

# **Evaluation of the Policy and Human Resources Development Trust Fund**

Volume I – Synthesis  
Report

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## A c k n o w l e d g m e n t s

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## 要 旨

日本開発政策・人材育成基金（PHRD）は、世界銀行の多様な活動分野に日本政府が国際協力という形で貢献できるようにするための仕組みとして、1990年に創設された。PHRDは世銀が独立して運営する基金であり、世銀が管理運営する10大信託基金のひとつである。

同基金が支援する5つの主要プログラムのうち、PHRD技術協力（TA）プログラムは特別グラント・プログラムに次ぐ第2位の規模を持つ。このPHRD TAプログラムは、プロジェクトの準備・実施・協調融資を支援するグラントを提供するほか、2003年からは気候変動イニシアティブへのグラント（プロジェクト準備とプロジェクト実施、能力開発、調査研究のためのグラントを含む）も提供している。

2000～2006年のPHRD TAプログラムについて行った本評価は、プロジェクト準備、プロジェクト実施、および気候変動の各グラントを対象としている。協調融資グラントについては、このグラントが2004年度に実施されたばかりであり、その成果を評価するには時期尚早であるため、評価範囲（TOR）から除外している。本評価は、カナダのコンサルティング会社であるUniversaliaが2006年10月から2007年7月までの期間に実施した。

### 目標と方法

本評価の目標は以下のとおりである。

- 1) 1999年以後のPHRD TAの進捗状況を検証し、その開発効果を評価すること。
- 2) PHRD TAの目標（後続プロジェクト開始時の品質向上、被支援国の能力開発促進、被支援国の自主性の向上、被支援国への世銀融資の拡大など）の達成度を評価すること。
- 3) 基金の運営改善に向けた提言を示すこと。

本評価は、以下の複数の調査を基に実施した。

- 4) グラントの種類、セクター、地域、国別配分の時系列比較を可能にする全PHRD TAグラントの統計分析。
- 5) 報告、調達、財務管理、モニタリング、評価に関する世銀の手続きを検証するためのPHRD TAプログラム管理調査。
- 6) PHRD TAプロジェクトの地域別および国別の適用範囲を反映するよう慎重に選んだ6カ国、すなわちアルメニア（ヨーロッパ・中央アジア地域）、コロンビア（ラテンアメリカ・カリブ海地域）、エチオピア（アフリカ地域）、インド（南アジア地域）、インドネシアおよびベトナム（東アジア・大洋州地域）のケーススタディ。各国における達成度と効果を測るため、これらの調査では、各国に調査団を派遣し、主な政府関係者、現地の日本政府代表者、プロジェクト・コンサルタント、世銀職員などへの聞き取り調査を実施した。
- 7) 気候変動グラントすべてについての特別ケーススタディ。
- 8) プロジェクト実施グラントすべてについての特別ケーススタディ。

評価チームは、ケーススタディ対象国への調査団派遣に加え、2006年12月に東京に調査団を派遣したほか、ワシントンD.C.にある世銀本部へも数回の調査団派遣を行った。

## PHRDの概要<sup>1</sup>

2000～2006年の日本のPHRD拠出総額は6億227万ドルであった（1993～1999年の12億ドルから減少）。このうちPHRD TAプログラム全体が占める割合は、2000～2006年は30%低下しており（1993～1999年は81%）、2006年だけを見ると6%に満たなかった。

この期間におけるPHRD TA Grant 848件のうち、720件（85%）がプロジェクト準備Grant、34件（4%）がプロジェクト実施Grant、36件（4.2%）が気候変動Grant、37件（4.3%）が協調融資Grant、21件（2.5%）が技術協力Grantであった。本評価では、プロジェクト準備、プロジェクト実施、および気候変動に関わる790件のPHRD TA Grant（4億3777万5064ドル）のみを対象としており、前述のとおり協調融資GrantはTORに含めていない。

## PHRD TAの主な成果

PHRD TAは、世銀の借入国でもあるGrant受領国に技術支援を行い、自国の資源に加え世銀からも出資を受けて実施される共同開発プロジェクトの質と効果を高めることを目指している。

PHRD TAプログラムは、現在も、プロジェクトの質向上に向けた技術協力を行うための独自の戦略的手段となっている。このプログラムでは、立ち上げ段階であるプロジェクト準備を重視している点や、Grantの用途に制限を設けず受領国政府が直接実行することを条件付けている点が世銀内部や加盟国政府から高い評価を受けており、多くのセクターおよびすべての開発地域で大きな意義と有効性を維持しながら開発援助を促進するための鍵となっている。

今回のPHRD TA評価では36の重要な結果が得られ、これらの結果は意義、有効性、管理というテーマ別に分類された。

## PHRD TAの意義

日本政府がプロジェクト準備に出資する根本的理由は現在も有効であり、地方への権限委譲（政治・財政・行政的権限の地方自治体への委譲）の進行や、プロジェクトの設計・実施へのシビルソサエティの参加拡大によって、その意義は高まりそうである。地方自治体レベルでプロジェクトを準備するには、財政管理、調達、社会的保護など幅広い分野での能力開発が必要となる。同時に、資源集約的な幅広い協議が求められる参加型アプローチを重視することで、加盟国の実行が難しいこともある。PHRDは、こうしたニーズをプロジェクト準備の段階で満たすよう支援すると同時に、専門技術を要する複雑なプロジェクトには最高の技術的助言を行うなど協力してきた。

PHRD TAプロジェクト準備Grantは、すべての国において、世銀業務にとって意義深いと見なされている。また、PHRD TAプロジェクト準備Grantや、最近では気候変動Grantの強み（受領国が実施し、用途について制限がなく、融資とは違い、後続プロジェクトを見越して支援する現地国政府がほとんどない概念研究に出資するという強み）により、代替メカニズムがほとんどないドナー環境下で重要なニーズを満たしている。PHRD TAの支援がなければ、各国が自国の開発戦略を支援する世銀の融資プロジェクトを実行しにくいであろう。

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<sup>1</sup>信託基金業務部（TFO）提供の2007年4月更新のデータベースによると、PHRD TA Grantの総件数は850件である。協調融資Grantと気候変動Grant各1件については、承認年（前者は2000年度、後者は2002年度）を考慮し、誤って分類されている可能性があるため分析対象から除外した。

成果の上がる融資プロジェクトを設計するためにTAは今後も必要であるが、PHRDを通じたプロジェクト準備への支援は日本がほぼ単独で行っており、他のドナーはこの取組みに加わっていない。おそらく、今後は世銀の他の出資者に一段と幅広くPHRD TAの成功を周知し、質の高い世銀融資プロジェクト準備に向け、出資者間で広範な協力を検討する時期に来ていると言えるだろう。

気候変動プロジェクトは国の開発優先事項において意義深いと考えられ、こうした取組みへの出資の必要性は高まっていると思われる。PHRD TA気候変動グラントが2003年に導入されたことにより、受領国は新しい国際炭素市場に参入したり、調査研究的な性質を持つものを含めた革新的プロジェクトを試行したりすることができるようになってきている。PHRD TAは、多くの気候変動プロジェクトの実施に必要な世銀融資、地球環境ファシリティ（GEF）のグラント、国際開発協会（IDA）の贈与、あるいはカーボン・ファイナンス契約に向けた準備に欠かせない資金供給源と考えられている。気候変動イニシアティブ立案に用途を指定されたPHRD資金は、日本にとってのPHRD TAの意義を高めるものであり、引き続き付加価値のある重要な要素となっている。

2002年に導入されたPHRD TA実施グラントは、予想外の事態が発生したり、より一層の専門的調査が必要になったりした状況で、特に大きな意義を持つ。しかし、こうしたグラントの需要は年間配分額に比べるとはるかに少ない。その理由としては、こうした新しいタイプのグラントに対する認識の欠如や、プロジェクト実施グラント申請を正当化する実施能力面の問題点の初期兆候を受領国がなかなか察知できないでいる可能性などが挙げられる。

## PHRD TAの有効性

PHRD TAプログラムはきわめて有効なグラント・ファシリティであり、ほぼすべての分野で質の高い成果を上げてきた。投資としての同プログラムは、消費した資源に対し、高水準のアウトプットと良質な成果をもたらした。グラント額は通常100万ドル未満であるものの、特に世銀融資プロジェクトのための準備の質の高さにおいて、PHRD TAは世銀と政府関係者の双方から高く評価されている。PHRDグラントは、他の政府開発援助（ODA）とは重複していないようである。

2000～2006年度、PHRD TAはグラント額の35%以上を低所得国に、26～34%をアジア地域に割り当てており、拠出額の35%をIDA適格国とブレンド国に、35%をアジア地域に割り当てるという方針に全体として従ったことになる。

PHRD TAポートフォリオの最大部分（85%）を占め、後続プロジェクトの好結果に貢献してきたPHRD準備グラントは、後続プロジェクトにおける被支援国の自主性を高め、受領国での人材育成に貢献してきた。

PHRD実施グラントは、TA資源を準備段階で予想されていなかった問題の解決に振り向けるのに役立っている。これらのグラントは実施機関の技術力を高めると共に、受領国政府と実施機関に自主性の意識を芽生えさせた。

PHRD気候変動グラントは、被支援国を後続プロジェクトに誘導し、付加価値をもたらす効果を持つ。関係者の間で、気候変動グラントは現地の能力開発への貢献という点で評価されている。ただし、これらのグラントに対する被支援国の自主性は他のPHRDグラントの場合よりも低いようだ。

全体として、PHRD TAグラントは政策立案全般と、場合によっては一定の政策変更に貢献してきた。また、気候変動イニシアティブは国際的な政策規範確立に寄与し、国レベルでも一定の影響を与えてきた。

日本はPHRDグラント活動を通じ、受領国の実施機関から認知されてきた。しかし、こうした機関以外や他のドナーの間では、PHRDプログラムと日本との関わりは知られていない。その理由としては、関わってきた活動が目立たない種類のものであること、グラントの規模があまり大きくないこと、世銀側のコミュニケーションが不足していること、現地の日本大使館がほとんど関与していないことが挙げられる。国レベルでは、気候変動イニシアティブは日本の認知度を向上させる大きな潜在性を秘めているが、まだ実現には至っていない。また、ドナー間で日本の認知度を高めるためには、PHRDは他のODAイニシアティブとの相乗効果を生じさせる必要があるかもしれない。

## PHRD TAの管理

### 戦略的管理 -

信託基金業務部（TFO）は、受領国と世銀の資金による開発プロジェクトの設計を改良してその効果を高めるため、多大な努力を重ねてきた。具体的には、実施機関を世銀から受領国に移すことで受領国の自主性を高めたり、気候変動、実施、協調融資などの新しいグラント・ファシリティを導入したりしている。

PHRD基金（TAを含む）に関する戦略的問題について決定を下す権限は日本政府にあるが、信託基金業務部（TFO）も、日本政府および必要に応じて世銀の他部門との討議を通じ、問題点を特定し実行可能な選択肢を突き止めるという役割を担っている。しかしながら、PHRDが目指す重要な諸目標（受領国での能力開発、各国の自主性、日本の認知度など）がPHRDの戦略や政策の中でいかに位置づけられているか（例：実施時間の短縮は、現地の能力開発よりも幾分重要であるのか？）は明確ではない。本評価では、PHRDに関するこの種の戦略的問題について世銀がほとんど分析作業を行っていないことが明らかになった。また、TFOがこの分野での役割を拡大する際に直面する問題を特定している。

### 管理の有効性 -

大半の世銀職員、国別パートナー、政府代表者はPHRD TAを柔軟なメカニズム（例：コンサルタントの雇用、期間延長、資源配分）と考えており、制限についてはほんのわずか（コンサルタント以外の費用の上限、視察旅行には適用されないこと）に言及しているに過ぎない。

PHRD TAグラントは世銀の手順に従って管理されており、大多数の回答者がPHRD TAの管理運営に、プロジェクトの期限を除いたすべての面で満足している（期限要件については75%が不満としているが、準備グラントの期限は延長されることが多い点に留意すべきである）。

### PHRDのグラント・サイクルと簡略化プロセス -

PHRD TAプロジェクトのグラント・サイクルは確立されており世銀内部ではおおむね理解されているが、タスクチーム・リーダー（TTL）からは緩慢で複雑だと見られている。2003～2005年に簡略化プロセスが実行された結果、実施期間に改善が見られたようである（申請から資金提供まで10週間）。しかし、意思決定機能を分散化したことで、PHRD TAの出資する活動がTFOの職員にとって馴染みの薄いものとなったため、これらの職員が十分な監督を行ったりTTLからの報告に一貫した品質を確保したりできなくなっている。

### CASとの関連性 -

PHRD TAグラントと世銀の国別援助戦略（CAS）の間には、明確で一貫した関連性がある。世銀と各国政府の回答者は、プロジェクト準備グラントに関連性が求められることに同意しているが、いくらかの柔軟性を持たせることで有利になるであろう状況（例：CASの発表後、または終了間際のCASと準備・承認段階のCASとの間の移行期間に革新的なプログラムが示される場合）があると指摘している。



### モニタリングと評価 -

世銀システムは豊富な情報を擁しているが、モニタリングや報告データの質を確保するための十分な管理ができていない。日本側代表者は、プロジェクトの進捗状況や成果に関する情報をもっと欲しいとしている。PHRD TAモニタリング報告書の頻度は十分であったが、その質は満足できるものではない。これは主に、グラント報告・モニタリング（GRM）データ・システムのデータが不完全で粗末なものであることに起因している。プロジェクトの責任者であるTTLなどの職員は自身の手がけるプロジェクトを把握しているが、そうした知識の体系的報告は十分にできていない。報告書は通常、TTLが作成するが、良質なグラント・モニタリング報告書や完了報告書を作成するための動機がほとんどなく、信託基金側の担当者もモニタリングのための時間がほとんどないためである。その結果、学習・改善・評価に関するデータが失われている。大多数のPHRD TAグラントが100万ドル未満であるため、（世銀のガイドラインに従って）グラントの評価はほとんど行われぬ。また100万ドルを超えるグラントであっても一般に、より厳密な独立評価は義務付けられていない。結果的に、PHRD TAの監視手段は、今回の調査や、最近導入された終了済グラントに関する評価報告（「2006年度に終了したPHRD TAグラントのレビュー」）など定期的なプログラム評価となっている。

### 不正対策 -

世銀は、インドネシアと世銀の両方の不正対策イニシアティブを支援するための適切な抑制・緩和策を講じている。

### 提言

以下の提言は、世銀と日本政府に対して行うものである。提言1から6までは、主に信託基金業務部など世銀内の部門についての検討事項である。

**提言1：世銀内でプロジェクト準備への出資に関する方針説明書を作成することと、PHRD TAの実績を世銀への投資者にさらに幅広く周知することを目的として、世銀全体での討議を、可能ならば業務政策・国別サービス担当副総裁（OPCS）主導で、開始すべきである。**

プロジェクト準備は、世銀融資によるプロジェクトの有効性を高める重要な要素であると認識されている。世銀職員、投資者、加盟国は、プロジェクト準備に関する現行の要件や資金供給、適切なメカニズムについて議論するべきである。世銀が融資プロジェクトの準備を日本という単独のドナーだけに依存することは、世銀や受領国にとってリスクとなっている。

**提言2：世銀と日本政府は、今後プロジェクト準備の支援に対する需要が増大して供給を上回るという前提に立って、より戦略的な優先順位を確立して、PHRD TAが利用可能な資源を最も費用効果の高い方法で管理できるようにする必要がある。**

PHRD TAの準備や気候変動グラントへの資金供給は、これまで需要と同じペースを維持してきたが、今後は需要が増大することで、PHRD TA資源の配分に関して以下のようなより戦略的な決定が必要になるだろう。

融資プロジェクトに関する世銀の将来的な優先事項をよりよく支援できるようにするため、IDA適格国／非IDA適格国間、地域間、セクター間の配分を見直す。

- 気候変動グラントを、より広範な緩和プロジェクト（セクター全体で推進するプログラム型のプロジェクト）を促進し、気候リスク分析のための調査研究に出資し、（「環境耐性」投資への）開発投資リスク評価を支援するのに用いる。

- 限られた資源でできるだけ多くのグラントを提供し続けることができるよう、規模が小さいのグラントを提供し、および／またはパートナーの拠出拡大を求める。
- 基本的な実施能力を十分に備えた実施機関を特定する。ただし、これはPHRD TAの資源と助言に頼るところが大きいと思われる。
- 繰り返し融資を受けている特定の国のセクターに対するグラントを減らす（こうした国々では能力開発が進んでいると推定される）。
- 最新のイニシアティブや、新たな活動のしかた（新しい作業グループの結成につながる協力や参加のプロセス）を義務付けるイニシアティブを優先する。
- 実施グラントを廃止、または高度に厳格化する。
- 世銀の国別担当局長の権限を強化することにより、被支援国のニーズに最もふさわしい配分を（PHRD TAの戦略的方向およびCASに沿って）提案できるようにする。現在、国別担当局長は、配分を提案することも、被支援国の優先事項への戦略的適合性について提案に意見を述べることもない。

**提言 3:** 日本政府とTFOは、日本がPHRD TAを通じてプロジェクトの十分な準備を熱心に支援していることを広く認識してもらうための手段とプロセスを特定すべきである。

PHRD TAグラントの実施に直接関与する政府関係者やコンサルタントを除き、日本がPHRD TAに出資していることはほとんど知られていない。世銀、日本政府、受益国はいずれも、PHRD TAに対する日本からの支援がより広く認識されるよう以下のような方法を検討すべきである。

- **象徴面での変更**

PHRD TAの文書に日本国旗を載せ、グラント支援における日本の役割を知らせる。および／または、日本と世銀の賛成が得られれば、プログラム名に「日本」を加えて「日本PHRD TA」とする、など。

- **プロセスの変更**

日本がPHRDグラントや融資活動のスポンサーであることを一般市民に認識してもらうための取組みを、受領国の政府や地元メディアと協力して行う、など。

- **戦略の変更**

各国の世銀現地事務所と日本大使館との定期的な協議に基づいて、PHRD TAグラント申請に向けた国レベルでのアプローチを一段と調整する、など。

**提言 4:** TFOと日本政府は、グラント・プログラムの有効性を高めるため、PHRD TAグラントの条件に限定的かつ補足的な柔軟性を与えることを検討すべきである。

グラント関連のプロジェクトはCASに示されたものでなければならないという要件に限定的な例外を認めることで、PHRD TAの意義と有効性が高まる可能性がある。たとえば、きわめて魅力的かつ革新的と考えられるがCASの中で予見されていないプロジェクトの場合、そのプロジェクトがあくまでも例外的に導入されるものであることと、適切な監視を受けることを承知した上で、マネージャーがそうしたプロジェクトを提案できるようにする方が合理的である。

