a high number of enterprise staff, effective linkage of participants in identified commodity clusters, delineation of appropriate public sector support to enhance competitiveness, establishment of local expertise to carry on these consulting service and training activities after the close of the project, and appropriate supervision of component activities.

Cofinancing Grant Component 2: Access to Credit Component

This component will provide US\$450,000 to finance capacity building of participating financial institutions (PFIs) through in-house training in the specifics of agricultural lending, appraisal of financial and operational sustainability of investment proposals, including commercialization opportunities, and appraisal of the associated risks and setting of the margin. In addition, the grant will provide training to PFIs in: i) the use of price risk management mechanisms by those involved in agro-food supply chains and the role of banks in the operation of those mechanisms; and ii) the use of other financial mechanisms to support development of the agro-food sector of the economy, such as the use of supplier credit and warehouse receipts and/or other commodity-based financing programs. Expected outputs include a high number of credit officers in the participating financial institutions trained in agricultural lending, appraising and financing techniques, relevant staff of the PFIs trained in price risk management and advanced financing practices concerning the agricultural sector.

Development Challenge: Lack of Services for Indonesia's Urban Poor

- ❖ Indonesia has very low levels of urban service coverage, serious service deficiencies, and associated operational and maintenance backlogs.
- ❖ The urban poor, who constitute around half of the 86 million urban dwellers, suffer most from urban service deficiencies. Urban population rates are growing at approximately 4.4% per annum.
- ❖ The lack of basic infrastructure and deteriorating urban services has adversely affected economic performance, as the urban sector contributes nearly 70% of Indonesia's non-petroleum GDP.

Indonesia Urban Sector Development and Reform Project Japan Cofinancing Grant: US\$5,000,000

The US\$95.8 million Urban Sector Development and Reform Project is designed to strengthen Indonesia's local governance capabilities and to improve urban services in order to enhance the quality of life of people in the participating municipalities, particularly the urban poor. To achieve this goal, the project focuses on developing an enabling local institutional environment through reforms and investments, and creating new national facilities for supporting broad Urban Local Governments (ULGs) reforms and institutional strengthening.

The project supports strengthening local governance and improving urban services to improve the quality of life of people in the twenty participating ULGs and consists of two components:

Indonesia Urban Sector Development and Reform Project Components	
Component 1. Urban Investment	This component will finance prioritized urban investments in the areas of service delivery, environmental protection, poverty alleviation and local economic development. Specific investments will be identified through a local level strategic plan prepared through a participatory process.
Component 2. Urban Reform and Institutional Development	This component will support institutional governance reforms in the participating 20 ULGs. It will also help establish two new institutional entities, the i) Urban Institutional Development Facility (UIDF) and ii) the City Performance Rating System (CPRS), at the central level to support local government reform, strengthen their institutional capacities and monitor their performance. Finally, it will also iii) provide support to the central government to improve and strengthen the policy, regulatory and institutional frameworks with regard to decentralized implementation and local government strengthening.

The PHRD Cofinancing Grant is providing funding for TA and capacity building activities in support of the Urban Reform and Institutional Development component of the project. The grant activities can be categorized into three sub-components; financial management reform, procurement reform and institutional development and capacity building, for which the Grant will provide US\$5,000,000.

Cofinancing Grant Component 1: Financial Management Reform

This component provides TA and consulting services to help the local governments implement the Financial Management Reform in the following areas: i) Institutional and Legal Framework ; ii) Planning and Budgeting, (c) Budget Execution and Monitoring, and iii) Accounting and Financial Reporting Systems. Expected outcomes include a Training Module, Training of Trainers, Manual for Financial Management and adoption of the operational manuals and training modules at the local level.

Cofinancing Grant Component 2: Procurement Reform

This component provides TA and consulting services to help local governments implement Procurement Reform. Expected outcomes include a



In Indonesia, the urban poor, who constitute around the half of the 86 million urban dwellers, suffer most from urban service deficiencies.

training module, standard procurement regulations, information dissemination system and a procurement manual.

Cofinancing Grant Component 3: Institutional Development and Capacity Building for Other Key Urban Reforms

This component will help the participating ULGs implement other key urban reforms, particularly, Urban Poverty Reduction and Local Economic Development. Consultant services and training will be provided to ULGs in order to enhance institutional capacity to develop and implement the reforms in the above areas.

