

JAPAN PHRD TECHNICAL ASSISTANCE GRANTS PROGRAM
FY06 ANNUAL POLICY GUIDELINES AND PROGRAM ALLOCATION

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

2. **Priority Areas and Activities.** Technical Assistance grants would maintain a *poverty focus*. The following should be aimed at: at least 35% 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**² all sectors are eligible. For **upper-middle income countries**, proposals would be eligible only to support one or more of the following priority areas: (a) Bank operations in the following sectors: education, health, nutrition, water supply and sanitation, social protection, social development and environment; (b) participatory community development activities, and those that involve NGOs and civil society; (c) gender; and (d) projects targeted at groups or areas that are clearly disadvantaged in terms of poverty indicators which are in line with the MDGs.

In the case of all project preparation proposals, the follow-on 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 Directors³.

(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).

(iv) Project Cofinancing: To co-finance institutional capacity building components of operations supported by IDA credits and grants. The technical assistance should strengthen institutional capacity to facilitate the implementation of the project's key policy reforms and good governance initiatives. The grants would meet the funding needs of **IDA and blend countries** where borrowing for such assistance may

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

² As defined in the World Development Report 2005.

³ 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 discussed by the Board of Directors of the World Bank.

be unaffordable given budgetary and borrowing limitations. (Separate operating guidelines have been agreed for this program.)

(v) Enhancing Aid Coordination: To support the lower and lower-middle income countries, which have relatively firm management capacity, but need help in enhancing aid coordination capacity for effective and efficient use of donor funds. The capacity enhancement strategy must be agreed between the country and the donors, including the Bank and the Government of Japan (GoJ). This grant is expected to be provided selectively for a few countries in a year, of which the majority will be to countries in East, and South Asia.

3. **Funding Proposal and Amount.** Grants are approved by GoJ on the basis of a one-page Funding Proposal. The Proposal will include the **Project Development Objectives**, the **Grant Objectives**, and **Expenditure Categories**. 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. **Enhancing Aid Coordination** Proposals may normally not exceed US\$ 2 million. 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, implementation and Enhanced Aid Coordination 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 programs⁴, purchase of vehicles, salaries for civil servants in recipient countries, Extended Term Consultants, and Bank staff (open-ended, term, and seconded staff) salaries or travel expenses.

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

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

⁴ Pilots may be funded under Climate Change Initiatives Grants.

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 documenting deliverables and outputs. For grants over US\$1 million, an *Implementation Completion Memorandum* (ICM) will be prepared at completion documenting actual cumulative inputs, outputs and outcomes through the grant implementation period, and the results will be shared with the donor. For grants under US\$1 million, the final Grant Status Report will include additional information regarding grant activity outcomes.

10. **Reallocations of Funds and Changes in Scope.** Reallocations of grant expenditure categories and activities, including dropping or adding new eligible categories or activities (see paragraphs 5 and 6 above), may be approved by the Sector or Country Director, as appropriate. Advice may be sought from Legal and CFP. For Project Preparation and Implementation grants, under no circumstances will the total amount for non-consultant expenditure categories exceed 10 percent of the grant amount. Legal Department should be consulted if any amendments to the Grant Agreement are required. All amendments to the Grant Agreement must be signed by the Country Director. For changes in the Development Objectives of the Bank-funded 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 6 months after approval of the grant; (iv) no implementation progress including zero disbursements for six months after signature of the grant agreement, or (v) there is lack of progress as determined by CFP. CFP may clear exceptions on the basis of a satisfactory explanation.

12. **Japanese 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.

FY06 PHRD TECHNICAL ASSISTANCE AND COFINACING GRANT PROGRAM ALLOCATION

The FY06 allocation, to be approved through two rounds during the fiscal year, is as follows:

Table 1

Allocations by Area	Amount (US \$ million)
Project Preparation	50
Project Implementation	5
Climate Change Initiatives	5
Cofinancing	35
Enhancing Aid Coordination	5
Total Amount	100

Table 2

TENTATIVE SCHEDULE FOR FY06 PHRD TECHNICAL ASSISTANCE AND COFINANCING PROGRAM	
<u>Round Announcement:</u>	<u>Date of Submission to Japan:</u>
December 2005	February 2006
February 2006	April 2006