一部の回答者は、主に、プロジェクト準備段階での研修などのために、コンサルタント以外の費用の上限（10%）を引き上げて欲しいとしている。しかし、研修費用の調達に別の方法でも可能なことや、プロジェクト準備のための資源が減少していることを考慮した上で、本評価チームとしては10%の上限を維持すべきであると提言する。

**提言5：**世銀と日本政府は、完了までに6カ月から1年以上かかることもあるプロセスの無用な遅れを避けるため、PHRD TA Grant承認プロセスの効率性向上のための方法を検討すべきである。

世銀のプロセスはPHRD簡略化プロセスにより短縮され、日本政府も承認を迅速化するための措置を取っているが、Grant承認までの所要時間の長さは現在も引き続き本調査回答者の懸念となっている。しかし、「日本の信託基金のGrantの処理手続きと実施、世銀と日本の関係機関の役割と責任」という新たなガイドラインが、TFO、財務省（MOF）、および外務省（MOFA）によって示されている。このガイドラインは関係機関にさらなる力添えとなって、処理サイクルを改善するものと期待される。本評価チームはこの取組みを支持すると共に、導入された変更によってサイクルの遅れを確実に減らすよう、ガイドラインを定期的に見直すことを勧める。

**提言6：**TFOは、PHRD TA報告システムの監視を強化して、GRM報告書が完全なものであり、これらの報告にPHRD TA Grantの効率性と有効性を監視・評価できるだけの十分なデータが盛り込まれていることを確認すべきである。

PHRD TA Grantのモニタリングと評価は、合意により定められた世銀の手続きに沿ったものとなっている。しかし、報告の質は高いとは言えず、多くの報告書が、特にアウトプットと成果の点において不完全である。GRMのGrant完了報告書において評価的側面をもっと重視することも1つの改善として考えられる。さらに、PHRD TAプログラム全体の規模を考えると、毎年決められた数のGrantを評価するか、1つの国のポートフォリオを定期的に評価するかのいずれかの方法をとるのが適切かつ合理的と思われる。

PHRD TAプログラム関連の報告のあり方を改善するための前向きな一歩が、2007年4月の「2006年度に終了したPHRD TA Grantのレビュー」である。このレビューは、117件のPHRD TA Grantの実施状況についてフィードバックを示し、プログラムの改良やプロジェクト終了時の報告の品質向上に役立つ可能性がある。このレビューではまた、PHRD TA Grantに関する問題解決策や基準を導き出すための出発点をTFOに示す可能性のある戦略的事項を明らかにしている。

TFOは日本政府と共に、日本の国会で役立つであろう具体的な報告要件を示すと共に、PHRD TAに関する世銀の年次報告書について、日本側の要求どおり、成果についての説明責任を強化するよう調整すべきである。



## Executive Summary

The Japan Policy and Human Resources Development (PHRD) Trust Fund was established in 1990 as a mechanism to enable international cooperation contributions from the Government of Japan to various categories of World Bank work. The PHRD Trust Fund is an independent fund managed by the World Bank and is one of the ten largest trust funds administered by the Bank.

The Fund provides support to five main programs, of which the PHRD Technical Assistance (TA) program is the second largest after the Special Grants program. The PHRD TA program provides grants in support of project preparation, project implementation, project cofinancing, and, since 2003, climate change initiatives (which include project preparation, project implementation, capacity building and research grants).

This evaluation of the PHRD TA program for the period 2000 to 2006 covers Project Preparation, Project Implementation and Climate Change grants; the Terms of Reference (TOR) excluded cofinancing grants as these were only introduced in FY04 and it is too early to evaluate their results. The evaluation was conducted by Universalia, a Canadian consulting company, between October 2006 and July 2007.

### Objectives and Methodology

The objectives of the evaluation were to:

- 1) Review the progress and assess the development impact of PHRD TA since 1999;
- 2) Assess the achievement of PHRD TA objectives (including improving the quality at entry of follow-on operations, increasing capacity building of countries, increasing country ownership, and increasing Bank lending to countries);
- 3) Make recommendations to improve the operations of the Fund.

The evaluation consisted of several component studies:

- 4) Statistical analysis of all PHRD TA grants to enable time series comparisons by type of grant, sector, region and country distributions;
- 5) Management study of PHRD TA program to review World Bank (WB) procedures for reporting, procurement, financial controls, monitoring and evaluation;
- 6) Six country case studies carefully selected to reflect the coverage of PHRD TA projects by region and country: Armenia (ECA - Eastern Europe Central Asia), Colombia (LAC - Latin America and the Caribbean), Ethiopia (AFR - Africa Region), India (SAR – South Asia Region), Indonesia, and Vietnam (EAP - East Asia and the Pacific). To assess the achievements and impact within each country, these studies included missions to each country and interviews with key government officials, local Japanese government representatives, project consultants and World Bank staff;
- 7) Special case study of all Climate Change grants; and
- 8) Special case study of all Project Implementation grants.

In addition to the missions to each case study country, the evaluation team conducted a mission to Tokyo in December 2006, and several missions to the World Bank headquarters in Washington DC.

## PHRD Profile<sup>1</sup>

From 2000-2006, Japan's total contribution to the PHRD Trust Fund was US\$602.27 million (down from \$1.2 billion between 1993 and 1999). Of this, the overall percentage share of the PHRD TA Program was 30 percent (down from 81 percent in 1993-99), and in 2006 was less than six percent of Japan's contributions to the PHRD Fund.

Of the 848 PHRD TA grants in this period, 720 (85 percent) were Project Preparation grants, 34 (4 percent) were Project Implementation grants, 36 (4.2 percent) were Climate Change grants, 37 (4.3 percent) were cofinancing grants, and 21 (2.5 percent) were technical assistance grants. This evaluation examines only the 790 PHRD TA grants (\$437,775,064) for Project Preparation, Project Implementation, and Climate Change; as noted above, cofinancing grants were not included in the TORs.

## Summary of PHRD TA Results

PHRD TA is aimed at providing technical support to Grant Recipients, who are also Borrowing Members of the Bank, to improve the quality and impact of associated development operations that are financed by their own resources as well as those of the World Bank.

The PHRD TA program remains a unique strategic instrument for providing technical assistance to improve the quality of projects. The program's focus on upstream project preparation, as well as its requirements that grants be untied and implemented directly by recipient governments, are valued highly within the World Bank and by Member governments and have been key to its continued high relevance and effectiveness in strengthening development assistance across many sectors and in all developing regions.

The PHRD TA evaluation resulted in 36 major findings, grouped under the themes of relevance, effectiveness and management.

## PHRD TA Relevance

The original rationale of the Government of Japan for funding project preparation remains valid and its relevance is likely to increase as a result of increased government decentralization – the transfer of political, fiscal and administrative powers to subnational governments – and civil society participation in project design and implementation. The preparation of projects at a subnational level requires capacity building in a wide range of areas, including financial management, procurement, and social safeguards among others. At same time, increased focus on a participatory approach requires widespread consultation that is resource-intensive and may not be affordable to Member countries. PHRD has helped to meet these needs during preparation while at the same time supporting technically complex operations with best technical advice.

In all countries, PHRD TA Preparation grants are seen as relevant to the operations of the World Bank, and fill a key need in a donor context in which there are few alternative mechanisms with the advantages of PHRD TA Preparation grants, and more recently, the Climate Change grants – they are recipient-executed, not tied, are not loans, and they fund conceptual studies that few national governments will support in anticipation of follow-on projects. Without PHRD TA support, countries would be less able to implement Bank loan operations in support of their national development strategies.

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<sup>1</sup> According to the database received from Trust Fund Operations (TFO), updated to April 2007, the total number of PHRD TA grants is 850. We have eliminated from the analysis a cofinancing grant and climate change grant that have possibly been misclassified given the years in which they were approved (FY00 and FY02 respectively).

While the need for TA in designing successful loan operations still exists, Japan remains almost alone in its support for project preparation through PHRD; other donors have not joined in this effort. Perhaps now it is time to make the success of PHRD TA more widely known among other investors in the Bank and consider a wider collaboration among them for high quality preparation of Bank loan operations.

Climate Change projects are seen as relevant to national development priorities, and the need for funding these initiatives appears to be growing. PHRD TA Climate Change grants, introduced in 2003, have enabled recipient countries to enter the new international carbon market and to experiment with innovative projects, including some of a research nature. PHRD TA is seen as an essential source of funding to prepare a WB loan, a Global Environment Facility (GEF) grant, an International Development Association (IDA) grant, or carbon finance contract, without which many of the Climate Change projects would not be undertaken. The earmarking of PHRD funds to create the Climate Change Initiative has increased the relevance of PHRD TA to Japan and remains an important value-added component.

PHRD TA Implementation grants, introduced in 2002, are particularly relevant in circumstances where unexpected developments occur or where more technical studies are needed. However, the demand for such grants has been far less than the annual allocation, and there may be several reasons for this, including: lack of awareness of this new type of grant, and the possibility that recipients are slow to identify the early signs of implementation capacity issues that would justify a request for a project implementation grant.

## **PHRD TA Effectiveness**

The PHRD TA program is a highly effective grant facility that has produced quality results in almost all areas. As an investment, it has led to a high level of outputs and good quality results for the resources expended. Although grants are generally less than \$1 million, PHRD technical assistance is rated highly by both World Bank and government officials, particularly in terms of the quality of project preparation for Bank loan operations. PHRD grants do not appear to duplicate other Official Development Assistance (ODA) resources.

Between FY00 and FY06, PHRD TA allocated at least 35 percent of grant amounts to low income countries, and between 26 and 34 percent of grant amounts to Asia, thus reflecting general adherence to the policy of ensuring that 35 percent of submissions are for IDA and blend countries and 35 percent are for Asia.

PHRD Preparation grants, making up the largest proportion of the PHRD TA portfolio (85 percent), have contributed to positive outcomes for follow-on projects, have increased country ownership for follow-on operations, and have contributed to human resources development within recipient countries.

PHRD Implementation grants help channel TA resources to address issues that were not contemplated in preparation. They increase the technical capacities of implementing agencies and have created a sense of ownership by recipient governments and implementing agencies.

PHRD Climate Change grants are effective in leading to follow-on activities and adding value for countries. Stakeholders value Climate Change grants for their contribution to local capacity building, although country ownership of these grants appears to be less than for other PHRD grants.

Overall, PHRD TA grants have contributed to policy development generally and to specific policy changes in certain cases; the Climate Change Initiative has contributed to international policy norms and has had some impact at national levels.

Through PHRD grant activities, Japan has gained visibility with implementing agencies in recipient countries. However, beyond these agencies and among other donors, the PHRD program's association with Japan is not known. The reasons lie in the low profile types of activity involved, the modest size of the grants, insufficient communication on the part of the WB, and little involvement of local Japanese embassies. At the country level, the Climate Change Initiative has a high but as yet unrealized potential to enhance the visibility of Japan; at the donor level, PHRD may need to build synergy with other ODA initiatives to enhance Japan's visibility.

### PHRD TA Management

**Strategic management** – The TFO has made significant efforts to improve the design and impact of development operations financed by Recipients and the Bank: It has shifted from Bank execution to Recipient execution to increase ownership, and has introduced new grant windows such as Climate Change, Implementation, and Cofinancing.

Although decisions on strategic issues related to the PHRD Fund (including TA) lie with the Government of Japan, there is also a role for Trust Fund Operations (TFO) in identifying the issues and the options that can be used in discussions with Japan and, as necessary, with other divisions in the World Bank. It is not clear, for example, how various important PHRD goals (such as capacity development in recipient countries, country ownership, and the visibility of Japan) fit into the PHRD strategy and policy (e.g., Is shorter implementation time more or less important than local capacity building?) The evaluation finds that there is little analytical work in the World Bank on these kind of strategic issues for PHRD and identifies challenges faced by TFO in expanding its role in this area.

**Management efficiency** – Most Bank staff, country partners, and national government representatives see the PHRD TA as a flexible mechanism (e.g., hiring consultants, time extensions, resource allocation) and note only a few limitations (cap on non-consultant costs, ineligibility of study tours).

PHRD TA grants are managed in compliance with WB procedures, and, with the exception of project deadlines, the majority of respondents are satisfied with all aspects of PHRD TA management and administration. (While 75 percent are not satisfied with the deadline requirements, it should be noted that preparation grant deadlines are frequently extended.)

**PHRD grant cycle and simplification process** – The PHRD TA project grant cycle is well established and generally understood within the Bank but is seen as slow and complex by Task Team Leaders (TTLs). A simplified process was rolled out 2003-2005 and implementation times seem to be improving as a result (10 weeks from application to release of funds). However, as a result of the decentralized decision making, TFO staff members are less familiar with PHRD TA funded activities, and are not able to provide as much oversight or ensure consistent report quality from TTLs.

**CAS Linkage** – There is a clear and consistent linkage between PHRD TA grants and the World Bank's Country Assistance Strategy (CAS). Respondents in the WB and national governments are in agreement with the required linkage for Preparation grants, but identified circumstances in which some flexibility would prove advantageous (e.g., when innovative programs are defined after the CAS has been issued, or in the transition period between the closing period of the current CAS and the CAS under preparation/approval).



**Monitoring and Evaluation** – The World Bank system abounds with information, but lacks adequate controls to ensure the quality of monitoring and reporting data. Japanese representatives indicated that they would like more information on project progress and results. While the frequency of PHRD TA monitoring reports is satisfactory, the quality is not – primarily as a result of incomplete or poor quality of data that exist in the Grant Reporting and Monitoring (GRM) data system. TTLs and other staff members who are responsible for projects know their projects, but systematic reporting of that knowledge is poor. There are few incentives for staff to produce good grant monitoring and completion reports, generally prepared by the TTLs, and little time for Trust Fund staff to monitor them. The result is the loss of data for learning, improvement, and evaluation. Since most PHRD TA grants are below \$1 million, there have been few grant evaluations (in accordance with WB guidelines). Even grants above \$1 million are generally not subject to more rigorous independent evaluation. Consequently, the oversight tools for PHRD TA have been the periodic program evaluations such as this study and the recently introduced assessment report on Closed Grants (Review of PHRD TA Grants Closed in FY 2006).

**Anti-corruption measures** - The World Bank is exercising appropriate control and mitigation measures to support the anti-corruption initiatives of both Indonesia and the World Bank.

## Recommendations

The following recommendations are directed to the World Bank and the Government of Japan. Recommendations 1 and 6 are primarily for the consideration of Trust Fund Operations and other divisions within the World Bank.

**Recommendation 1:** A Bank-wide discussion, possibly led by the Operations Policy and Country Services Department (OPCS), should be initiated to develop a position paper on the financing of project preparation in the Bank and to make the experience of PHRD TA more widely known to Bank investors.

Project preparation is recognized as an important element for the effectiveness of the Bank's loan operations. The Bank staff, investors and Member countries should discuss the ongoing requirements, funding and appropriate mechanisms for project preparation. The Bank's reliance on one donor, Japan, for preparation of its loan operations presents a risk to the Bank and recipient governments.

**Recommendation 2:** Given a future in which the increasing demand for project preparation support may exceed the supply, the World Bank and the Government of Japan will need to establish more strategic priorities for PHRD TA to ensure that it manages available resources in the most cost-effective way.

While the supply of funds for PHRD TA Preparation and Climate Change grants have kept pace with demand until now, increasing demand will necessitate more strategic decisions about allocating PHRD TA resources. These could include:

- Revising the allocations between IDA/non IDA countries, regions and sectors to better support future Bank priorities for loan operations
- Targeting Climate Change grants to encourage broader-based mitigation projects (sector-wide, program-based), to fund climate risk analysis studies, and to support risk assessment of development investments (to “*climate proof*” investments)

- Providing smaller grants, and/or requiring greater partner contributions in order to maintain as many grants as resources allow
- Identifying implementing agencies with sufficient capacity for basic implementation, but that would benefit most from the PHRD TA resources and advice
- Reducing grants to sectors in specific countries that have received repeated loans (which presumably built their capacity)
- Giving priority to very new initiatives and/or those that require new ways of working (collaborative or participatory processes that bring together new working groups)
- Eliminating or significantly restricting implementation grants
- Increasing the authority of the Bank Country Directors to propose allocations that best fit the needs of the countries (within PHRD TA strategic directions and aligned with the CAS). Country Directors currently do not propose allocations, nor comment on the submitted proposals about the strategic fit with country priorities.

**Recommendation 3: The Government of Japan and TFO should identify tools and processes that support a greater recognition of Japan’s dedicated support to good project preparation through PHRD TA.**

Beyond government officials and consultants directly involved with implementing PHRD TA grants, there is little recognition that Japan is funding the PHRD TA. The World Bank, the Japanese Government, and beneficiary countries should all consider ways to enhance recognition of Japan’s support for PHRD TA. These could include:

- **Symbolic changes** such as putting the Japanese flag on PHRD TA documents, acknowledging the role of Japan in supporting the grants, and/or adding “Japan” to the program title - “Japan PHRD TA”, if this were agreeable to Japan and to the World Bank.
- **Process changes** such as working with recipient governments and local media to publicly recognize Japan as the sponsor of PHRD grant and loan activities.
- **Strategic changes** such as a more coordinated country-level approach to PHRD TA grant submissions, based on regular discussions between the WB Country Office and the Japanese Embassy.

**Recommendation 4: The TFO and the Government of Japan should consider limited additional flexibility in PHRD TA grant conditions in order to increase the effectiveness of the grant program.**

The relevance and effectiveness of PHRD TA could be enhanced by allowing limited exceptions to the requirement that a grant-related project must be listed in the CAS. For example, when projects that are considered highly desirable and innovative were not foreseen in the CAS, it would seem reasonable to allow managers to propose such projects, with the understanding that this would be used only on an exceptional basis, and that such projects would be monitored appropriately.

Some respondents in several countries would like the 10 percent cap on non-consultant costs to be increased, primarily for training in the preparation phase. However, given the availability of alternative funding for training and the declining resources for project preparation, the evaluation team recommends that the 10 percent cap be maintained.