Development Challenge: Lack of Access to High Quality and Affordable Health Care Services in Armenia

- ❖ Although overall poverty is decreasing, 47 percent of the population of Armenia still lives in poverty.
- ❖ Mortality from several chronic diseases (such as hypertension and cardiac angina) has increased since independence.
- ❖ There is diminished access to health services and essential drugs that provide for secondary prevention of mortality from cardiovascular diseases as people do not use health services.
- ❖ Armenia public expenditures on health care amounted to 0.9% of GDP or 4.33% of total public expenditures in 2000, significantly lower than in countries with similar income levels and social indicators.
- ❖ There are marked inequalities in the utilization of health care services with only 18% of people in the low income group seeking care when sick, compared to 52% in the top income group.

Armenia Health System Modernization Project Japan Cofinancing Grant: US\$1,250,000

The US\$13.8 million Health System Modernization Project aims to improve the organization of the health care system of Armenia to provide more accessible, efficient and sustainable health care services to the population, in particular to the most vulnerable groups. The project has four components financing civil works, equipment, consulting services, and training. A nominal amount of funds will be used to support the operating costs associated with the components.

Armenia Health System Modernization Project Components	
Component 1. Family Medicine Based Primary Health Care Reform	This component supports further strengthening of institutional capacity for Primary Health Care (PHC) reform implementation in the Ministry of Health (MOH), academic institutions, financing agency, and family practitioner associations. Activities include modernizing family medicine and community nursing training programs, financing training opportunities for family physicians and nurses, expanding the PHC Development Program to improve the PHC infrastructure beyond the 81 communities supported under the first health project, and further development of family medicine relevant PHC guidelines.
Component 2: Hospital Network Optimization and Modernization	This component is designed to support the development and implementation of strategic restructuring plans for selected hospital network organizations. Activities include developing updated service, functional and business plans, upgrading remaining facilities and equipment, mitigation of social consequences from staff retrenchment, basic hospital management information systems to support the new management functions, and training of the management teams in selected hospital networks.
Component 3: Strengthening of Government	This component is working to strengthen the capacity of the MOH and its key agencies to perform its major functions of policy development and implementation

Capacity to Develop and Monitor Effective Health Sector Policies	monitoring, regulation and oversight of the health sector. It also supports strengthening governance and management structures of health care provider institutions and the oversight function of regional Government (marz) structures. Activities include developing core monitoring instruments, strengthening the legal and regulatory environment as well as institutional capacity conducive to improved supervision, accountability and management of public hospitals, improving public expenditure management in the health sector, and improving surveillance of HIV/AIDS and other public health threats by complementing the activities supported by the Global Fund to fight AIDS.
Component 4: Project Management	This component establishes a supportive structure for the strategic planning and operational management of the project within the MOH, the capacity for, and the actual monitoring and evaluation of the reform progress and outcomes within the MOH, organized information dissemination and consultation activities, and the operations of a project coordination unit supporting the MOH in the coordination and fiduciary aspects of the project unique to World Bank-financed projects.

A PHRD Cofinancing Grant was awarded in April 2004 to support the TA and capacity building activities required to implement the Bank operation effectively. The Grant includes five components, each tackling a particular area of building the capacity of the health sector.

Cofinancing Grant Component 1: Strengthening Government Capacity to Monitor Health Sector Policy -- Building Capacity for Health Sector Performance Evaluation

This component's US\$423,150 supports Component 3 of the Project by providing core instruments that are needed to inform decision makers in the process of health policy development and monitoring. Activities include the development of and training in a comprehensive set of health performance assessment methods, analysis of health status and health care utilization indicators constructed from routine administrative data, analysis of data from existing surveys or customized modules attached to such surveys, and conducting and analyzing additional surveys of health care users and providers. The outcome will be a series of periodic reports providing to the Government, politicians, media and the general public an objective diagnosis of the effectiveness, efficiency, equity and satisfaction dimensions of the Armenian health sector.

Cofinancing Grant Component 2: Hospital Network Modernization and Strengthening Government Capacity to Monitor Health Sector Policy -- Strengthening Health Sector Regulation, Governance and Management

This component of the grant is supporting Components 2 and 3 of the Project with US\$453,250 by improving the regulatory capacity of the MOH, strengthening central and regional Government (marz) oversight function and building up governance and management structures of hospitals. Support is being provided for i) local and foreign TA for development of cost accounting methodology for hospitals, review and drafting of health sector legislation, building up the licensing system for health care professionals and provider units, developing hospital waste management regulations and guidelines, and improving monitoring of provider performance by the MOH, and ii) local training activities for members of newly established hospital boards, hospital managers, staff of the MOH and health departments.

Cofinancing Grant Component 3: Strengthening Government Capacity to Monitor Health Sector Policy -- Improvement of Public Expenditure Management in the Health Sector

This component is providing US\$153,000 in support to the State Health Agency (SHA) for improving its capacity to use public funds efficiently for purchasing health care services. SHA staff

will be trained in health economics and finance, contracting, quality assurance, and use of IT applications. Technical work will be conducted to evaluate and improve contracting and payment mechanisms and basic benefit package design.

Cofinancing Grant Component 4: Strengthening Government Capacity to Monitor Health Sector Policy--Improve Surveillance of HIV/AIDS and other Public Health Threats

This component is designed to strengthen Government capacity to prevent and manage public health threats and modernize the organization of the public health services network. The following activities will be supported with US\$182,000: i) review of overall Public Health service organization and functioning and preparation of a plan for modernization of the network, in line with international best practices, ii) design and introduction of the behavioral surveillance system, supporting monitoring and evaluation of national strategies and programs for prevention and control of HIV/AIDS and major non-communicable diseases, and iii) local training of staff as part of institutional capacity building for a National Public Health Laboratories Reference Center, required for effective surveillance of HIV/AIDS and associated infections.

Cofinancing Grant Component 5: Family Medicine & Primary Health Care -- Strengthening Institutional Capacity for training of Family Doctors and Family Medicine Nurses

This component will strengthen capacity for the establishment of the clinical training infrastructure to meet the needs for the high volume of the proposed training/ retraining. This grant component co-finances activities included in Component 1 of the project. It will provide US\$38,000 in support to faculty development for re-training centers of Family Doctors and Family Medicine Nurses in Yerevan and regions (marzes). The grant will finance local training of trainers of primary care physicians and nurses.

Development Challenge: Restoring Rural Access to Public Services, Infrastructure and Opportunity to Azerbaijan’s rural poor.

- ❖ Four million people, fifty percent of the population of Azerbaijan, live in rural areas.
- ❖ Agriculture contributes 18 percent of GDP and employs 41 percent of the workforce (Year 2000 figures).
- ❖ After independence, traditional export markets were lost causing a severe economic crisis in the sector.
- ❖ Rural populations experienced a rapid decline in public infrastructure and service provision and a decrease in living standards.
- ❖ Limited access to resources and weak capacity of local governments and communities represent major constraints to rehabilitating rural infrastructure.

**Azerbaijan Rural Investment Project
Japan Cofinancing Grant: US\$3,300,000**

The US\$15 million Azerbaijan Rural Investment Project aims to increase rural household participation in the market in targeted regions of Azerbaijan. The project is employing a community-based approach to implementation; providing small scale rural infrastructure investments (US\$35,000 or less) based on priorities defined by the communities themselves. The Project includes three Components:

Azerbaijan Rural Investment Project Components	
Component 1:	This component includes the identification, design, construction, rehabilitation, operation and maintenance of rural infrastructure, based on the priority needs identified by

Economic Infrastructure	communities. Potential investments include basic infrastructure (e.g., rehabilitation of secondary roads, water systems, electricity transformers), agricultural infrastructure (e.g., small scale storage, processing, and marketing facilities), and local natural resource management (e.g. erosion control, forestry, pasture management). The average size of each investment is expected to be US\$35,000.
Component 2: Capacity Enhancement:	This component will help to create the required capacity of all involved stakeholders (communities, NGOs/CBOs, Regional Grant Approval Committees (RGACs), and agriculture extension staff) to identify, implement, and operate micro-projects through advisory services and training. This component will also develop the capacity of the Project Management Unit (PMU) and four Regional Implementation Units (RIUs) to appraise and supervise the microprojects.
Component 3: Project Management	This component finances the administrative and operational project implementation and management costs, including hiring and training of qualified personnel to undertake procurement, disbursement, financial management, as well as reporting, monitoring and evaluation. Project management staff will be responsible for appraising micro-projects submitted for financing by rural communities in a manner consistent with Bank standards for community driven development projects. This component also funds the development and use of a management information system.

The project was awarded a PHRD Cofinancing grant in May, 2004 to support the effective implementation of the capacity enhancement Component of the project. The grant includes one component for a total of US\$3.3 million.