**Recommendation 5: The World Bank and Government of Japan should consider ways to increase the efficiency of the PHRD TA grant approval process, to avoid unnecessary delays in a process that can take six months to a year or more to complete.**

Although Bank processes have been shortened through the PHRD simplification process, and the Government of Japan has taken steps to accelerate approvals, the long lead time for grant approvals remains an ongoing concern of respondents to this study. However, new guidelines on “*Processing and Implementation of Japanese Trust Fund Grants, Roles and Responsibilities of World Bank and Japanese Stakeholders*” have been developed by TFO, Ministry of Finance (MOF), and Ministry of Foreign Affairs (MOFA). These are expected to provide further help to stakeholders and improve the processing cycle. The evaluation team supports this initiative and would encourage periodic review of the guidelines to ensure that the changes adopted are reducing delays in the cycle.

**Recommendation 6: TFO should ensure greater oversight of the PHRD TA reporting system to check that GRM reports are complete and that they provide adequate data to monitor and assess the efficiency and effectiveness of the PHRD TA grants.**

While the monitoring and evaluation of PHRD TA grants complies with agreed Bank procedures, the quality of reporting is less than desirable – many reports are incomplete, particularly at output and outcome levels. One improvement could be to place more emphasis on the evaluative aspects of the grant completion report for the GRM. In addition, given the total size of the PHRD TA program it would seem appropriate and feasible to evaluate either a select number of grants each year, or to periodically assess a country’s portfolio.

A positive step in improving reporting on the PHRD TA program is the April 2007 “*Review of PHRD TA Grants Closed in Fiscal Year 2006.*” The review provides feedback on the implementation of 117 PHRD TA grants that could lead to program improvement and better reporting on completed projects. It also identifies strategic issues that could provide TFO with a starting point for developing solutions and benchmarks for PHRD TA grants.

The TFO should clarify with the Government of Japan the specific reporting requirements that would be useful for the Japanese Parliament, and adjust the annual WB report on the PHRD TA to satisfy the Japanese request for more accountability on results.



## Acronyms

AfDB	African Development Bank
AsDB	Asian Development Bank
ACAP	Anti-Corruption Action Plan
AFR	Africa Region
APD	Annual Policy Document
BCF	BioCarbon Fund
CAS	Country Assistance Strategy
CC	Climate Change Initiative
CCG	Climate Change Initiative Grants
CDM	Clean Development Mechanism
CER	Certified Emission Reductions
CFT	Consultant Trust Fund
CGIAR	Consultative Group on International Agricultural Research
CIDA	Canadian International Development Agency
CSO	Civil Society Organization
CTF	Consultant Trust Fund
DAC	Development Assistance Committee
DFID	Department for International Development (UK)
EAP	East Asia and the Pacific
ECA	Eastern Europe Central Asia
ESSD	Environmentally and Socially Sustainable Development
ETC	Extended Term Consultant
GDP	Gross Domestic Product
GEF	Global Environment Facility
GHG	Green House Gases
GNI	Gross National Income
GRM	Grant Reporting and Monitoring
HIPC	Heavily Indebted Poor Countries
IBRD	International Bank for Reconstruction and Development
ICM	Implementation Completion Memorandum
ICR	Implementation Completion Reports

## A c r o n y m s

IDA/LIC	International Development Association/Low Income Country
IEG	Independent Evaluation Group
IFAD	International Fund for Agricultural Development
INT	World Bank's Integrity Department
JBIC	Japan Bank for International Cooperation
JICA	Japan International Cooperation Agency
JSCTF	Japan Staff and Consultant Trust Fund
LAC	Latin America and the Caribbean
M&E	Monitoring and Evaluation
MBB	Marginal Budgeting for Bottlenecks
MENA	Middle East and North Africa
MOF	Ministry of Finance
MOFA	Ministry of Foreign Affairs
MOU	Memorandum of Understanding
MPI	Ministry of Planning and Investment
ODA	Official Development Assistance
OECD	Organization for Economic Co-operation and Development
OISCA	Organization for Industrial, Spiritual and Cultural Advancement
OPCS	Operations Policy and Country Services Department
PAD	Project Appraisal Document
PCF	Prototype Carbon Fund
PCR	Project Completion Report
PHRD	Policy and Human Resources Development
PIU	Project Implementation Units
PPF	Project Preparation Facility
PRA	Participatory Rural Appraisal
PRSP	Poverty Reduction Strategy Paper
QAE	Quality at Entry
QAG	Quality Assurance Group
SAR	South Asian Region
SRIP	Strategic Road Infrastructure Project
TA	Technical Assistance

## Acronyms

TF	Trust Fund
TFO	Trust Fund Operations
TOR	Terms of Reference
TTL	Task Team Leader
UN	United Nations
UNDP	United Nations Development Program
UNFCC	United Nations Framework Convention on Climate Change
UNICEF	United Nations Children's Fund
USAID	US Agency for International Development
VPU	Vice-Presidential Unit
WB	World Bank
WBI	World Bank Institute
WFP	World Food Programme





## Contents

1. Evaluation of the Policy and Human Resources Development Trust Fund	1
1.1 Introduction	1
1.2 Scope and Objectives of the Evaluation	2
1.3 Schedule of Evaluation Activities	3
2. Methodology	4
2.1 Approach and Sampling Strategy	4
2.2 Country Case Studies	5
2.3 Stakeholder Interviews	6
2.4 Questionnaire Survey	7
2.5 Document and Statistical Review	8
2.6 Data Limitations	8
3. Context and Evolution of PHRD Technical Assistance	10
3.1 Introduction	10
3.2 PHRD in the Context of Trust Funds	10
3.3 Mandate of PHRD Fund	12
3.3.1 Trends in PHRD Fund	12
3.4 PHRD TA Portfolio	14
3.4.1 Preparation Grants	15
3.4.2 Implementation Grants	16
3.4.3 Climate Change Grants	16
3.5 Grant Allocation	17
3.5.1 Grant Allocation by Sector	17
3.5.2 PHRD Project Preparation Grant Allocation by Region	18
4. Relevance of the PHRD TA	20
4.1 Introduction	20
4.2 Relevance to World Bank Operations	20
4.3 Relevance to Country Development Strategies	22
4.4 Relevance to Japan	26
5. Effectiveness of PHRD TA	28
5.1 Introduction	28
5.2 Policies and Priorities of PHRD TA	28
5.3 Quality of the Operations Supported by PHRD TA	30
5.4 Capacity Building	35

5.5	Country Ownership	38
5.6	Policy Development and Change	40
5.7	Visibility of Japan	41
5.8	Cost-Effectiveness and Results	43
5.9	Collaboration and Synergy with other ODA	45
6.	Management of PHRD TA Program	47
6.1	Introduction	47
6.2	The Grant Approval and Implementation Cycle	47
6.3	Administration of PHRD TA Program by World Bank	49
6.3.2	Management Efficiency	50
6.3.3	Effects of the Simplification Process	54
6.3.4	Compliance with World Bank Procedures	58
6.3.5	Linkage to CAS	59
6.3.6	Monitoring and Evaluation	60
6.3.7	Risk Management	62
6.4	Changes to Management Practices	64
7.	Conclusions and Recommendations	65

## Exhibits

Exhibit 2.1	Coverage of Sample of PHRD Preparation, Implementation and Climate Change Projects Selected for Stakeholder Interviews	6
Exhibit 3.1	Milestones in the History of the PHRD Fund	13
Exhibit 3.2	Japan's Contributions to the PHRD Fund by Program FY93-FY99 (in US\$ million)	13
Exhibit 3.3	Japan's Contributions to the PHRD Fund by Program, FY00-FY06 (in US\$ million)	14
Exhibit 3.4	Approval of PHRD TA Grants by Type and Year (Number), FY00-FY06	14
Exhibit 3.5	Allocation of PHRD TA Grants by Type and Year (Amount US\$), FY00-FY06	14
Exhibit 3.6	Trend in TA Grant Allocation by Grant Type FY00-06 (Amount US\$)	15
Exhibit 3.7	Trends in the Numbers and Percentages of Bank Approved Projects Prepared with PHRD TA Grants	15
Exhibit 3.8	Trend in PHRD TA Grants by Sector FY95-FY99 and FY02-FY06	18
Exhibit 3.9	Regional Allocation of PHRD Project Preparation Grants between FY93-99 (in amount US\$)	19
Exhibit 3.10	Regional Allocation of PHRD Project Preparation Grants between FY00-06 (in amount US\$)	19
Exhibit 4.1	APD Allocation for Project Implementation Grants and Project Implementation Grants Allocated by Fiscal Year	23
Exhibit 5.1	PHRD Preparation Grants given to IDA Eligible and IDA Non-Eligible Countries for	

FY00-FY06	29
Exhibit 5.2 Trend in Allocation of PHRD TA Grants by Region (Asia-Non Asia) FY00-FY06 (Number of Grants)*	30
Exhibit 5.3 Trend in Allocation of PHRD TA Grants by Region (Asia-Non Asia) FY00-FY06 (in Amount US\$ Million)*	30
Exhibit 5.4 QAG and IEG Assessments	31
Exhibit 5.5 Quality of Outputs	31
Exhibit 5.6 Impact of Preparation Grants on the Increase of World Bank's Lending	31
Exhibit 5.7 Examples of Implementation Grants Supporting Local Capacities	37
Exhibit 5.8 Awareness of Japan as Source of Funds	42
Exhibit 5.9 Factors in Visibility of Japan in PHRD TA Program	42
Exhibit 5.10 Stakeholder Ratings for their Satisfaction with the Quality of Outputs of PHRD Grants	43
Exhibit 5.11 Ratio of Grant Amount to Loan Amount for PHRD Preparation Grants FY00-FY06 in Case Study Countries	45
Exhibit 6.1 Grant Making Process for PHRD TA	48
Exhibit 6.2 Flexibility of PHRD Trust Fund	52
Exhibit 6.3 Stakeholder Ratings for their Satisfaction with PHRD Project Implementation Times	55
Exhibit 6.4 Reported Helpfulness of the Simplification Process	57
Exhibit 6.5 Awareness of the PHRD Simplification Process	57
Exhibit 6.6 Satisfaction with the Management of PHRD	59
Exhibit 6.7 WB Procurement Guidelines Followed (Indonesia Country Study)	63
Exhibit 6.8 Financial Reporting and Auditing Standards Followed (Indonesia Country Study)	63

## Appendices

Appendix I List of Main Findings	72
Appendix II List of Recommendations	75
Appendix III Analysis Performed on Questionnaire Data	76



# 1. Evaluation of the Policy and Human Resources Development Trust Fund

## 1.1 Introduction

Universalialia is pleased to submit to the World Bank the final report on the Evaluation of the Policy and Human Resources Development Technical Assistance Trust Fund (PHRD TA). This report presents the synthesis of the findings of the evaluation and is Volume I of nine volumes. The list below shows the set of reports that together comprise the final report of the evaluation of PHRD TA.

### **Volumes comprising final report on evaluation of PHRD TA**

- Volume I – Synthesis report
- Volume II – Armenia Country Case Study
- Volume III – Colombia Country Case Study
- Volume IV – Ethiopia Country Case Study
- Volume V – India Country Case Study
- Volume VI – Indonesia Country Case Study
- Volume VII – Vietnam Country Case Study
- Volume VIII – Climate Change Case Study
- Volume IX – Methodology Report

This synthesis report, like the case studies, is organized by the findings of the evaluation with respect to the relevance, effectiveness, and management of the PHRD TA Program. The questions, which the evaluation was asked to answer, are organized within this overarching structure and the relationships between them are shown in the evaluation matrix (Volume IX – Methodology). The evaluation matrix is structured around the objectives and questions in the TORs and agreed with TFO in subsequent discussions. It also identifies the quantitative and qualitative indicators (column 3); principal sources of data (column 4) and methods (column 5) used to answer the evaluation questions.

The list below shows the structure of the synthesis report. The findings on the relevance of the PHRD TA (section 4) and the effectiveness of the PHRD TA (section 5) are based on a comparative analysis of the findings of the six country case studies in Volumes II–VII, together with the review of Implementation grants and the separate case study of the Climate Change grants (Volume VIII). Section 6 on the management of the PHRD TA Program is based on review of management and decision-making with respect to the PHRD TA grants and a comparative analysis of the findings on grant management in the country case studies. Section 7 is based on the collective findings of all case studies, reviews and analyses.

### **Outline of Synthesis Report**

- Section 1 – Introduction
- Section 2 – Methodology
- Section 3 – Context and evolution of PHRD Technical Assistance

- Section 4 – Relevance of PHRD TA
- Section 5 – Effectiveness of PHRD TA
- Section 6 – Management of the PHRD TA Program
- Section 7 – Conclusions and Recommendations

## 1.2 Scope and Objectives of the Evaluation

This evaluation is of the PHRD Technical Assistance (TA) program component of the PHRD Fund, which includes the Preparation, Implementation and Climate Change grants. The evaluation does not cover other components of the PHRD Fund, such as the Cofinancing grants (few of which have been completed).<sup>1</sup>

In October 1999, at the request of the Government of Japan, the World Bank conducted an evaluation of the impact of the PHRD Fund for FY88 to FY99 and set up a monitoring system for future reporting on the direct and indirect impacts of the Fund.<sup>2</sup> The time frame covered by the present evaluation is therefore FY00 to FY06. According to WB databases,<sup>3</sup> the number of grants for this period is 848, of which 720 were Preparation grants, 34<sup>4</sup> were Implementation grants and 36 were Climate Change grants (Exhibit 3.4). These 790 Preparation, Implementation and Climate Change grants represent the project universe for the evaluation.

This evaluation of PHRD TA has three overarching objectives:

- 1) Review the progress and assess the development impact since 1999 of PHRD;
- 2) Assess the achievement of the objectives of the program;
- 3) Make recommendations to improve the operations of the Fund.

The terms of reference for the evaluation also include five main questions to be addressed:

- 1) Have the objectives of the program been achieved?
- 2) Have there been sufficient results (development impacts) achieved in comparison to resources expended?
- 3) Has the program been managed efficiently? Is there any inefficiency in current operating structures and administrative procedures?
- 4) Is there scope for any potential duplication of activities with other donor programs?
- 5) To what extent has the visibility of Japan in the use of PHRD funds been secured?

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<sup>1</sup> The Fund also includes the Joint Japan/World Bank Graduate Scholarship Program; the PHRD-World Bank Institute (WBI) Capacity Development Grants Program; the Japan Staff and Extended Term Consultant (ETC) Program; and the Japan – World Bank Partnership Programs.

<sup>2</sup> World Bank, 2000, Development Impact: Japan Policy and Human Resources Development Fund (PHRD Fund), Monitoring and Evaluation Unit.

<sup>3</sup> SAP and e-TF databases as of April 2007. While the six country case studies have been based on the information contained in the SAP database as of June 2006, all the numbers, tables and figures in this synthesis report make reference to the most recent information received by TFO. See also footnote 3.

<sup>4</sup> The project preparation grant Water Supply and Sanitation (TF050518) in Ethiopia is erroneously classified as an implementation grant in WB database.

The first of the TOR questions (Have the objectives of the program been achieved?) was further elaborated in discussion with TFO to include:

- Contribution to the overall objectives of the PHRD Fund;
- Increasing quality at entry of follow-on operations;
- Increasing capacity building of countries;
- Increasing country ownership;
- Increasing Bank lending to country.

### 1.3 Schedule of Evaluation Activities

The evaluation began with an Inception Mission on 10-13 October 2006 to scope the work and to reach a better understanding of the needs of the Bank and of Japan. A follow-up presentation by the Team Leader took place in WB headquarters on 24 October 2006 and the Inception Mission Report was finalized and accepted in January 2007.

The main phase of primary data collection took place from December 2006 to February 2007. This included:

- Three visits to World Bank Headquarters in December 2006, January and February 2007 to conduct interviews with TFO, TTLs and other WB managers and staff involved in the PHRD Program.
- Mission to Tokyo 4-8 December 2006 to meet with officials of the Ministry of Finance, Ministry of Foreign Affairs (MOFA), Japan International Cooperation Agency (JICA), Japan Bank for International Cooperation (JBIC), the World Bank Tokyo Office and representatives of Japanese Civil society.
- Missions to six countries in January- February 2007 (Armenia, Colombia, Ethiopia, India, Indonesia and Vietnam) to conduct interviews with Country Office Directors and staff, TTLs, Government officials, PHRD grant project leaders and consultants, Japanese government representatives and others, as well as review locally available reports and databases.
- Telephone interviews with TTLs and others who were not available for face-to-face meetings during the various field missions or who were located in other countries. This included many of the TTLs interviewed for the Climate Change grants.

Data analysis has continued throughout the evaluation with the main phase of analyzing the primary questionnaire data collected through the interviews being undertaken in February – April 2007. An Interim Report providing an update on evaluation activities and outlining emerging findings was submitted to TFO on 13 April 2007 and was followed by a meeting with the Steering Committee on 1 May 2007.

Following the submission of the draft report, there was a meeting to present and discuss the key findings of the evaluation with the Steering Committee for the PHRD TA evaluation. The draft report was then revised and submitted as the Final Report on the Evaluation of the PHRD TA Program. A chart showing the schedule of evaluation activities is given in Volume IX – Methodology.

## 2. Methodology

### 2.1 Approach and Sampling Strategy

Using the population of 811<sup>5</sup> PHRD TA grants approved between FY00 and FY06 as the starting point, the following approach to the evaluation was agreed with the WB:

- Analysis of the number and allocation of all PHRD TA grants, by amount, type (Preparation, Implementation, Climate Change), sector, region and IDA/LIC countries. This enabled time series comparisons to be made with the grant distribution and patterns prior to FY00, and a discussion of the trends found (section 3.3).
- For the Preparation Grants which represent 85 percent of the PHRD TA grants approved between FY00 and FY06, the approach was to deepen the quantitative analysis of the entire portfolio through six country case studies, with field missions and interviews that included structured questionnaire surveys (sections 2.2 -2.4).
- For the Implementation Grants, a desk review has been undertaken for the entire portfolio between FY00 and FY03 (18 projects)<sup>6</sup> supplemented by questionnaire analysis and interviews with nine TTLs in total.<sup>7</sup> Only two of the Implementation grants in the sample took place in the countries selected for case study so that the questionnaire survey includes only five stakeholders for Implementation grants.
- For the Climate Change Initiative (this includes project preparation, project implementation, capacity building and research grants) which started in 2003, the entire portfolio of 36 projects approved has been reviewed using desk reviews and interviews with TTLs. As for the Implementation grants, a few of the Climate Change projects were implemented in one of the six countries selected as case studies. For these projects there are questionnaire and interview data available with WB staff and government officials that provide more in depth information (Volume VIII).
- Questions relating to the WB management of the PHRD TA program were approached at three levels (section 6):
  - A review of PHRD TA management issues was undertaken involving interviews with managers at WB headquarters, combined with a desk review of relevant WB procedures with respect to reporting, procurement, financial controls, monitoring and evaluation;
  - Cross-referencing with WB management systems at country level was undertaken in each of the six country case studies through the collection of primary interview and questionnaire data;
  - A mission to Japan was carried out using comparative interview protocols to those employed in the country case studies to interview representatives of Japanese Government involved in policy development and the approval process for PHRD TA.