Cofinancing Grant Component 1: Capacity Enhancement

This TA will help to create the required capacity of all involved stakeholders to identify, implement, and operate micro-projects through advisory services and training. The TA will also develop the capacity of the PMU and four Regional Operations Offices (ROOs) to appraise and supervise the microprojects. Outcomes of this component will include advisory services and training for project beneficiaries in approximately 600 villages and for the project management team at the PMU and four ROOs.

Development Challenge: Lack of Effective and Transparent Financial Management in Indonesia

- ❖ Indonesia's transition has made solid progress in economic policy-making, yet little progress on governance issues.
- ❖ Weak public institutions, corruption, and lack of transparency and accountability continue to hamper reform and development.
- ❖ Fragmented and overlapping structures in the MOF have been identified as a major constraint on sound Public Financial Management in Indonesia (IMF reports of April and September 2003), with inadequate focus on aggregate fiscal discipline, good resource allocation and reliable fiscal reporting.

Indonesia Government Financial Management and Revenue Administration Project Japan Cofinancing Grant: US\$5,000,000

The objective of the US\$60 million Government Financial Management and Revenue Administration Project (GFMRAP) is to strengthen integrity and efficiency in public financial management and revenue administration by strengthening governance, accountability and transparency. The project includes five components, two of which are being supported by the PHRD Cofinancing grant.

Indonesia Government Financial Management and Revenue Administration Project Components

<p>Component 1: Public Financial Management</p>	<p>This component of the project will support the efforts of the MOF to reform public financial management, and strengthen the effectiveness, transparency and accountability of government spending. Activities include providing support for improving budget formulation and execution systems; finalizing and installing appropriate budget classification structures; adoption of cash planning routines and systems; strengthening cash and debt management capacity; and strengthening budget reporting and oversight. This component also aims to finance the modernization of the treasury payment system (followed by the design and implementation of an integrated financial management information system), establishment of a Treasury Single Account; payment system reforms including automation of payment processes; and modernization of fiscal risk management systems.</p>
<p>Component 2: Tax Administration</p>	<p>This component of the project will finance key elements of the reform strategy such as implementation of new technologies and systems to support the new taxpayer service and enforcement programs (e.g., telephone call centers), new organizational arrangements (e.g. enhanced taxpayer services units in field offices), new types of services, staff training facilities/centers, oversight and reporting mechanisms, and integrity systems.</p>
<p>Component 3: Customs Administration</p>	<p>This component will finance the design of a medium-term reform strategy based on reducing opportunities for corruption, facilitating trade, combating under-valuation and enhancing transparency and accountability to stakeholders. The implementation of key elements of this strategy will also be financed, including those relating to modernization of information technology systems and processes; upgrading the skills and capacity of customs staff and rationalization of incentives; upgrading customs training facilities; trade facilitation; and establishment of a valuation database.</p>
<p>Component 4: Legislative and Other External Oversight Mechanisms</p>	<p>This component will provide capacity building TA to the Parliament's Budget Committee, sectoral commissions and parliamentary staff so that the legislature can play its mandated role in budget formulation, reporting and oversight processes. This component is also envisaged to finance the development and implementation of a monitoring and evaluation (M&E) system as a critical tool for providing evidence of results and for using this information in policy, program and budget decisions.</p>
<p>Component 5: Project Implementation, Coordination, Monitoring and Evaluation</p>	<p>This component will finance essential project implementation costs such as consultants to assist MOF staff (e.g. for project management, coordination, procurement, financial management and disbursement); training of MOF staff; essential equipment, hardware and software; and incremental operating costs.</p>

Cofinancing Grant Component 1: Public Financial Management

This component of the grant will provide US\$2,000,000 for the essential TA, through advisory services and training, for strengthening institutional capacity in the MOF, BAPPENAS, and the line ministries in the areas of macro forecasting, budget preparation and budget execution/ oversight. The TA will include the holding of stakeholder forums and local workshops, developing partnerships with think tanks, Non-Governmental Organizations (NGOs), and Civil Society Organizations (CSO), development of training curriculums for MOF, BAPPENAS and line ministries and the implementation of training programs.

Cofinancing Grant Component 2: Legislative and Other External Oversight Mechanisms

The TA provided by this US\$3,000,000 component will strengthen the capacity of the Budget Committee and sectoral commissions through local training, stakeholder forums, conferences and

workshops. Partnerships with think tanks are envisaged to be developed, as well as partnership arrangements with similar legislative bodies, e.g. those of Japan, the Philippines, and one or two other countries.

Development Challenge: Improving the Safety and Administration of Road Transport in Lao People's Democratic Republic

- ❖ The Government has made a strong start towards achieving sustainable maintenance of the road system including the establishment of the Road Maintenance Fund (RMF). The Government currently meets an estimated 45% of road maintenance needs, of which nearly one third is sourced from the RMF, mainly for national roads.
- ❖ More is needed for improving the safety and administration of road transport. The RMF is growing slowly and effort is now required to establish and achieve a sustainable level. A capacity-enhancement program which aims to achieve a sustainable maintenance management and financial management systems for the entire network is needed.

Lao People's Democratic Republic Road Maintenance Program (Second Phase)

Japan Cofinancing Grant: US\$4,800,000

The US\$25 million Road Maintenance Program (Second Phase) is the second and concluding phase of the Road Maintenance Program. The Program will expand the operation of financing and management systems for the sustainable maintenance of the road networks to all 18 provinces/zones countrywide, based on the successful experience of initiation and piloting under the first phase. The development objectives of the program will be i) national and local road assets are preserved to provide sustainable improved travel and access for road users and communities in most areas countrywide; and ii) sustainable financing and management of roads are operational countrywide with improved institutional capacity at central and local levels in the public and private sectors. The project includes three components.

Road Maintenance Program Components	
Component 1: Preservation of the Road Networks	This component will support a portion of four Annual Work Programs (AWPs) for periodic maintenance and routine maintenance on the National Road network countrywide and on selected parts of the Local Road network in all Provinces/Zones countrywide.
Component 2: Capacity Building	This component will support the strengthening of capacity in two core business functions and of institutional capacity at national and sub-national levels, through: i) Road Management and Financing - the implementation of sustainable procedures for planning, budgeting and implementing maintenance work programs; ii) Road Transport Management and Safety - Improvements to road transport administration, expanding the heavy traffic management program of overloading control through the operation of new weight control facilities built under RMP-1, and development and implementation of a program of road safety improvements; and iii) Institutional Capacity Building
Component 3: Project Administration	This component will support: i) improvements to project monitoring, including project management, reporting, and environmental and social safeguards; ii) incremental operating costs from project-related activities, on a declining basis; and iii) financial and technical audits.

A PHRD Cofinancing Grant was awarded in June 2004 to support the TA and capacity building activities required to implement the Bank operation effectively. The Grant includes five components, each tackling a particular area of building the capacity of the health sector.

Cofinancing Grant Component 1: Road Management and Financing TA

This component will provide US\$900,000 for consultant services to support: i) operation of the new road management system; ii) interfacing and coordination with the management procedures for district and rural roads; iii) strengthening the operation of the central Road Maintenance Fund through improved business processes, increased cost recovery and user awareness, alignment with policies on heavy transport control and international trade regulation, and support for scaling up the operation to become the primary vehicle for managing central and foreign-assisted expenditures on road maintenance.

Cofinancing Grant Component 2: Road Transport Management and Safety TA

This component will provide US\$1,100,000 for consultant services to: i) support Ministry and Provincial Departments of Communications, Transport, Post and Construction (MCTPC) and Provincial Departments (DCTPC) to update and integrate the existing system of computerized vehicle registration and driver licensing and its expansion to the provinces; ii) assist MCTPC and DCTPCs to review and update the Heavy Transport Management strategy, and implement various operations; and iii) facilitate mainstreaming of road safety audits, and development and implementation of community road safety education and awareness programs, especially in project-work areas.

Cofinancing Grant Component 3: Organization and Business Process Improvements TA

With US\$1,400,000, this component will finance consultant services to: i) assist the decentralization of road transport sector functions and their organizational structures at national, provincial, and district levels; ii) facilitate improvements to the effectiveness and efficiency of MCTPC and DCTPC's in their core and support functions; iii) develop and implement improved business processes in MCTPC and DCTPC's for key support functions; iv) support and integrate improved business processes for core functions developed under other components; iv) develop related software and tools for the support functions; v) plan and coordinate the installation of computer hardware and communication networks; and vi) develop and facilitate a program for strengthening the road construction industry, engineering profession and increasing privatization.