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<sup>5</sup> Total number of the project preparation, climate change, project implementation and technical assistance grants.

<sup>6</sup> In the course of the review, the team discovered that the Water Supply and Sanitation grant in Ethiopia (P076735) was erroneously classified as an implementation grant. Consequently, we have not considered this grant in calculating the total grant amount for Implementation Grants.

<sup>7</sup> Although the intention was that the review of the Implementation Grants would be primarily a desk review, the limited data in the documents reviewed prompted us to interview additional TTLs beyond the country case studies.



## 2.2 Country Case Studies

Following a review of the databases and discussion with the WB, four criteria were developed to select the six country case studies for more in depth study. For the given timeframe FY00 to FY06, these are:

- 1) Regional distribution – Three countries in East Asia and the Pacific (EAP) and South Asian (SAR) regions representing 35 percent of PHRD TA projects in Asia within the evaluation timeframe; one country in each of Africa (AFR), Latin America and the Caribbean (LAC), and Eastern Europe Central Asia (ECA);
- 2) Coverage of PHRD TA within each region:
  - Number of PHRD TA projects in selected country as a percentage of those in the region;
  - Amounts in US\$ of PHRD TA projects in selected country as a percentage of total grant amounts in the region.
- 3) Amount of World Bank lending in the country;
- 4) If possible, the inclusion of an Implementation grant and Climate Change project in each selected country.

Based on the above criteria, the countries selected for case studies were: Armenia (ECA), Colombia (LAC), Ethiopia (AFR), India (SAR), Indonesia and Vietnam (EAP). A table is provided in Volume IX – Methodology to show how each case study country met the selection criteria. The decision by the WB for the evaluation to include three case studies from Asia, rather than the original two, meant that there was no case study in Middle East and North Africa (MENA).

Overall<sup>8</sup>, the combined portfolio of Vietnam, India and Indonesia projects (78 projects) for the Asia region represents 63 percent of the overall number of 123 projects sampled for the evaluation and 68 percent of the grant amount for all projects constituting the sample captured in the six country case studies.

Within each country case study, a desk review was conducted of all projects within the evaluation timeframe. Those projects having 50 percent or more disbursement by 30 June 2006 were selected as the sample for stakeholder interviews and questionnaire analysis.<sup>9</sup> In Ethiopia, application of the 50 percent rule would have yielded a sample of only four projects. Therefore it was decided to include all PHRD projects in the sample for that country.

The sampling frame included a total of 104 projects for the stakeholder interviews and questionnaire survey distributed across Preparation, Implementation and Climate Change grants as shown in Exhibit 2.1. This provided an overall coverage of 14 percent of the number of PHRD TA projects approved in FY00 to FY06 and 11 percent of the dollar amount of the approved grants. For the number of Preparation grants, the sample coverage was 10 percent; for Implementation grants it was 25 percent, and for Climate Change grants it was 67 percent.

<sup>8</sup> The six case studies are based on the information in the SAP database as of June 2006.

<sup>9</sup> The disbursement figures used for the sample selection were taken from SAP on 30 June 2006. By the time the field missions were conducted in January-February 2007, additional disbursement had taken place. This is why the case studies report higher disbursement rates for some projects.

**Exhibit 2.1 Coverage of Sample of PHRD Preparation, Implementation and Climate Change Projects Selected for Stakeholder Interviews<sup>10</sup>**

GRANTS FY00 – FY06	Total # grants	Sample size	Sample coverage	Total \$ grants	Sample\$ amount	Sample coverage
Preparation	678	71	10%	\$462,799,452.00	\$39,344,074.00	9%
Implementation	36	9	25%	\$15,628,921.00	\$3,163,950.00	20%
Climate change	36	24	67%	\$20,801,877.00	\$12,680,827.00	61%
ALL GRANTS	750	104	14%	\$499,230,250.00	\$55,188,851.00	11%

Source: SAP (as of June 30, 2006) and country case studies.

Note to table: This table makes reference to the projects covered by the interviews. The sample size has been counted on the basis of information provided by the case studies.

## 2.3 Stakeholder Interviews

Interviews were held with 301 stakeholders, either face-to-face or by telephone.<sup>11</sup> Most of the interviews were on a one-to-one basis. A key purpose of the interviews (and embedded questionnaire survey) was to identify the factors which influenced the performance of PHRD in reaching its stated goals. Therefore stakeholders were purposively selected based on their knowledge of the PHRD TA program and of individual projects that were selected for more in-depth study. Respondents were identified from the document review and from referrals from World Bank staff.

Interviews were held in World Bank headquarters with:

- TFO Unit staff,
- Officials from the Office of the Executive Director of Japan,
- Task Team Leaders,
- Sector Managers,
- Regional Trust Fund Coordinators,
- Staff in other Operation Units (OPCS, ESSD).

In the six case study countries, interviews were held with:

- World Bank Country Directors and Country Office staff (to discuss the country portfolio of PHRD TA grants);
- Task Team Leaders (for each project falling in the sample. In some cases the TTLs were no longer based in the country but were interviewed by phone);
- Officials from the Embassy of Japan, JBIC and JICA;
- Officials from the Ministry of Finance or other central agency responsible for administering external assistance (to discuss the country portfolio of PHRD TA grants);
- Officials from Project Implementation Units (PIU) in the line Ministries (for PHRD projects falling within the sample);
- If applicable, members of the Project Directors' Forum and other donors working in country.

<sup>10</sup> This table makes reference to the information contained in SAP database as of June 2006.

<sup>11</sup> 268 stakeholders were interviewed for the six country case studies. The remaining respondents were interviewed in relation to Climate Change and Implementation Grants implemented outside the case study countries

For the Implementation grants, the original evaluation design called for only a desk review of the relevant documentation, but given the scarcity of available documents, it was decided to interview nine Task Team Leaders, wherever they were located.

For the Climate Change study, 25 interviews were conducted relating to 17 of the total of 26 CC projects. Most of the interviews were with World Bank staff, primarily with the responsible Task Team Leaders, and mainly by phone as only six of the CC grants took place in one of the six countries selected for case studies.

### 2.4 Questionnaire Survey

During the course of conducting the 301 interviews a structured questionnaire survey was administered to 194 respondents either face to face or by telephone.<sup>12</sup> A few respondents filled in the questionnaire by e-mail, after the interviews. For the purposes of the questionnaire survey design, the interviewees were categorized into six stakeholder groups:

- 1) World Bank Task Team Leaders (TTLs) responsible for PHRD TA projects;
- 2) World Bank staff at headquarters or in country offices;
- 3) National government officials (central and line ministries/departments);
- 4) PHRD TA project consultants (local, regional and international);
- 5) Government of Japan representatives in Washington, Tokyo and case study countries;
- 6) Other donors operating in the six case study countries.<sup>13</sup> This occurred only in Ethiopia.

Separate questionnaire formats were developed in English for each of the stakeholder groups, using the questionnaire for the TTLs as a 'template' since it is the most detailed. As far as possible, the question wording across the modules was made equivalent and the questions were positioned in a similar order. In this way the set of five questionnaire modules was designed so that responses to all key questions in the evaluation matrix could be comparatively analyzed across the five main stakeholder groups.<sup>14</sup> Translations of the questionnaires were used as needed for national government officials and consultants in Vietnam, Colombia, and Armenia. The main questionnaire and coding manual are given in Volume IX – Methodology, and a short description of the analysis performed is provided in Appendix III of this report.

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<sup>12</sup> Some interviews were conducted as group interviews. Furthermore, seven interviews on Climate Change grants were not included in the statistical analysis because they related to dropped grants. As a consequence, the number of questionnaires is smaller than the number of interviews conducted.

<sup>13</sup> It was anticipated that other donors would also be interviewed in each case study country but this was achieved only in Ethiopia with three donors (DfID, CIDA and USAID).

<sup>14</sup> After an initial question about the PHRD project portfolio with which the interviewee was familiar, the rest of the questionnaire focused on one PHRD project within the given sample. Except for one project which was discussed by nine respondents, this approach yielded between one and four stakeholder respondents per sample PHRD TA grant.

## 2.5 Document and Statistical Review

A key approach in the evaluation methodology is to seek relationships between the quantitative data in WB databases and the qualitative data obtained through interviews and in the case studies. Statistical data tell only part of the story of impacts and outcomes but they are a key starting point. Thus the evaluation includes review of the financial data on grant preparation and statistical data on program 'success' such as rates of disbursement and Quality at Entry (QAE).

Document review was conducted in as standardized a manner as possible using a question template to analyze documents systematically to extract information relevant to the evaluation questions.

For the entire portfolio of projects the documents reviewed included:

- Annual reports,
- Annual TF Portfolio Reviews,
- Regional TF Portfolio Monitoring Reports,
- Evaluation reports,
- PHRD Agreements between Japan and the World Bank,
- Records of grant applications and outcomes by region.

For individual projects that were part of the sample, the documents reviewed included:

- Proposal,
- Grant Agreement,
- GRM or TF Star documents,
- ICM (for grants above \$1 million),
- Implementation and status reports,
- Back to Office Reports,
- Aide Memoires,
- Implementation Completion Reports,
- Other documents identified by TTLs as relevant and providing evidence of achievements of the grant.

## 2.6 Data Limitations

Within the overall scope and timeframe of the evaluation, the main limitations of the approach and data availability were:

- Documentation quality – grant monitoring reports (TF Star or GRM) were inconsistent in terms of completeness and data quality;
- Recall of interviewees – the limited recall of TTLs who were now handling other projects, particularly if they had also relocated or had been responsible for the target project for only a short period, proved to be a problem in some cases; (see Finding 34 and Recommendation 6);

- Availability of stakeholders for interview – during the time-limited missions to countries, many key interviewees were not available and would either have to be interviewed by phone later or (in the case of national stakeholders) would be substituted by another available person in the Ministry or project team. In India where most projects are implemented at the State or more local levels and the time available for mission visits to several State capitals was inevitably more restricted, most national stakeholders were interviewed as project teams;
- Data analysis – the relatively small samples across the six stakeholder groups in the questionnaire survey combined with a high number of ‘don’t know’ responses for some questions, puts limits on the statistical analysis that can be performed;
- For the Climate Change projects, 18 out of 25 interviews were conducted with World Bank staff. This sample is therefore biased toward the views of the Bank;
- For the Implementation projects, the documentation yielded insufficient information and it was decided to conduct some interviews to provide additional insights on Implementation projects. It proved possible to contact nine TTLs in four regions (LAC, EAP, AFR and EAC).<sup>15</sup> Only two of the Implementation grants out of the 18 in the sample took place within the country case studies.<sup>16</sup> The questionnaire survey sample includes a limited number of respondents for the Implementation grant subset.<sup>17</sup> Thus, the findings regarding stakeholder views are only indicative;
- There is not a one-to-one relationship between the 194 questionnaire responses) and the projects under review since some respondents discussed a portfolio of several projects and in other cases, several respondents were interviewed about one project (e.g. TTL, government official and project consultant). Of the unique projects assessed in the survey (n=85), 47 percent are known to be rated by one respondent, 31 percent by two respondents, and 22 percent by 39 respondents for a total of 196 references to projects.<sup>18</sup>

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<sup>15</sup> The list of interviews for Implementation projects is given in Volume IX (Methodology).

<sup>16</sup> One of the grants (*Water Supply and Sanitation – Ethiopia*) is misclassified as an Implementation grant in the WB database. Another grant (*Provincial Reform Adjustment Loan – Catamarca Argentina*) was never implemented because of a deteriorating relationship between federal and provincial governments. Thus the number of Implementation grants actually implemented FY00-03 is 17.

<sup>17</sup> Additional interviews took place with TTLs but no questionnaire was completed.

<sup>18</sup> 37 respondent surveys have not been matched to a project number.

### 3. Context and Evolution of PHRD Technical Assistance

#### 3.1 Introduction

This section provides an overview of the PHRD program in the context of Trust Funds, and describes the evolution of its mandate and portfolio. The PHRD program, originally launched in 1990, has been a prominent pioneer among a growing range of instruments set up since that time by various donors to reinforce and target concessional international development finance. The sheer financial growth of various types of development trust fund mechanisms - which include many partnership-based global and regional funds - is the most striking indicator of their transformation from marginal channels in the late 1980s to becoming a main line of business for international organizations and the development community in 2007.

#### 3.2 PHRD in the Context of Trust Funds

The World Bank defines a trust fund as “a fund established with contributions from one or more external donor(s) to support development-related activities.”<sup>19</sup> The closest equivalent definition to such trust funds in the UN system is the broad category of “non-core funding.” Because of the variety of related mechanisms and auspices for these funds, their scope is not yet completely determined,<sup>20</sup> but it is fair to say that a full third of all official development assistance now flows through partnership-based global and regional programs, rather than through the country-focused programs of assistance that have been the main channels of traditional aid donors.<sup>21</sup>

The World Bank defines global partnership programs as satisfying the following four criteria:

- 1) Have a global, regional or multicountry scope;
- 2) Commit Bank resources (financial, technical, staff, Bank name, or reputation);
- 3) Involve activities coordinated with one or more non-Bank entities;
- 4) Are part of a formal relationship that aims to achieve development objectives over time.

The Bank is currently involved in about 110 global programs and 60 regional programs, which together spent around \$3 billion in FY05 (addressing specific development issues through special initiatives). The Bank has also become by far the largest trustee for global and regional trust funds, holding a stock of more than \$5 billion of such funds at the end of FY05.<sup>22</sup> These trust funds can provide:

- Financing support (filling the gaps of particular projects or programs; financing debt reduction; financing assistance to postconflict countries);
- Advisory services (supporting technical assistance and capacity building processes).

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<sup>19</sup> World Bank. 2003. *Trust Fund Handbook*, p.1.

<sup>20</sup> The OECD DAC data on ODA do not capture all these different mechanisms in any single category, and even the World Bank’s internal briefing material on World Bank-administered Trust Funds comes with a “data quality health warning.”

<sup>21</sup> Uma Lele, Nafis Sadik, Adele Simmons. “The Changing Aid Architecture: Can Global Initiatives Eradicate Poverty?” DAC News, July 2006

<sup>22</sup> On line: [http://www.worldbank.org/ieg/grpp/about\\_grpp.html](http://www.worldbank.org/ieg/grpp/about_grpp.html)

Not surprisingly, these important shifts in the modalities of development financing have raised a number of major issues in the international community<sup>23</sup> and called for substantial adaptations in aid management. Many of these changes are still being worked through, and the evaluation effort that these activities would justify is just beginning.<sup>24</sup> As one indication of the challenges arising, three separate review exercises were underway in the World Bank in late 2006: an overall review of trust fund strategy; a review of risk management related to trust funds; and a review of cost recovery on trust funds. The Bank already has a set of criteria that must be met in order to create a trust fund.<sup>25</sup>

Within this growing and changing field of trust funds, the Japan Policy and Human Resource Development Program occupies a special place for several reasons. It is one of the most longstanding of these mechanisms, and it is a large one. It remains one of the ten largest Trust Funds administered by the Bank. PHRD has only one donor – the Japanese Government was the originator of the program as a strategic contribution to the partnership between Japan and the World Bank, and has single-handedly supported it for sixteen years. Unlike most trust funds, which have been set up and supported by several donors to address particular development problems, the largest part of the PHRD (its project preparation grant facility) was conceived from the outset as a strategic instrument for providing technical assistance to assist in formulating and implementing Bank-supported projects, programs and activities.<sup>26</sup> Thus it is a “*programmatic trust fund*” set up in order to support a set of activities included in a program,<sup>27</sup> as distinct from single-purpose or free-standing trust funds.

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<sup>23</sup> Examples of these questions include whether thematic funds are creating additional resources or competing with country-focused assistance, their effects on country ownership and the alignment of aid with country strategies, and new questions around their governance and accountability as well as the new challenges of assessing their effectiveness.

<sup>24</sup> The World Bank’s Operations Evaluation Department (now Independent Evaluation Group) has carried out three major related evaluations and reviews: [add dates] The World Bank’s Approach to Global Programs (Phase 1 Report); Addressing the Challenges of Globalization (Phase 2 Report); The CGIAR at 31: An Independent Meta-Evaluation of the Consultative Group on International Agricultural Research; and IEG Evaluation of World Bank Support of Regional Programs. Moreover, the IEG is leading an international effort to formulate a set of generally acceptable evaluation principles for Global and Regional Partnership Programs, under the auspices of the OECD’s Development Advisory Committee (DAC) Network on Development Evaluation.

<sup>25</sup> The Trust Fund must be conceived with the purpose of supporting activities that are aligned with the Bank’s strategic development priorities; It cannot be used to fund Bank’s normal business activities. It cannot be used if it represents a potential source of conflict of interest in its relationship with the donor or the recipient. Tied Trust Fund resources are not accepted. The minimum size is US \$200,000. Trust Funds are subject to the “The World Bank Policy on Disclosure of Information;” and Trust Funds can be used to finance staff costs.

<sup>26</sup> Letter of Arrangement establishing Japan’s Policy and Human Resources Development Fund, paragraph. 1.2: “The Fund may be used for the purpose of financing technical assistance activities in respect of the formulation and implementation of Bank-supported projects and programs and activities to help develop human resources in developing member countries of the Bank and to assist developing member countries of the Bank to formulate and implement development policy [...]”

<sup>27</sup> The program is part of a thematic framework previously designed and approved by the donor(s).

More specifically the PHRD has been intended to serve as a flexible means of upstream strengthening of the international development effort across a broad front, and in the process - before this requirement was more widely acknowledged and supported - for helping strengthen the policy and human resource capacities of participating developing countries. A final, related special feature of the PHRD is its increasingly strong insistence that its technical assistance grants be provided directly to grant recipient governments, with only very limited exceptions.

The Japan PHRD Fund was created as a mechanism to enable the contributions from the Government of Japan to international cooperation to be provided for various categories of World Bank work without specific Parliamentary approval each time. Accordingly, the Letter of Arrangement signed on July 30, 1990, established the Fund as an independent fund in the World Bank to be managed by the World Bank.

### 3.3 Mandate of PHRD Fund

The PHRD Fund supports five main programs:

- 1) the PHRD Technical Assistance Program;
- 2) the Joint Japan/World Bank Graduate Scholarship Program;
- 3) the PHRD-World Bank Institute (WBI) Capacity Development Grants Program;
- 4) the Japan Staff and Extended Term Consultant (ETC) Program;
- 5) the Japan – World Bank Partnership Programs.

It also serves as the channel through which other Japanese grants are routed (e.g. InfoDev and Cities Alliance).

The allocation across the different programs varies considerably, with the largest component going to support Project Preparation grants within the TA Program. The original mandate of the PHRD Fund is stated in the Letter of Arrangement signed on July 30, 1990. The Letter states that: *“The Fund may be used for the purpose of financing technical assistance activities in respect of the formulation and implementation of Bank-supported projects and programs and activities to help develop human resources in developing member countries of the Bank and to assist developing member countries of the Bank to formulate and implement development policy [...]”*

The agreement also provides for financial support to several types of activities, i.e. technical assistance and cofinancing, training, human resources development, hiring of Japanese nationals as consultants, scholarship grants, special programs for forging stronger Japan-World Bank partnership and engagement of local consultants.

#### 3.3.1 Trends in PHRD Fund

Over the years, the Fund has evolved in its objectives and new categories of grants have been created. The Climate Change Initiative Grants (CCG) Program was established in April 2002, and the Project Cofinancing Program for Institutional Capacity Building was established in FY04. Exhibit 3.1 shows the milestones of the PHRD Fund.



**Exhibit 3.1 Milestones in the History of the PHRD Fund**

DATE	EVENTS
July 30, 1990	Signature of the Letter of Arrangement establishing Japan's Policy and Human Resources Development Fund
FY00	Project Implementation capacity building grants are created as a new category of PHRD TA grants
FY02	Introduction of the requirement "recipient-executed" as general rule for Project Preparation grants and without exception for Project Implementation grants.
April 2002	Launch of the Climate Change Initiative Grants (CCG) Program
FY04	Project Cofinancing Program for Institutional Capacity Building established Extension of the requirement "recipient-executed" without exception to Climate Change and Cofinancing grants.
FY03-05	Simplification Process introduced and rolled out for Project Preparation grants
FY05	Last year of Japan's contributions to the Consultant Trust Fund (CTF) Program

Funding for the PHRD Fund has also changed over the years. Comparison of the tables in Exhibits 3.2 and 3.3 show that Japan's contributions to the PHRD Fund has declined sharply between the two periods FY93 - FY99 and FY00 – FY06. While the total amount of contributions to the PHRD Fund amounted to US\$1,278.27 million between FY93 and FY99, it was reduced almost by half, i.e. US\$602.27 million in the following period (FY00-06).

The decrease has mostly affected the Technical Assistance Program. For the FY93-99 period, the percentage of contributions to TA represented the highest percentage (80 percent) of Japan's total contributions to the PHRD Fund. For the period currently under review (FY00-06), the percentage of Japan's total contributions to TA fell to 30 percent, thus putting the TA Program in second place, after the Special Grants Program. Annual contributions to the TA component of the Fund went from a high of US\$197.26 million in FY95 to a low of US\$2.92 million in FY06. The decline in the amount allocated to the TA Program over the past six years has resulted in TA representing less than six percent of Japan's contributions to the PHRD Fund in FY06.

**Exhibit 3.2 Japan's Contributions to the PHRD Fund by Program FY93-FY99 (in US\$ million)**

	FY93	FY94	FY95	FY96	FY97	FY98	FY99	Total	% Total
All TA	136.62	158.00	197.26	180.99	135.56	94.82	117.55	<b>1,020.79</b>	<b>80%</b>
JCTF	1.94	3.33	10.77	12.25	14.46	14.17	13.58	<b>70.51</b>	<b>6%</b>
WBI Total	2.74	2.99	3.17	3.26	3.27	3.05	2.49	<b>20.98</b>	<b>2%</b>
Scholarship Program	13.48	10.54	10.16	12.52	13.98	12.86	25.24	<b>98.78</b>	<b>8%</b>
Special Grants <sup>1</sup>	0.00	0.00	0.00	30.17	17.68	15.35	4.00	<b>67.21</b>	<b>5%</b>
Staff and ETC Grants	0.00	0.00	0.00	0.00	0.00	0.00	0.00	<b>0.00</b>	<b>0%</b>
<b>Total</b>	<b>154.77</b>	<b>174.87</b>	<b>221.36</b>	<b>239.20</b>	<b>184.95</b>	<b>140.26</b>	<b>162.86</b>	<b>1,278.27</b>	<b>100%</b>

<sup>1</sup> Special grants include the Japan Post Conflict Fund, the Japan –World Bank Partnership Program, contribution to other Trust Funds including HIPC and the Consultants Trust Fund (CTF) and administration fees.

Source: Trust Fund Accounting team in Chennai

**Exhibit 3.3 Japan's Contributions to the PHRD Fund by Program, FY00-FY06 (in US\$ million)**

	FY00	FY01	FY02	FY03	FY04	FY05	FY06	Total	% Total
All TA	49.58	23.93	38.12	26.79	23.35	13.51	2.92	<b>178.20</b>	<b>30%</b>
JCTF <sup>1</sup>	7.16	6.69	6.29					<b>20.13</b>	<b>3%</b>
WBI Total	2.61	2.54	1.85	1.67	1.68	1.46	1.17	<b>12.98</b>	<b>2%</b>
Scholarship Program	13.48	10.54	10.16	12.52	13.98	12.86	25.24	<b>98.78</b>	<b>16%</b>
Special Grants <sup>2</sup>	22.21	14.56	75.82	73.59	22.99	50.80	19.78	<b>279.75</b>	<b>46%</b>
Staff and ETC Grants				4.67	3.26	2.39	2.12	<b>12.44</b>	<b>2%</b>
<b>Total</b>	<b>95.03</b>	<b>58.26</b>	<b>132.25</b>	<b>119.24</b>	<b>65.25</b>	<b>81.02</b>	<b>51.23</b>	<b>602.27</b>	<b>100%</b>

<sup>1</sup> Since FY03 the Japan Consultant Trust Fund (JCTF) has been managed outside the PHRD Framework. In addition to the contributions and special grants noted in this table there were two transfers from the PHRD Fund to the JCTF, of \$1.64m in FY03 and of \$13.43m in FY04.

<sup>2</sup> Special grants include the Japan Post Conflict Fund, the Japan –World Bank Partnership Program, contribution to other Trust Funds including HIPC and the Consultants Trust Fund (CTF) and administration fees.

Source: PHRD Annual reports 2000-2006 and Trust Fund Accounting team in Chennai

## 3.4 PHRD TA Portfolio

Exhibit 3.4 shows the allocation of PHRD grants by type over the period FY00-06. The total number of grants allocated over that period is 848 of which the Project Preparation grants represent 85 percent. Over the period under review, the numbers of Preparation grants have declined, with those approved in 2006 representing only 70 percent of those approved in 2000.

**Exhibit 3.4 Approval of PHRD TA Grants by Type and Year (Number), FY00-FY06**

Grant Purpose	FY00	FY01	FY02	FY03	FY04	FY05	FY06	Grand Total
Climate Change				9	9	12	6	<b>36</b>
Cofinancing					8	9	20	<b>37</b>
Implementation		3	4	4	10	9	4	<b>34</b>
Preparation	139	130	70	96	135	81	69	<b>720</b>
Technical Assistance	20				1			<b>21</b>
<b>Grand Total</b>	<b>159</b>	<b>133</b>	<b>74</b>	<b>109</b>	<b>163</b>	<b>111</b>	<b>99</b>	<b>848</b>

Source: SAP and e-TF databases (as of April 6<sup>th</sup> 2007) and grant documents

Note: The total number of grants across some categories has been revised on the basis of the documentation available on PHRD TA grants. Thus, a grant in Ethiopia classified as Implementation grant is actually a Preparation grant, and another grant in Colombia originally classified as N/A is a technical assistance grant.

Exhibits 3.5 and 3.6 show the allocation of PHRD TA grants in terms of dollar amount across the four categories. The term "allocation" refers to funds allocated against the approved grants or, in other words, these are the values of the number of grants approved. They show that from FY00 to FY06 the percentage of the total amount allocated to Project Preparation grants by year has declined from 100 percent to 45 percent due to the introduction of new grant windows: the Project Implementation grants, established in FY00; the Climate Change grants, introduced in FY02; and the Project Cofinancing grants, established in FY04.

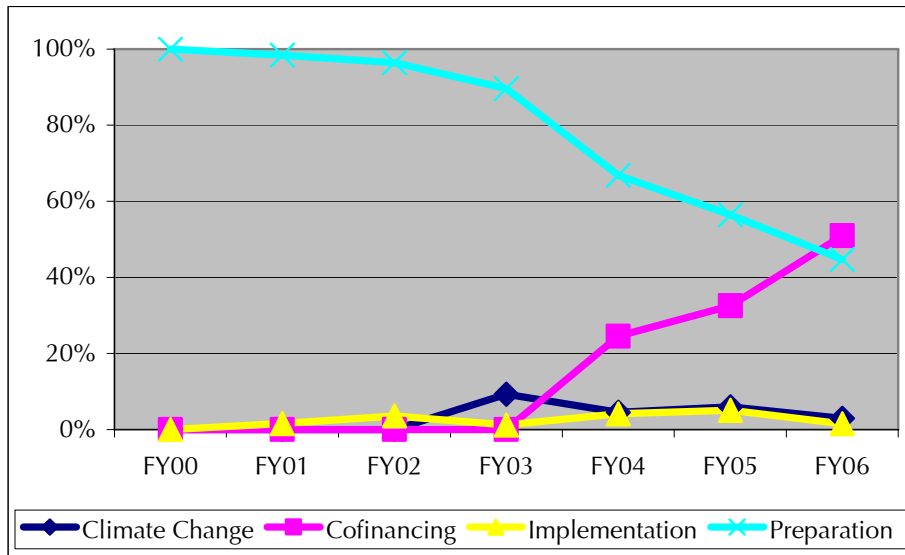
**Exhibit 3.5 Allocation of PHRD TA Grants by Type and Year (Amount US\$), FY00-FY06**

Grant Purpose	FY00	FY01	FY02	FY03	FY04	FY05	FY06	Grand Total
Climate Change				\$6,127,769.00	\$5,695,745.00	\$5,505,395.00	\$3,036,600.00	<b>\$20,365,509.00</b>
Cofinancing					\$30,889,000.00	\$30,043,000.00	\$53,228,300.00	<b>\$114,160,300.00</b>
Implementation		\$980,350.00	\$1,500,900.00	\$769,445.00	\$5,230,610.00	\$4,654,736.00	\$1,550,980.00	<b>\$14,687,021.00</b>
Preparation	\$58,780,790.00	\$61,452,481.00	\$40,107,357.00	\$59,376,245.00	\$84,205,320.00	\$52,069,345.00	\$46,730,996.00	<b>\$402,722,534.00</b>
Technical Assistance	\$10,844,464.00				\$2,785,200.00			<b>\$13,629,664.00</b>
<b>Grand Total</b>	<b>\$69,625,254.00</b>	<b>\$62,432,831.00</b>	<b>\$41,608,257.00</b>	<b>\$66,273,459.00</b>	<b>\$128,805,875.00</b>	<b>\$92,272,476.00</b>	<b>\$104,546,876.00</b>	<b>\$565,565,028.00</b>

Source: SAP and e-TF databases (as of April 6<sup>th</sup> 2007)

Note: The total dollar amount of grants across some categories has been revised on the basis of the documentation available on PHRD TA grants. Thus, a grant in Ethiopia classified Implementation grant is actually a Preparation grant, and another grant in Colombia classified N/A is a technical assistance grant

**Exhibit 3.6 Trend in TA Grant Allocation by Grant Type FY00-06 (Amount US\$)**

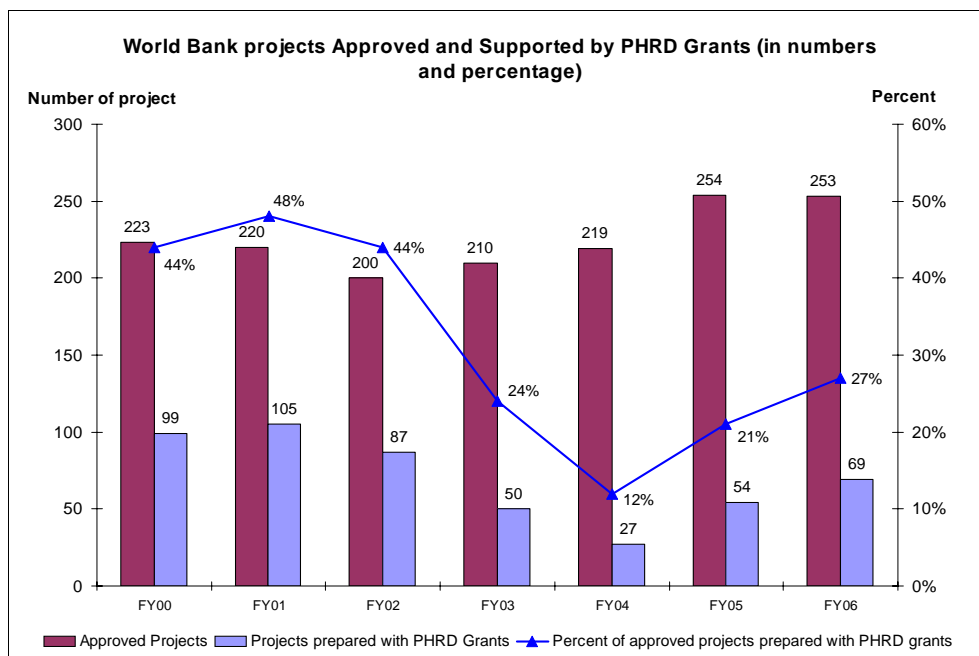


Source: SAP and e-TF databases (as of April 6<sup>th</sup> 2007)

### 3.4.1 Preparation Grants

Preparation grants have been the core grant window of PHRD TA since 1990. During the period FY88 through FY98 the share of PHRD-prepared Bank projects continuously increased, reaching almost 60 percent of operations in FY98. The ratio of Bank projects prepared with the support of PHRD grants was nearly halved during FY00-FY02. This ratio dropped to 24 percent in FY03, 12 percent in FY04, and recovered to 21 percent and 27 percent, in FY05 and FY06, respectively (Exhibit 3.7).

**Exhibit 3.7 Trends in the Numbers and Percentages of Bank Approved Projects Prepared with PHRD TA Grants**



Source: TFO’s memo “The Analysis of the PHRD Fund”

Thirty-five percent of the grant allocations are to focus on IDA and IDA blend countries and the Asia region. The policy guidelines from recent years stipulate a maximum of US \$1 million for each grant and make any sector eligible for a grant in low and lower-middle income countries. The expenditures that are allowed in the case of a PHRD Preparation grant are consultant services and non-consultant costs (up to 10 percent of the grant amount for local training, workshops, and essential equipment/operational costs).

### 3.4.2 Implementation Grants

Technical assistance for Project Implementation within the PHRD TA was launched in FY00. The purpose of this type of grant (for a maximum of US \$1 million) is to address constraints or gaps that have hindered implementation of the operations financed by WB loans, credits and grants, where the shortcomings were not identified during project preparation. This new component of technical assistance was added to support the Bank's effort to improve project implementation and is in line with the Government of Japan's efforts to improve aid effectiveness. The focus of this grant window is also on IDA/IDA-blend and lower-middle income countries. Over 76 percent of the grants have been for IDA countries. Since FY00, PHRD Fund Annual Reports indicate that 34 Implementation grants amounting to \$14.69 million have been approved.

As initially described in PHRD TA documents, the Implementation grants were to fund *“selected activities [that] had to be essential and in the following selective priority areas: environmental and involuntary resettlements issues, translation of document into local languages, and enhancing the role of women in development.”*<sup>28</sup>

The Implementation grant component evolved over time, introducing a focus on the capacity building needs of implementing agencies. In the FY04 Policy Guidelines and Program Allocation document, the scope of the grant was narrowed to include only projects that improve institutional capacity of the implementing agency that is to implement the Bank financed project. The proposal template for the Implementation program asks applicants 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 same policy on eligible expenditures applies for both Preparation and for Implementation grants. In addition, the operations supported by the Implementation grant must be approximately one year under implementation. The maximum grant implementation period is four years.<sup>29</sup>

### 3.4.3 Climate Change Grants

The Climate Change Initiative (CC) within PHRD began in 2003 and is part of the Japanese Government's leadership within the UN Framework Convention on Climate Change and the Kyoto Protocol that emerged in 1997. The CC is the only window of the PHRD TA that is earmarked for a specific issue and a key question is whether such earmarking should continue, especially if the amount of grant money available for PHRD TA should decline. Since 2003 a total of 36 CC grants have been approved in 31 countries, of which 7 have been cancelled.<sup>30</sup> Thus, WB experience with the special grants is limited.

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<sup>28</sup> PHRD Annual Report 2000, p.7

<sup>29</sup> <http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/ORGANIZATION/CFPEXT/EXTTRUFUN/EXTM AINPRO/EXTPHRD/0,,contentMDK:20923738~menuPK:2639951~pagePK:64168445~piPK:64168309~theSitePK:2524316,00.html>

<sup>30</sup> One grant was cancelled by the Japanese Government, three by the recipient countries, and three by the World Bank.

The goals of Climate Change grants are to:

- **Foster adaptation:** support the inclusion of climate-change concerns in the recipient country's development planning process and acquisition of knowledge in assessment of the impact of local green house gases (GHG) emissions;
- **Promote mitigation:** support initiatives, including pilot activities, for the reduction of GHG emissions as developing countries increase energy production;
- **Build capacity:** support technical capacity and institutional building for the country's involvement in climate change issues.

What is also challenging in terms of making any generalizations about the CC grants is that the projects in the portfolio are very diverse in terms of sectors, ranging from reforestation, through methane capture from landfills, to transportation. In addition, the CC portfolio cuts across project preparation, implementation of pilot projects, and includes grants primarily designed for capacity building and scientific research projects, which makes them less strictly comparable with grants in the rest of the PHRD TA Program. CC grants must be recipient executed and cannot exceed \$1 million.