Cofinancing Grant Component 4: Human Resource Development

Costing US\$1,400,000, this component will provide for the delivery of training and developmental activities for public staff and the private sector in roads and transport, through public and private organizations under a structured, results-oriented program of capacity-building in key learning areas.

Development Challenge: Increasing Agricultural Production and Marketing in Georgia

- ❖ The agriculture sector in Georgia is mainly composed of small-scale subsistence farmers producing food for family consumption and a small surplus for the market. Their productivity is low because of outdated technology, low-intensity production systems, limited capital for farm inputs and investment, and lack of reliable irrigation water supply.
- ❖ The incentive for farmers to increase marketed surpluses is weak, as marketing infrastructure for most agriculture products is poorly developed and assembly systems are inadequate.
- ❖ Georgia has the potential to become a net exporter of agricultural products, but for the most part has been unable to produce the quality and quantity necessary to gain secure and profitable market access.

Georgia Rural Development Project Japan Cofinancing Grant: US\$4,500,000

The US\$22.3 million Rural Development Project focuses on the need to strengthen and diversify sources of growth by removing remaining barriers to private sector development to achieve sustained growth. The project would promote sustainable growth by strengthening the marketing/supply chains of high potential agricultural commodities, improving the supply of financial services in rural areas by strengthening rural credit finance institutions, and strengthening the capacity of key public institutions with the view to facilitating the development of land, capital, output and input markets and quality control systems. As the selected rural areas for project implementation are extremely poor, the project also supports the broader objective of poverty reduction. The project includes four components.

Rural Development Project Components	
<p>Component 1: Capacity Building in Agricultural Marketing</p>	<p>The marketing component aims to support the efficient development of marketing/supply chains for commodities that have a demonstrated market potential with the view to expand profitable domestic or export market opportunities. The project will work with all agents and donor programs active in the marketing/supply chain to identify commodities and marketing chains that have demonstrated market potential, determine the factors that limit the ability to realize this potential (at all points and with all agents in the marketing chain), and to develop business and investment plans to address these constraints. The project will provide TA for identifying market potential and developing market outlets, and to agro-processors and farmers associations for developing strategies for strengthening their capacity to respond to markets.</p>
<p>Component 2: Rural Finance Services</p>	<p>This component will support adequate short and long term credit for farmers, processors and agribusiness enterprises involved in agricultural marketing chains. The project will provide two credit lines; one through commercial banks for investment and working capital for large loans, and the second for provision of small working capital loans for small farmers and traders through existing credit unions or micro finance organizations. Through this component the project will also strengthen the capacity of rural financial institutions to appraise and manage loans for production, agro-processing and agribusiness; promote more appropriate loan products and collateral instruments; and provide matching grants for the establishment of new non-bank financial institution rural branches.</p>
<p>Component 3: Institutional Development</p>	<p>This component will support Stage II of the process to develop Land Registration and Cadastre. Stage II will involve the establishment under the Law on Legal Entities under Public Law of an independent self-financing State Land Registration and Cadastre Agency (SRC). The project will provide support for Sanitary and Phytosanitary Control in Georgia in the following areas: Legal Reform; Phytosanitary Control and Seed and Seedling Regulation; Veterinary Services; and Food Safety.</p>
<p>Component 4: Support to Project Management Unit</p>	<p>This component will support the strengthening of the capacity of the project technical unit and project coordination unit to manage day-to-day project activities and coordinate work with governmental departments. It will support activities related to project's monitoring and evaluation.</p>

A PHRD Cofinancing Grant was awarded to support the TA and capacity building activities required to implement the Bank operation effectively. The grant includes four components.

Cofinancing Grant Component 1: Capacity Building in Agricultural Marketing

This component will provide US\$1,500,000 under the Agricultural Marketing Component of the project to finance training and TA for all agents along the supply chain in identifying market potential and developing market outlets. Further training and TA will be provided to processors, traders and farmers associations in basic financial management, development of business plans and strategic management. Special attention will be given to train producers and processors in quality control and supply management.

Cofinancing Grant Component 2: Rural Finance Services

This component will provide US\$750,000 for consultant services to provide training and TA to participating banks and other financial institutions to implement the two Credit Lines foreseen under the Rural Finance Service Component. Particular attention will be given to training credit officers in risk management and appraisal and management of loans to the agriculture sector and in the development of innovative loan products and collateral instruments. TA and training will be provided in establishing and managing a sustainable credit union apex organization.