### 3.5 Grant Allocation

#### 3.5.1 Grant Allocation by Sector

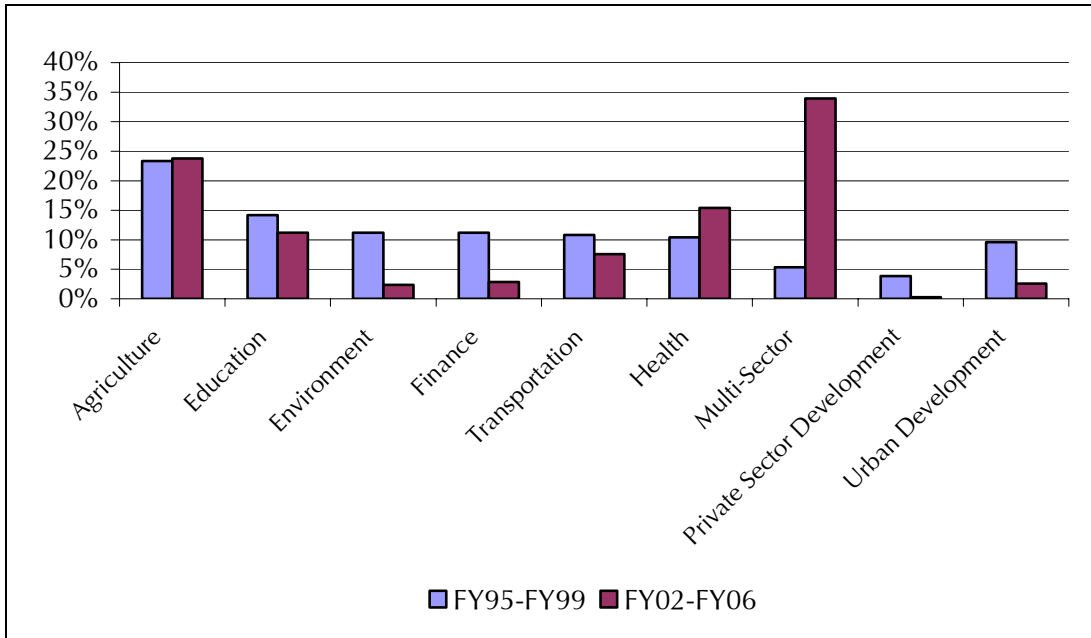
In the period FY02-FY06, the main focus of PHRD TA grants (in terms of dollar amount) has been on multisector, agriculture and health sectors. Volume IX- Methodology provides the distributions of the number and amount of PHRD TA grants by sector for FY02-FY06, updating the information given in the previous evaluation 'Development Impact' by the PHRD Monitoring and Evaluation Unit.<sup>31</sup>

An analysis of the change in sectoral allocation of PHRD grants between the periods FY95-FY99 and FY02-FY06 is given in Exhibit 3.8 for sectors for which grants were approved in both periods. It shows that while agriculture has maintained its relative level over both time periods, the multisector category has increased and allocations to the environment and finance sectors have particularly declined.

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<sup>31</sup> Based on data provided by the TFO for the period FY02-FY06

**Exhibit 3.8 Trend in PHRD TA Grants by Sector FY95-FY99 and FY02-FY06**



Source: on the basis of Development Impact – Japan Policy and Human Resources Development Fund (PHRD Fund); Resources Mobilization and Cofinancing; World Bank (p. 14) and TFO, ‘PHRD Approval List FY02-FY06’.

Note: The data include project preparation, project implementation, climate change and cofinancing grants. The graphic does not include the “Water and Sanitation” sector because the data in the previous evaluation are not reliable.

### 3.5.2 PHRD Project Preparation Grant Allocation by Region

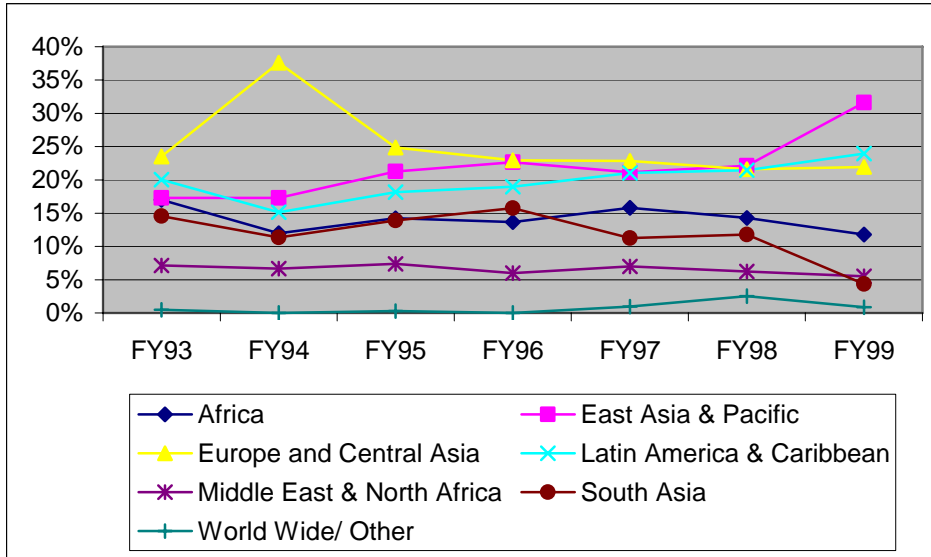
Although the total Project Preparation grant amounts for the periods FY93-FY99 and FY00-FY06 show a significant reduction between the two five year periods globally (from US\$1,048.3 million to US\$402.7 million) the reduction in PHRD Project Preparation grants approval, hence allocated, has not been uniform between regions.

In Africa, the total grant allocation over the five-year periods did not change much (US\$147.3 million to US\$103.8 million) so that the proportion of grant money received by Africa for project preparation increased from 14 percent to 26 percent. Central Asia saw almost a halving in its allocation amount (US\$22.2 million in FY00 –FY06 from US\$33.6 million in FY93-FY99), nevertheless the proportion in the regional allocation has been increased to 6 percent from 3 percent. Similarly, in Latin America and the Caribbean, the allocation amount decreased considerably, but its proportion in the regional allocation has been increased to 22 percent from 20 percent.

The allocation given to South Asia in FY00 –FY06 fell to US\$19.6 million from its previous level of US\$120.1 million in FY93-FY99, so that its regional allocation fell from 11 percent to 5 percent. In other regions, including Europe and Central Asia, East Asia and the Pacific, and the Middle East and North Africa, while the dollar amounts of the grant totals fell between the two periods, the proportions of global PHRD TA received by each region did not change significantly. In East Asia and the Pacific region, for example, even though the total amount fell to US\$88.3 million from a previous US\$229.4 million, the proportion in the regional allocation has been maintained at 22 percent.

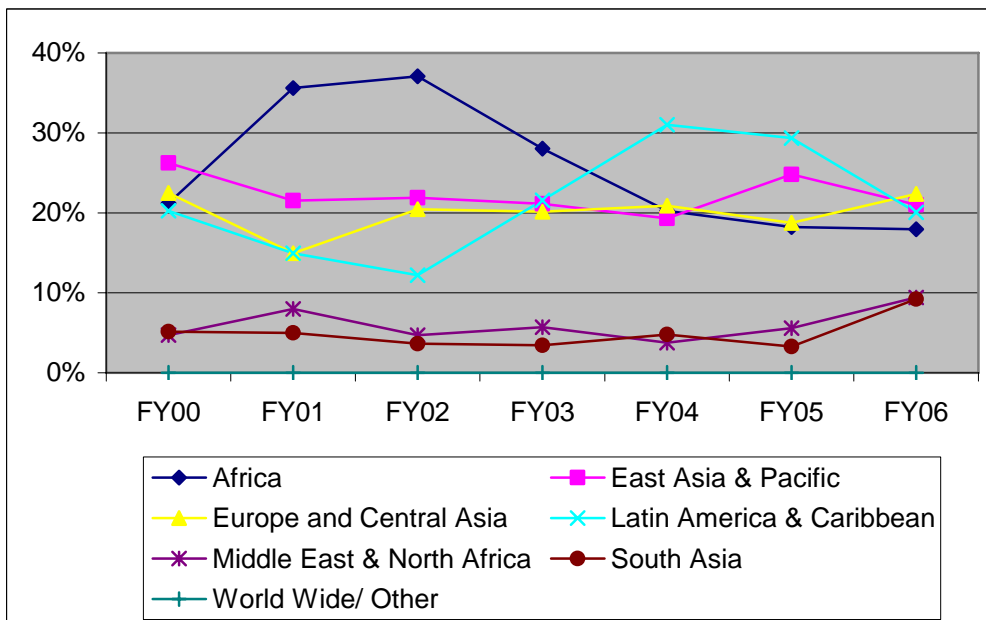
Tables showing the regional allocations of the PHRD Project Preparation grants for the periods FY93-FY99 and FY00-FY06 by US\$ amount and by regional percentages to provide a comparative update to the previous evaluation are provided below in Exhibits 3.9 and 3.10.

**Exhibit 3.9 Regional Allocation of PHRD Project Preparation Grants between FY93-99 (in amount US\$)**



Source: SAP and e-TF databases (as of April 6<sup>th</sup> 2007)

**Exhibit 3.10 Regional Allocation of PHRD Project Preparation Grants between FY00-06 (in amount US\$)**



Source: SAP and e-TF databases (as of April 6<sup>th</sup> 2007)

## 4. Relevance of the PHRD TA

### 4.1 Introduction

This section presents the findings on relevance of PHRD TA. The relevance of PHRD TA depends on the value placed on it by the key stakeholders involved – in this case, the World Bank, the recipient countries and the Government of Japan as donor. The PHRD TA may have been relevant when it began almost 20 years ago, but shifts in the context may have changed the need for the grant program.

The individual findings on relevance add up to four main messages:

- 1) Preparation grants are seen as filling a key need in a donor context where there are few alternative mechanisms - especially mechanisms with the unique combination of advantages presented by PHRD TA, which is a recipient executed, untied grant mechanism dedicated to improving project preparation. Careful project preparation that ensures that both the recipient government and the World Bank use best practices is seen as key to successful loan operations.
- 2) While still relevant in cases where unexpected or more technical studies or other TA activities are needed, the Implementation grants are seen as less necessary due the existence of other potential resources and demand is usually less than the allocation to Implementation grants.
- 3) More recently the Climate Change Initiative has enabled recipient countries to enter the new international carbon market and to experiment with innovative projects. PHRD TA is seen as an essential source of project support without which many climate change projects would not be undertaken. Furthermore, the Climate Change Initiative has provided additional relevance to Japan for PHRD TA.
- 4) The original rationale of the Government of Japan for funding good project preparation is still valid. Through the experience of the PHRD TA, Japan has gained valuable experience in managing ODA, and has gained visibility with the implementing agencies in recipient countries, although not as much visibility as might be possible or desirable.

### 4.2 Relevance to World Bank Operations

The evaluation team was asked to explore the relevance of PHRD Preparation, Implementation, and Climate Change grants for the operations of The World Bank.

**Finding 1: PHRD TA grants are relevant to the operations of the World Bank, particularly because there are few alternative mechanisms with the advantages of PHRD Preparation grants, and more recently, the Climate Change grants. While Implementation grants are also relevant, they are seen as less critical to Bank operations.**

In all countries the PHRD TA Preparation grants are seen as relevant to the operations of the WB. The general view is that if there were no PHRD TA Preparation grants, the WB would have to provide a similar mechanism through its own or other resources because there are few substantial alternatives for funding project preparation. The World Bank Project Preparation Facility (PPF), which advances resources for preparation that are eventually added to the loan or credit or must be repaid if there is no follow-on operation, provides one alternative to PHRD. As illustrated in a TFO note of April 2007, over half of the World Bank operations prepared between FY01 and FY06 drew



on these two forms of assistance for financing preparation costs. PHRD had a slightly larger role (31 percent of operations) than PPF advances (26 percent of operations). Although the total amounts approved for PPF advances and PHRD were similar, a review of grants and PPF advances closed in FY05 and FY06 showed that only 27 percent of approved PPF are actually used, while the PHRD figure is closer to 75 percent. Therefore, in terms of funds approved and actually used for preparation in the period under review, PHRD provides more than double the funds of PPF.<sup>32</sup>

The PHRD TA grants are particularly relevant because they are recipient-executed, not tied, are not loans, and because they fund conceptual studies that few national governments will support in anticipation of follow-on projects. The predictability of PHRD funds compared to resources from other bilateral funds is also an advantage of PHRD funds that increases their relevance to the Bank. The view of WB staff in headquarters echoes the view at the country level – PHRD TA grants are critical to better follow-on projects. Survey results show that 96 percent of respondents rate PHRD Preparation projects as having satisfactory relevance to World Bank operations, together with 100 percent of respondents for the Implementation and Climate Change projects (Q1.8.1 and Q4.8.3).<sup>33</sup>

The PHRD TA Climate Change Initiative is seen as relevant for the World Bank since the Bank's mandate is to support the sustainable development of its client countries and climate change is an increasingly important factor to be incorporated into that development. By providing a grant to experiment and gain experience, the Bank is able to support needed preparation for obtaining a WB loan, GEF or IDA grant or carbon finance contract. Of the 24 CC grants studied, seven were cancelled before completion,<sup>34</sup> 16 have led to a Climate Change grant, loan or contract, and the outcome of one (in Ethiopia) is yet to be determined (see Exhibit 3.3 in Volume VIII – Climate Change Case Study).

It is difficult to provide a judgment on the relevance of the Implementation grants since only two of the countries reviewed in depth were users of PHRD Implementation grants, and the evaluation sample included only 18 grants. Those familiar with Implementation grants certainly see them as helpful in the particular circumstances for which they were used but there are other ways to fund technical studies within the framework of the loan operation.

Other bilateral trust funds, government resources and contingency funds in the loan, as well as a technical assistance operation, should be alternatives to the grant.<sup>35</sup> Several TTLs interviewed described Implementation grants as a “luxury” or as “icing on the cake”, but perhaps not as critical to WB operations as the PHRD Preparation grants.

<sup>32</sup> TFO, Sources of Funds to Prepare Operations for Financing by the World Bank, 2007.

<sup>33</sup> In findings where questionnaire survey data is cited, there is a reference in parenthesis to the specific question number in the questionnaire survey.

<sup>34</sup> Details of the reasons for cancelling the CC grants are given in Volume XIII (Climate Change Case Study).

<sup>35</sup> PHRD TA is reported to have several advantages over resources from other bilateral trust funds that include: (i) no restriction regarding the nationality of hired consultant; (ii) providing a greater amount of money than other bilateral trust funds for similar activities; (iii) providing a faster source of TA funding during the implementation phase; and (iv) predictability of PHRD TA funding.

### 4.3 Relevance to Country Development Strategies

This section reports findings on the relevance of PHRD TA components to the countries, particularly as it relates to their national development strategies, perceived needs and demand for grants, and alternative sources for financing technical assistance in preparation, implementation, or climate change.

**Finding 2: PHRD Preparation grants are seen as an essential and unique source of funding for which the need still exists or is growing. Without PHRD preparation support, countries would be less able to implement Bank loan operations in support of their national development strategies.**

There are very few other donor resources available to invest in recipient-executed preparation. Those that exist do not have the same characteristics as PHRD TA (country execution, predictability and generosity of resources, etc). Therefore, in the absence of PHRD TA, more systematic use of the World Bank's Project Preparation Facility (PPF) and governments' own resources would have to be made. National partners already invest considerable matching resources of their own, especially in personnel and facilities, for every project preparation exercise. Among the 12 projects reviewed in Indonesia, ten projects received some grant money from the government to support project preparation. The government contributions ranged from 5 percent to 10 percent of the total grant amount. However few governments would be willing or able to fully fund preparation activities. In particular, countries would not be able to afford to hire international consultants and believe that this would be a constraint to good project preparation.

Respondents to the survey report that the need for Preparation grants is the same as in previous years (51 percent) or is increasing (42 percent) with only 7 percent saying that the need is declining.

Other potential alternatives for project preparation are often sector specific or are targeted to certain kinds of studies rather than for overall program design. Those cited in the country studies include the Netherlands Water Partnership Program, Cities Alliance, IFAD and other bilateral development agencies. In Vietnam and in Indonesia the AsDB provides a project preparation facility for its own loans, but these are executed by the AsDB itself rather than the national partners, and much less valued for that reason. There are examples of cross-fertilization between PHRD supported project preparation and those of other donors. In five projects in Indonesia, either the TTLs or the country government sought additional sources of funding (i.e., beyond the PHRD TA and the government of Indonesia) and three were successful. The additional funds came from a range of other sources – the most frequently cited were DANIDA and bilateral agencies in Spain and Italy.

Some respondents have suggested that if the money for project preparation were a loan, it could give greater ownership of the preparation process to the country. Governments might also feel a greater responsibility for the proper management of the preparatory phase if they had to pay for it. But making the project preparation part of the loan could also cause a slowing and constricting of the project pipeline given the complex and slow decision-making process in some countries. This may be particularly a problem where projects are more decentralized to state and local levels of decision-making. Moreover, governments do not yet seem to be willing or able to prioritize, organize, and fully fund project preparation phases.

For Climate Change grants, PHRD TA is seen as an essential and unique source of funding without which, many Climate Change projects would simply not occur. For the Climate Change projects, all respondents said that they thought the need for such grants was growing.

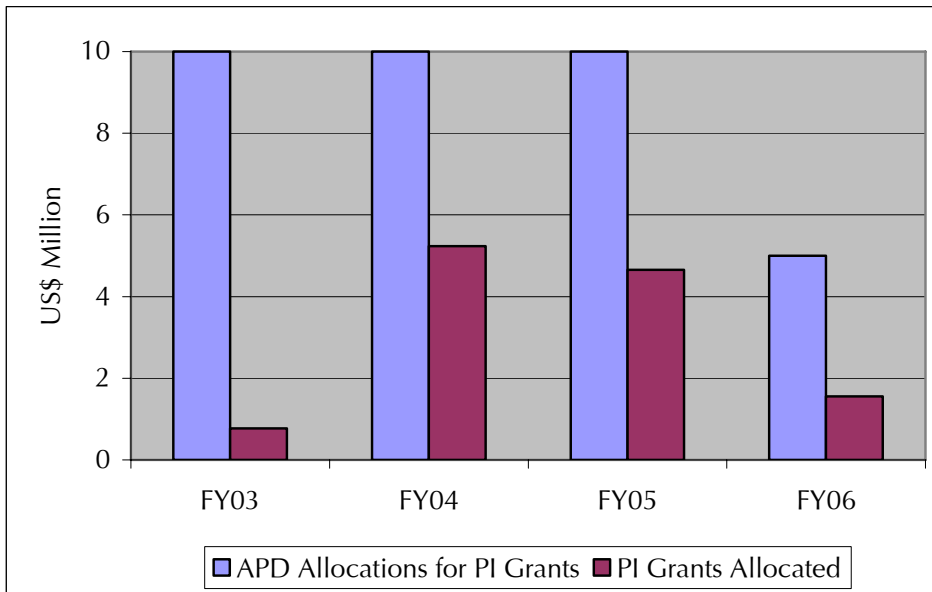
**Finding 3: Demand for Implementation grants has been lower than the planned allocations for this grant area.**

The demand for Project Implementation grants was stable in the first three years, fluctuating between three and four grants for an average value of US\$ 1.1 million per year.<sup>36</sup> Between FY00-FY06, 34 Implementation grants totaling \$14.7 million were approved.<sup>37</sup>

In comparison to Preparation grants, however, demand for Implementation grants has been lower and grant approvals in this area have at times fallen short of the allocations provided in the Annual Policy Guidelines. As noted in the PHRD Fund Annual report 2006: "... demand for project implementation grants has been slow. Since this type of grant was introduced in FY02,<sup>38</sup> the value of proposals submitted has been less than half of the APD [Annual Policy Document] allocations for project implementation grants."<sup>39</sup>

The gap between APD allocation and demand for PHRD Implementation grants is shown in Exhibit 4.1. The amounts of the 18 grants reviewed are well under the US \$1 million cap and most of them do not request even half of that amount. During the FY01-03 period covered by the desk review of Implementation grants, the grant amount ranged from US\$ 85,500 to \$ US\$ 657,200 with an average of US\$ 325,658. In the entire Implementation grant portfolio, only one grant was for the maximum amount of US\$ 1million.

**Exhibit 4.1 APD Allocation for Project Implementation Grants and Project Implementation Grants Allocated by Fiscal Year**



Note: The graph only provides data for the fiscal years in which complete data is available on APD allocations and grants allocated.

Source: APD allocations taken from Annual Policy Guidelines and Program Allocation; grants allocated taken from SAP and e-TF databases (as of April 6<sup>th</sup> 2007).

<sup>36</sup> The demand refers to the number and level of approvals.

<sup>37</sup> Source: SAP and e-TF databases (as of April 2007).

<sup>38</sup> This appears to be an error as Implementation grants began in FY00.

<sup>39</sup> PHRD Fund Annual Report 2006, p.4

The Annual Report (FY06) noted that a “plausible explanation for the low demand is that recipients are less inclined to acknowledge the early signs of implementation capacity issues that would justify a request for a Project Implementation grant, and later there is not enough time to process and use grant resources.” Our interviews suggest other plausible explanations, including that the Implementation grants are still seen as a newer instrument for funding TA and are less well known than Preparation grants among WB staff. In Indonesia, for example, TTLs indicated that Implementation grants were the “best kept secret.” Similar views were provided by TTLs from other regions, although several also suggested that awareness of the availability of these grants had increased in recent years thus resulting in greater competition for Implementation grants. In addition, respondents noted that there are potential financing alternatives for technical assistance during project implementation, although availability of these resources may vary according to country and project.

About half of the Implementation grant respondents also offered an alternative view regarding the need for Implementation grants, suggesting that the recipient government should take responsibility for issues related to project implementation and pay for this type of consulting services. The possible exception noted was when there is a need for very technical advice (on tax policy, for example), where there is no expertise nationally. These grants do allow government to hire international consultants if they are needed.

**Finding 4: For most countries, there are no real alternatives to the PHRD Climate Change Initiative for preparing climate change projects which are seen as relevant to national development priorities.**

CC projects must be linked to Bank-financed operations or activities that are supported by the Prototype Carbon Fund (PCF), the BioCarbon Fund (BCF), the Global Environment Facility (GEF) or some other environmental fund managed by the World Bank. Most of the CC grants have therefore been used for preparing carbon finance contracts which bring financial and environmental benefits to the country. Sometimes the CC grant has added a new component to a more traditional project, such as a carbon finance component of a reforestation project.

In many cases the CC grants have helped countries to prepare and/or implement carbon finance projects that are their first entry to the international carbon market and their first experience of managing a project that must stand up to the high standards for accountability and transparency required by the Clean Development Mechanism (CDM). The CC allows countries to experiment within the PHRD safety net, to build their project management capacities, and to be a potential economic player in a fast-growing market.

The CC of PHRD is the only source of grants that combine analytical work for preparation with practical implementation of pilot projects. This combination is critical to Climate Change projects where methodology must first be developed and then tested. PHRD is also the only fund available to the World Bank that can be used to access cutting edge technology for climate modeling and research (e.g. the Earth Simulator computer at the University of Tokyo).

The other sources of funding for climate change projects include:

- Carbon funds managed by the World Bank – the costs of project preparation must be deducted from the future income from the sale of carbon credits;

- Carbon Finance Assist of the World Bank – can only fund capacity building and not preparation of carbon finance projects;<sup>40</sup>
- GEF – the Global Environment Facility provides grants for climate change mitigation and adaptation and manages two special funds under the UNFCCC, but under the Performance Based Framework adopted in 2003, many countries are not eligible for GEF grants. The GEF cannot contribute directly to components of a project that leads to carbon finance nor can it be used for scientific studies even if these are related to climate change. However GEF resources can be used to prepare the way for carbon finance projects, and the GEF can fund such activities;
- The GEF has accepted PHRD CC grants as a co-finance component from national governments so that CC grants can leverage GEF funds;
- Other bilateral funds – none have a specific earmark for climate change project preparation and most have conditions regarding consultants that make them less flexible than PHRD;
- Global Facility for Disaster Risk Reduction (GFDRR). The Bank-administered GFDRR provides funding support for risk assessment and adaptation activities related to climate change, however only in the context of mitigating natural disaster. It does not provide any funding for abatement of emissions or for the incorporation of climate considerations into the economic and social development policy of developing countries.

**Finding 5: The reported need for future PHRD grants under the Climate Change Initiative appears to be growing.**

Although the data are sparse, the survey responses show that all 13 respondents who answered the question about future need for Climate Change grants reported that the need was growing. This compares with the responses for Preparation grants which found only 42 percent of respondents who thought that the need for Preparation grants is growing and 49 percent who think that the demand for them remains the same. Several other World Bank staff, government representatives and four Japanese representatives interviewed said that they do not know what the need for CC grants is. One government representative said that his experience with the CC was too new to express an opinion. World Bank representatives in India anticipated that climate change projects would be a growth area for the subcontinent. Although the data are thin at this early stage, it seems that those who are most familiar with the topic agree that the need for PHRD Climate Change grants is growing as the topic takes on greater momentum internationally.

**Finding 6: At the present level of PHRD TA funding, the earmarking of grants as part of the Climate Change Initiative has enabled developing countries to enter a new international carbon market to support national development strategies.**

Developing countries are only just starting the learning process that will lead to the integration of climate change considerations in development policy and need targeted support to enable them to do so. Developing countries cannot start this process with lending operations because they are not ready to borrow for an issue they understand so little. The CC grants within PHRD TA are seen by WB staff as a critical first step.

<sup>40</sup> CF-Assist and PHRD are collaborating with CF-Assist providing supervision costs by WB staff for PHRD CC project preparation.

Most of the CC grants have been used for preparing carbon finance contracts which bring financial and environmental benefits to the country. Sometimes the CC grant has added a new component to a more traditional project, such as a carbon finance component of a reforestation project.

Climate Change grants support national capacity building especially in management and verification activities. In general, executing agencies can implement the main project activities (plant trees, generate electricity) but they lack experience on how to design and execute the emission reduction component of the project. A plantation can only be used to claim GHG reduction credits as long as the trees are growing and their growth can be monitored and verified. It is the management of the certification process that is the main challenge for many national agencies.

Since all CC grants must be linked to either a World Bank loan or one of the environmental funds managed by the Bank, they are in line with the CAS. By providing a grant to experiment and gain experience, the Bank is able to support needed preparation for obtaining a WB loan, GEF or IDA grant or carbon finance contract. At the present level of earmarking for CC, there is no reported distortion of national development priorities. Rather the CC grants support the added value of project components for climate mitigation/adaptation and entrance into the international carbon market to projects that are already within national development strategies.

The PHRD TA Climate Change Initiative can be seen as an incubator for an emerging issue which is becoming increasingly prominent. First generation climate change projects have high preparation and transaction costs, but potential high impact when they are replicated. In our survey 93 percent of 14 TTLs involved in Climate Change grants believe that the CC should be retained as a special earmarked fund within the PHRD TA.

## 4.4 Relevance to Japan

This section presents the evaluation's findings on relevance to the Government of Japan as donor to PHRD TA.

**Finding 7: Some of the original objectives of Japan in funding PHRD TA have been partially met, but the main objective of meeting the need for good project preparation in developing countries remains valid and may increase with increased government decentralization and civil society participation in project design and implementation.**

The relevance of PHRD TA to Japan can be measured against the three main reasons for which Japan began investing in PHRD twenty years ago.<sup>41</sup> These are:

- 1) Japan recognized a gap in project preparation for Bank loans that needed to be filled and it agreed to fill that gap with PHRD;
- 2) Japan wanted to learn from the World Bank how to develop its own expertise in managing development cooperation;
- 3) Japan wanted to be more visible in developing countries.

More recently, a fourth reason has been added:

- 4) Japan wants to play a leadership role internationally in the environment especially in response to climate change and in developing energy efficiency technology.

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<sup>41</sup> Interview with Ministry of Finance officials, Tokyo, 5 December 2006

This evaluation has shown that PHRD Preparation grants still fill a major need for good project preparation and are highly appreciated by both WB staff and national governments. Helping to ensure good project preparation is still a major interest of Japan in funding PHRD TA. However, Ministry officials in Japan wonder why, given the expressed need for Preparation grants, other countries have not expanded their own investments in project preparation funds in the Bank, and without this, they begin to question why Japan should continue the same level of support to Preparation grants in general.

Twenty years ago Japan felt it had much to learn about engaging in and managing international development cooperation. Today, Ministry officials in Tokyo feel that they have gained much experience and expertise so that the relevance of PHRD TA to meet the second Japanese objective in funding PHRD is declining.

The third reason for funding PHRD TA – to increase Japanese visibility in developing countries – has only been partially met, at best. Japanese officials recognize that while Preparation grants are extremely important to good projects, they are relatively invisible within the recipient country except to the central and line ministries and agencies directly involved. On the other hand it is important for the Government of Japan to be able to demonstrate the relevance of PHRD for project preparation to its internal constituencies of taxpayers – and how effective the PHRD TA has been in this respect.

The context for the fourth aspect of Japanese visibility – Japan’s leadership role in environmental technology – is discussed below in Finding 8.

**Finding 8: The Climate Change Initiative is an important reason for the continuing relevance of PHRD TA to Japan.**

The earmarking of PHRD funds to create the Climate Change Initiative has increased the relevance of PHRD TA to Japan and remains an important value-added component. In addition to Japan’s leadership in the UN Framework Convention on Climate Change and the Kyoto Protocol, Japan is one of the most important investors in World Bank managed carbon funds since Certified Emission Reductions (CERs) are distributed *pro rata* among all investors. Japan has invested 46 percent of the capital in the BioCarbon Fund and 41 percent of the capital in the Prototype Carbon Fund.<sup>42</sup> The CC grants can lead to new climate mitigation projects in which Japan may wish to invest. In Moldova, an agreement has been signed to offer Japan the first right of refusal on the future mitigation projects that will be prepared by the Carbon Finance Unit.

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<sup>42</sup> Table 5 in Volume XIII: Climate Change Case Study

## 5. Effectiveness of PHRD TA

### 5.1 Introduction

The section on effectiveness assesses the extent to which PHRD TA programming has been aligned with its policies and priorities, and the extent to which it is meeting its overall objectives. The evaluation begins with an update on how PHRD TA has met its policy requirements for allocations to Asia and to low income countries followed by an analysis of the data on different dimensions of PHRD TA overall objectives, including:

- The contribution of PHRD TA grants to the quality of World Bank operations;
- The level and the nature of national capacity building resulting from PHRD TA grants;
- Whether PHRD TA grants were affecting country ownership of subsequent projects;
- Whether PHRD TA grants had contributed to policy changes in the country;
- Whether the Japanese government had gained any visibility as a result of the PHRD TA;
- Whether sufficient results had been achieved as a result of PHRD TA grants; and
- The extent of collaboration and synergy with other ODA.

The individual findings on effectiveness add up to one main message – PHRD TA is producing high quality results in all areas except for the visibility of Japan. Although each grant is generally less than \$1 million, the technical assistance achieved is rated highly by both World Bank and government officials, especially for the key objective of high quality project preparation for Bank loan operations. This overall conclusion is robust across the interviews and questionnaire survey results despite the inconclusive results found in our analysis of quality of the follow-on projects comparing projects prepared with and without PHRD TA. In section 5.2 we discuss the reasons why the Quality at Entry data are inconclusive and provide a fuller discussion in Volume IX – Methodology.

### 5.2 Policies and Priorities of PHRD TA

**Finding 9: PHRD TA has operated according to the policy of maintaining a poverty focus by ensuring that at least 35 percent of submissions for grants are from IDA and Blend Countries. It has partially achieved a similar policy requirement for regional distribution of submissions for the Asia region.**

One of the criteria that are applied to PHRD grants is that they be directed to low income countries, based on the assumption that the poorest countries are those that are in most need of assistance for the preparation of the large development operations financed by the WB. Recent policy indicate that the poverty focus of the TA program should be met by ensuring that at least 35 percent of the annual submissions, by amount, are for IDA and blend countries.

Exhibit 5.1<sup>43</sup> shows the distribution of PHRD Preparation grants that were awarded to IDA eligible and IDA non-eligible countries for FY00-FY06. The 'IDA countries' group includes by and large all countries with a per capita GNI lower than US\$1025 (in 2007). This group therefore includes not only all WB-defined low income countries (those with a per capita GNI lower than US\$875) but

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<sup>43</sup> In absence of data available on the annual submissions of grant funding proposals, we have used the data on allocations.



also the bottom tier of lower middle income countries (those countries with a per capita GNI between US\$876 and US\$3,465).

**Exhibit 5.1 PHRD Preparation Grants given to IDA Eligible and IDA Non-Eligible Countries for FY00-FY06** <sup>44</sup>

	Grant Amounts		Number of Grants	
	\$	%	#	%
IDA Countries	\$234,983,446.00	59.27%	417	58.82%
of which Blend	\$53,789,657.00	13.57%	95	13.40%
of which low-income countries	\$160,620,686.00	40.51%	272	38.36%
of which lower middle income countries	\$65,434,425.00	16.51%	128	18.05%
Non-IDA Countries	\$161,466,491.00	40.73%	292	41.18%
<b>Total</b>	<b>\$396,449,937.00</b>	<b>100.00%</b>	<b>709</b>	<b>100.00%</b>

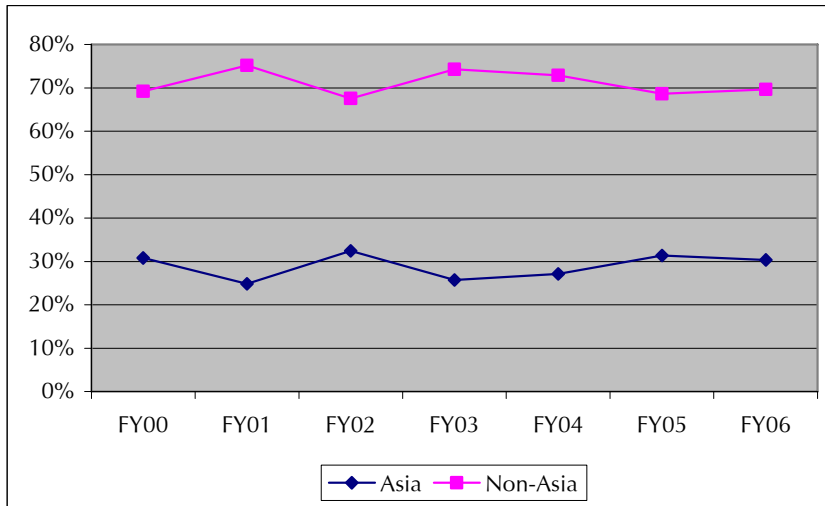
Source: SAP and e-TF databases (as of April 6<sup>th</sup> 2007) and World Bank Analytical Classifications (<http://www.worldbank.org>)

IDA countries obtained 59 percent of the grants (in both numbers and dollar amount), which leaves the higher GNI countries with 41 percent of the grants. These figures show that a relatively large proportion of PHRD grants went to countries that are not IDA countries. If in the future, the funding available for PHRD TA is significantly reduced the allocation of PHRD grant funds between IDA and non-IDA countries may need to be reviewed.

Another policy for which we were asked to provide an update since FY99 is that at least 35 percent of PHRD TA grant submissions should be for the Asia region (in accordance to the 'FY06 Annual Policy Guidelines and Program Allocation' document). In order to comment on this policy, we have analyzed the data on the number and amount of grants given to the region. The trends in annual grant allocations to Asia-non-Asia by number and amount of grants are shown in Exhibits 5.2 and 5.3. The data show that allocations of PHRD TA grants to Asia have been under 35 percent of grant amounts from FY01 up to the present, ranging from 26 percent to 34 percent.

<sup>44</sup> The percentage of PHRD Preparation grants given to IDA Countries and Non-IDA Countries adds up to 100 percent. Blend, low-income and lower middle-income countries are three distinct subcategories of IDA countries and built on different criteria. For instance, a blend country can also be classified as a low-income country or a lower middle-income country. Therefore, the percentages of these three categories do not add up to 100 percent.