Cofinancing Grant Component 3: Institutional Development

With US\$2,100,000, this component will finance management training and TA for the staff of the State Land Registration Cadastre Agency (SRC) to establish an efficiently operating agency. Further legal and technical TA and training will be offered to public officials in the Ministry of Agriculture and Food for the drafting of the required laws and regulations in order to update the legal framework for sanitary and phytosanitary regulations and accreditation requirements. Additional TA and training will be provided to support the establishment of efficient border control inspection points and required laboratories and for the development of an independent national Food Safety Authority.

Cofinancing Grant Component 4: Support for Project Management

Costing US\$150,000, this component will provide TA to develop the capacity necessary for the client to implement the project. Training and TA will be provided in project management, financial management, procurement and project monitoring and evaluation activities.

Annex 3: PHRD Technical Assistance Grants Program FY05 Policy Guidelines and Program Allocations

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

(i) Project Preparation: For **lower and lower-middle income countries**⁶ all sectors are eligible. For **upper-middle income countries**, proposals would be eligible only to support the following priority areas: (a) education, health, nutrition, water supply and sanitation, social protection, social development and environment; (b) participatory community development activities, and those that involve NGOs and civil society; (c) gender; and (d) projects targeted at groups or areas that are clearly disadvantaged in terms of poverty indicators which are in line with the MDGs.

In the case of all project preparation proposals, the follow-on 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 Directors⁷.

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

(iii) Climate Change Initiatives: To: (a) support the inclusion of climate-change concerns in the country's development planning process and the acquisition of knowledge in the assessment of the impact of local greenhouse gases (GHG) emissions in the recipient country; and (b) support initiatives -- including pilot activities -- for the reduction of GHG emissions as developing countries increase energy production to improve standards of living and promote industrial growth as they move towards eradication of poverty. Proposals must be linked to Bank-financed operations or activities supported by the Prototype Carbon Fund, the BioCarbon Fund, and the Global Environment Facility, or other environmental funds managed by the World Bank. Separate operating guidelines have been agreed for this program.

⁶ As defined in the World Development Report 2005.

⁷ 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.

(iv) Project Cofinancing: To co-finance institutional capacity building components of projects supported by IDA credits⁸. The technical assistance should strengthen institutional capacity to facilitate the implementation of the project's key policy reforms and good governance initiatives. The grants would meet the funding needs of **IDA and blend countries** where borrowing for such assistance may be unaffordable given budgetary and borrowing limitations. (Separate operating guidelines have been agreed for this program.)

3. **Funding Proposal and Amount** Grants are approved by Government of Japan (GOJ) on the basis of a one-page Funding Proposal. The Proposal will include the **Project Development Objectives**, the **Grant Objectives**, and **Expenditure Categories**. CFP will invite proposals from the Bank's Regional Vice Presidential Units informing them of the total amount available and the notional allocations for each Region. Project Preparation, Project Implementation and Climate Change Proposals may normally not exceed US\$ 1 million. The maximum amount for a Project Cofinancing Proposal would be limited to \$5 million. Only a single grant per operation may be requested. Supplemental requests are not eligible under PHRD.

4. **Supplementary Information.** In addition to the one-page Funding Proposal, supplementary information (Background Information) is also required. Up to **10 percent** of the grant amount may be included for studies to be determined, provided the funds are used for meeting the objectives of the grant during implementation.

5. **Eligible Expenditures.** In the case of **project preparation and implementation proposals**, eligible expenditures include: (i) **consultant services** and; (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. Workshops, local consultations, and training may be included if the requests clearly demonstrate these activities will enhance the quality of the technical assistance. Civil works are not eligible. All expenditures would be eligible for 100% financing under PHRD. For Project Cofinancing and Climate Change Initiatives, see separate operating guidelines.

6. **Ineligible Expenditures.** Expenditures on the following activities are ineligible: study tours, foreign training, implementation of pilot programs⁹, purchase of vehicles, salaries for civil servants in recipient countries, Extended Term Consultants, and Bank staff (open-ended, term, and seconded staff) salaries or travel expenses.

7. **Schedule.** PHRD grant proposals would be submitted to GOJ up to three times in a year. GOJ would confirm its decisions on proposals within four weeks from submission where GOJ is satisfied with the contents of the application. In case GOJ seeks clarifications, the final decision on the funding proposal may take longer.

8. **Grant Execution Arrangements.** Project Implementation, Climate Change Initiatives, and Cofinancing grants must be recipient-executed. Project Preparation Grants would normally be executed by the recipient's project implementing agency. However, the Bank may consider waiving the requirement for recipient execution in accordance with Bank policy (see OP 14.40) in the following cases: emergency operations, HIV/AIDS projects in LICUS countries, and post conflict countries. Grant closing date for project preparation grants would be the same as the expected effectiveness date of the ensuing Bank Loan or IDA Credit, or six months from the Board Approval Date, whichever comes first. In any case, the total term of the grant should not exceed four years from the grant approval date. Any exceptions

⁸ Projects financed by IDA Grants are not eligible for Japan PHRD Cofinancing Grants.

⁹ Pilots may be funded under Climate Change Initiatives Grants.

would need to be fully justified and would require CFP's clearance. The Bank, through the designated Task Team Leader of the project, would carry out its fiduciary responsibilities for grant supervision, with due attention to economy and efficiency, and generally in accordance with the standards applicable to Bank Loans or IDA Credits.

9. ***Progress Reporting.*** For the purposes of monitoring the development outcomes, the grant agreement – based on the one-page Funding Proposal – will be the binding document. The Task Team Leader will be responsible for preparing annual Grant Status Reports, rating the status of grant implementation, and document the completion of deliverables and outputs. For grants over US\$1 million, an Implementation Completion Memorandum (ICM) will be prepared at completion documenting actual cumulative inputs, outputs and outcomes through the grant implementation period, and the results will be shared with the donor. For grants under US\$1 million, the final Grant Status Report will include additional information regarding grant activity outcomes.

10. ***Reallocations of Funds and Changes in Scope.*** Reallocations among expenditure categories or grant activities, including dropping or adding new eligible categories or grant activities, may be cleared by the Sector Manager/Director, in consultation with the Legal Department and CFP. The Legal Department should be consulted if any amendments are required, to be approved by the Country Director. Under no circumstances will the total amount for non-consultant expenditure categories exceed 10 percent of the grant amount, except for Climate Change grants. 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 GOJ. If the request is submitted to GOJ, it would provide its decision within four weeks from the receipt of the request from CFP.

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

12. ***Japan Visibility and Engagement of Local Japan Officials.*** It is highly recommended that the task team inform the Japanese embassy accredited to the recipient country about a PHRD application under preparation. Prior information sharing by task teams will help expedite the decision making process. Staff in operational units should also encourage grant signing ceremonies in the field, with the inclusion of Japanese embassy officials, inviting local and international press to these ceremonies. Task teams should aim to inform the Japanese embassy as well as CFP – which will alert the Japanese authorities in Tokyo – at least 10 days in advance of the signing ceremony. Decisions on any future PHRD grant proposals for a country would take into consideration the Bank and recipient's efforts to comply with the above. In addition, CFP may promote visibility of PHRD by: (i) informing Country Directors of the importance of signing ceremonies to Japanese officials and the public to ensure recognition and support for PHRD funding; and (ii) continuing widespread distribution of the PHRD Annual Report, inclusion of PHRD information in relevant Bank documents, and occasional information sessions for Japanese organizations.

13. ***Maintenance of Documentation.*** Operational departments will keep copies of key documentation related to PHRD grants, including Terms of Reference and contracts for consultants subject to the Bank's prior review, reports and other outputs prepared by

consultants, in accordance with the Bank's document retention policy. Task teams should also send the original grant agreement to the Legal department.

FY05 PHRD TECHNICAL ASSISTANCE AND COFINANCING GRANT PROGRAM ALLOCATION

The FY05 allocation, to be approved through three rounds during the fiscal year, is as follows:

Table 1

Allocations by Area	Amount (US \$ million)
Project Preparation	95
Project Implementation	10
Climate Change Initiatives	5
Cofinancing	40
Total Amount	150

Table 2

TENTATIVE SCHEDULE FOR FY05 PHRD TECHNICAL ASSISTANCE AND COFINANCING PROGRAM	
<u>Round Announcement:</u>	<u>Date of Submission to Japan:</u>
September 2004	November 2004
December 2004	February 2005
February 2005	April 2005

The Faces of the PHRD: Partners in Development

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(BACK COVER)

CONCESSIONAL FINANCE AND GLOBAL PARTNERSHIPS
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