**Exhibit 5.2 Trend in Allocation of PHRD TA Grants by Region (Asia-Non Asia) FY00-FY06 (Number of Grants)\***

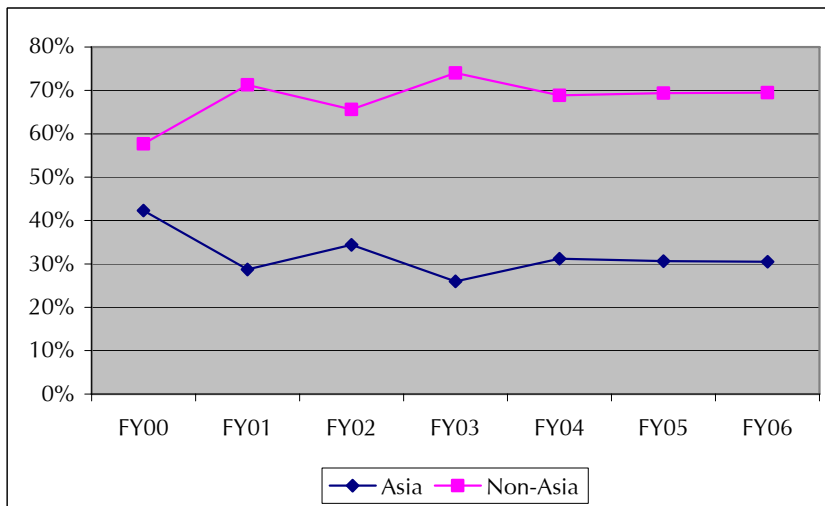


Source: SAP and e-TF databases (as of April 6th 2007)

\* Asia includes the Central Asian economies under the WB ECA region.

\* The data include project preparation, project implementation, climate change and technical assistance grants.

**Exhibit 5.3 Trend in Allocation of PHRD TA Grants by Region (Asia-Non Asia) FY00-FY06 (in Amount US\$ Million)\***



Source: SAP and e-TF databases (as of April 6<sup>th</sup> 2007)

\* Asia includes the Central Asian economies under the WB ECA region.

\* The data include project preparation, project implementation, climate change and technical assistance grants.

### 5.3 Quality of the Operations Supported by PHRD TA

This section presents findings on the contributions of PHRD TA to the quality of World Bank operations. In general, judgments on the quality of operations at the World Bank are based on the assessments of quality at entry, carried out by the Quality Assurance Group (QAG), and other measures of project performance as determined by ex-post evaluations conducted by the Independent Evaluation Group (IEG). A brief description of both kinds of reviews is presented in Exhibit 5.4. The data provided by these two groups in the World Bank inform the findings in this section; more in depth discussion and analysis of their data sets is provided in Volume IX –

Methodology. The section also draws on the perceptual data provided by respondents on the quality at entry, as well as overall quality of the World Bank operation that was supported by a PHRD grant in either the preparation or implementation phase.

**Exhibit 5.4 QAG and IEG Assessments**

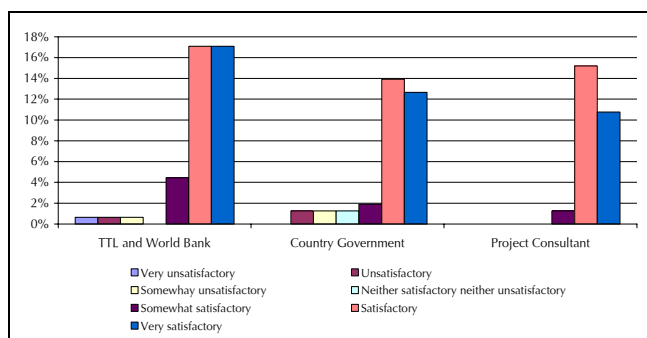
QAG 'QUALITY AT ENTRY' ASSESSMENTS	IEG ASSESSMENTS OF PROJECT PERFORMANCE
<p>QAE refers to the quality of a World Bank project at the time that it is approved by the Board of Executive Directors of the World Bank. As described by QAG, the quality assessment is guided by three broad questions:</p> <ol style="list-style-type: none"> <li>1. Are the project objectives worthwhile and the risks commensurate with potential rewards?</li> <li>2. Is the project likely to achieve its objectives?</li> <li>3. Is the underlying logic clearly articulated?<sup>45</sup></li> </ol>	<p>IEG undertakes <i>ex post</i> evaluations of specific projects that focus the criteria of: relevance, efficacy, efficiency, sustainability, institutional development impact, outcomes, borrower performance, and Bank performance.</p> <p>Quality at Entry is one of the dimensions included in the assessment of Bank performance.</p>

**Finding 10: PHRD Preparation grants are reported to have positive outcomes for follow-on operations.**

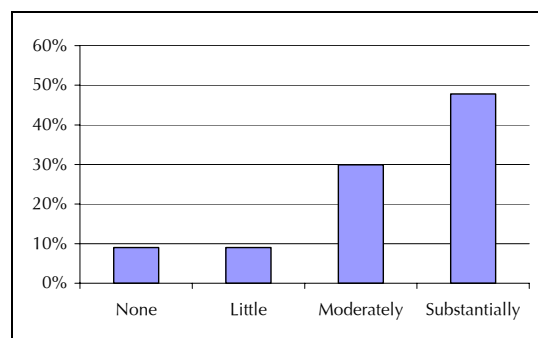
In the portfolio of Preparation projects reviewed in the country case studies, almost all have led or are expected to lead to follow-on operations. For those grants which did not lead to follow-on operations, the reasons were not linked to the quality of the preparation achieved through the PHRD grant but rather to the decision of recipient governments not to proceed with the loan.

Survey results show that 95 percent of respondents rate the quality of outputs of PHRD grants as somewhat satisfactory, satisfactory or very satisfactory, with 42 percent giving the 'very satisfactory' rating (Q5.2)<sup>46</sup>. The impact of Preparation grants on increasing World Bank loans to the country were rated as leading to a 'substantial increase' by 48 percent of respondents, a 'moderate increase' by 30 percent and 'no or little increase' by 18 percent (Q5.11).

**Exhibit 5.5 Quality of Outputs**



**Exhibit 5.6 Impact of Preparation Grants on the Increase of World Bank's Lending**



Although our analysis of QAG and IEG data on Quality at Entry is inconclusive (see textbox below), respondents across the board and across countries claimed that the PHRD TA was instrumental in

<sup>45</sup> <http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/QAG/0,,contentMDK:20067543~pagePK:109617~piPK:109636~theSitePK:109609,00.html> (accessed May 16, 2007)

<sup>46</sup> Results for Indonesia differed significantly from the rest both in the range of Indonesian responses and in the modest satisfaction level this country reported. Numerous significant differences were detected across countries in terms of the particular outputs deriving from PHRD grants.

setting the stage for more robust and better quality projects (the projects are seen as grounded in more solid analysis, with the risks better assessed, and with greater participation of local stakeholders in the design).

### IEG and QAG Assessments

Universalialia was asked to provide an update (with respect to the 2001 evaluation of the PHRD Fund) on the IEG assessment ratings for projects approved FY00-FY06. Volume IX – Methodology provides the details of the update comparing the distribution of ratings for various dimensions of ‘quality’ for projects prepared with and without PHRD support.

The IEG assessment data show that WB operations are typically rated satisfactory or better on the dimensions of Outcome, Quality at Entry, Sustainability, Institutional Impact, Bank Supervision, Bank Overall Performance, as well as Borrower Implementation, Borrower Compliance and Borrower Performance. The mean/median in all cases is a positive rating (i.e. “satisfactory”, or “substantial impact” or “likely sustainability”). It was rare that a loan was negatively assessed. In keeping with prior studies on PHRD, non-parametric tests were conducted to compare results for the sample of projects with PHRD against the sample of projects without PHRD. In all cases, no significant differences were detected for these dimensions.

In addition, Universalialia reviewed QAG data for 2000-2005 showing that the projects assessed, both those supported by PHRD Preparation grants and those without PHRD grants, were generally given satisfactory or highly satisfactory ratings on Quality at Entry. To be precise, 98.5 percent of the projects with PHRD<sup>47</sup> received a rating that was satisfactory.<sup>48</sup> For the same period, 96.3 percent of projects without PHRD were deemed satisfactory. In both subsamples, it was extremely rare that the project was considered unsatisfactory. Accordingly, the median and mode for the complete data set, and for each of the two subsamples are 2.00 (being the code for satisfactory).

For the World Bank projects approved FY00-FY06, our findings on the quality and performance of projects with and without PHRD, are inconclusive, using either IEG or QAG rating data on ‘quality’. Non-parametric tests of the equivalence of the underlying distributions for the samples (i.e. PHRD versus without PHRD) are contradictory, which supports our decision to refrain from seeking to understand the projects prepared with PHRD grants in comparison to the remaining projects in the sample.

We believe that a key explanatory factor for these inconclusive findings is that the non-PHRD projects may well have benefited from other forms of preparation support. The non-PHRD supported projects may have received project preparation support from other WB resources and/or other international donor agencies. Nor can a project be assumed to have been developed without project preparation support simply because they have not been preceded by a PHRD Preparation grant. Thus, the “non PHRD projects” are not a sufficiently homogenous set to represent a relevant comparative group. Furthermore, it is reasonable to assume that TTLs are more likely to apply for a PHRD grant for follow-on projects that they anticipate will need more preparatory support, based on the readiness of the implementing agencies in recipient countries, or the complexity or innovativeness of the project, or both.

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<sup>47</sup> The Projects with PHRD were determined by matching the project ID number in the list of projects assessed submitted by QAG with the project ID numbers listed for Preparation grants in the TF data base.

<sup>48</sup> Satisfactory is above the line (includes Moderately Satisfactory, Satisfactory, and Highly Satisfactory).

Respondents cited contributions that PHRD Preparation grants made to the design of the project as well as to a better start-up of the implementation phase. The main ways in which the Preparation grants were reported in our interviews to be effective for better follow-on projects were in:

- Defining baseline data;
- Establishing monitoring and evaluation systems;
- Clarifying appropriate institutional arrangements for the subsequent project;
- Developing participatory processes with stakeholders;
- Helping to put in place policy, procedures and systems that were conditions necessary for the loan;
- Better risk assessment;
- Accessing key expertise.

Grant supported activities were generally led by experienced local team leaders. Our survey showed that 68 percent had more than seven years' experience. Effectiveness for preparing follow-on projects was weakened when the implementing agency was changed between the preparation activity and the follow-on project. Respondents pointed out that the component activities of many PHRD Preparation grants also produced results for sector reforms in their own right, beyond their role for WB follow-on projects.

Respondents believe that any investment in preparation of follow-on projects would likely lead to similar positive outcomes, but in the absence of many alternative sources of funds for project preparation, the PHRD TA plays a key role in the quality of WB operations. WB staff members in headquarters are very supportive of PHRD Preparation grants.

**Finding 11: Implementation grants are a helpful mechanism for quickly channelling TA resources to address issues that were not contemplated in preparation and to otherwise improve the implementation of follow-on projects.**

The respondents described the effectiveness of this grant window in terms of its ability to help the World Bank and client countries to address:

- Gaps that emerge when a project begins (e.g. donors that had previously agreed to cooperate with the project decide to withdraw and leave a gap in TA);
- Issues that are deemed to be crucial for the project, yet were not addressed during the preparation stage (e.g., design of M&E system);
- Weaknesses in the implementing agency not previously detected (e.g. in project management areas such as procurement, or in technical areas such as gender and poverty targeting).

Thus, for many of the respondents the Implementation grants helped to resolve crucial needs and capacity issues that emerged during project implementation. As noted in the case of Madagascar's *Second Health Sector Support Project*, it would have been impossible to carry out the project without the PHRD because local capacity was insufficient to efficiently and effectively plan, manage and implement health sector activity and the grant allowed the project team to hire consultants and seek advice from a Harvard professor.

Most of the Implementation Completion Reports (ICR) available in English (7) for the projects supported by PHRD Implementation grants includes reference to the contributions of PHRD-supported activities to the project's success without attributing them to the PHRD Implementation grant. The reports refer to the gender achievements, responses to the M&E mechanisms developed, special consideration given to indigenous groups' issues, and other areas that were targeted by the PHRD grant. Only one of the ICR explicitly reports the effective use of the PHRD funds in project implementation.

The interviews with TTLs and document review illustrate that the World Bank staff were generally satisfied with the outputs of the grants, noting that the grants had generally achieved their aims and had contributed to better execution of the WB project. Three examples are provided below:

- 1) **Indonesia:** The PHRD Implementation grant for *Kecamatan Development II* allowed the team to develop a very extensive and participatory monitoring and evaluation system without which the subsequent phases of the project would not have been implemented. The system was subsequently used by program managers and helped to improve the project.<sup>49</sup>
- 2) **Benin:** The grant to the *Social Fund* helped the organization to develop evaluation methodologies, conduct an assessment (technical audit) of progress to date, and improve both gender and poverty targeting in the project activities. As a result of the TA, the Fund did change its procedures for doing outreach to poor communities.
- 3) **Nicaragua:** The grant to the *Second Rural Municipalities Project* helped to strengthen the implementing agency and other actors in the project and contributed to improved project performance.<sup>50</sup> Also in Nicaragua, the Nicaraguan SINAI [environmental information system] is reported to be the best environmental system in all of Central America and is very innovative precisely in the areas that benefited from PHRD funding to the *Sustainable Forestry Investment Promotion* project.<sup>51</sup>

### **Finding 12: Grants under the PHRD Climate Change Initiative are effective in leading to follow-on activities and adding value for countries.**

Sixty percent of the CC grants (15 out of 24 studied) have led to follow-on projects or contracts whose value far exceeds the amount of the CC grant (Exhibit 3.3 in Volume VIII – Climate Change Case Study). Thus the grants have helped to create a new value (measured GHG emission reductions) that a country can earn income from in a new market. Because the field is relatively new, the CC grants are also providing benefits at a global level. They are expanding the international carbon market and are contributing to new knowledge and greater technical and managerial capacities through innovations that are being shared across countries and regions.

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<sup>49</sup> Susan Wong, "Indonesia Kecamatan Development Program; Building a Monitoring and Evaluation System for Large-Scale Community-Driven Development Program", The World Bank, Environment and Social Development East Asia and Pacific Region Discussion Paper, May 2003, p.26-27.

<sup>50</sup> P055823 Second Rural Municipalities Project, GRM, p.4. "At the time of the midterm review the project's development objective and implementation performance ratings had dropped from satisfactory to unsatisfactory. The activities financed by the PHRD helped bring these ratings back into satisfactory range."

<sup>51</sup> P052080 Sustainable Forestry Investment Promotion, TFSTAR 3, p. 2.

## 5.4 Capacity Building

Capacity building is one of the subobjectives of PHRD TA that has grown in importance through time as experience of PHRD TA evolved, in a similar manner to the goals of ‘country ownership’ and ‘visibility of Japan’. In this section, the evaluation addresses the level and the nature of national capacity building resulting from PHRD TA grants.

**Finding 13: PHRD TA Preparation grants have contributed to human resources development within recipient countries as much, if not more, through practical experience than through specifically designed training activities. There is demand for increasing the 10 percent cap on non-consultant costs to increase resources for training.**

Most capacity building achieved within PHRD Preparation grants appears to be an outcome of the practical experience of implementing the grant activities rather than the result of specific capacity building initiatives funded within the 10 percent of project funds that can be targeted to training. The Preparation grants allowed implementing agencies to have first hand experience of new modalities of working together and with other agencies and public stakeholders that better prepared them for managing the follow-on project. In addition to 53 percent of projects including training workshops, in 50 percent of the PHRD projects they undertook assessments and surveys that made them better informed about local conditions for the subsequent loans (Survey responses to Q3.1).<sup>52</sup> The capacity building inputs in PHRD grants are highly inter-correlated.

At the **individual level**, the case studies reported the main areas of capacity building in:

- Increased knowledge especially of prevailing international (specifically World Bank) standards and procedures (procurement, logframe, financial management);
- Enhanced technical competences – through workshops in financial management, monitoring and evaluation systems, data collection and analysis; and through working alongside more experienced experts and international consultants;
- Awareness of alternative working styles – how to reach group consensus, how to listen to the views of other stakeholders, the value of ‘soft’ investments to improve quality.

At the **organizational level**, experiential capacity building was found in:

- Improved organizational systems – such as financial management and procurement systems, project design, planning and management, restructuring leading to improved capacity to deliver programs;
- More decentralized management systems – that are more efficient and participatory; allocating tasks more appropriately along the national – local spectrum, and working with civil society;
- Better coordination and information sharing among different agencies – such as inter-ministerial discussions to agree on priorities, timeframes and indicators.

<sup>52</sup> A number of significant differences were found across countries for inputs to PHRD. (See Volume IX (Methodology))

At the level of improving the **operational environment** within countries, the PHRD Preparation grants were reported to build capacities by:

- Increasing awareness at policy level of the value of stakeholder participation for better project outcomes;
- Knowledge dissemination beyond the original group of local consultants trained through sharing of the training through local organizations;
- Leveraging best practice in national contexts – the experience of Bank requirements helped some implementing agencies to press national authorities for higher standards and good practice in project management and procurement systems etc.

In the survey, respondents rated the contribution of PHRD to the human resource development of local participants in the projects as “a great deal of capacity building” (44 percent), “some capacity building” (41 percent), with only 15 percent of respondents saying “little or no capacity building” (Q5.3).<sup>53</sup>

Questions were raised by respondents in the case studies about whether PHRD Preparation grants could or should do more capacity building. In several countries, the 10 percent budget ceiling on training and other direct capacity building activities (in contrast to the experiential capacity building inherent in the project preparation activities) was criticized as too low in comparison to the needs, especially for individual capacity building. Furthermore, ineligible expenditures for PHRD include study tours and foreign training courses, which are seen by TTLs as well as government officials to be valuable in some limited circumstances.

Other limitations on the value of the capacity building achieved in the PHRD Preparation grants occurred when there is staff turnover and individuals who have worked on the preparatory activity are not in the same positions when the follow-on project is implemented. A less common situation with similar outcomes for reduced capacity building but at the organizational level occurs when the implementing agency is changed between the Preparation grant and the follow-on project. For both levels, the short implementation time for Preparation grants limits the capacity building that can be achieved.

Respondents emphasized that capacity building is a valuable outcome of PHRD Preparation grants and that as more WB projects are likely to be implemented at state and local levels, the need for capacity building of officials and agencies outside of national capitals will increase.

**Finding 14: Implementation grants are reported to increase technical capacities of implementing agencies.**

Implementation grants are reported to increase capacity among implementing agencies. The capacities that are reinforced by the grants reviewed are primarily of technical nature, although there are also reported improvements in project management as a result of the grants. A few respondents also reported that these grants tend to use local expertise/consultants and as such develop the local consultant pool.

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<sup>53</sup> Country comparison analysis reveals that the PHRD’s contribution to capacity building is relatively more highly rated in Armenia, Colombia, India and Vietnam, and less so in Ethiopia and Indonesia.



**Exhibit 5.7 Examples of Implementation Grants Supporting Local Capacities**

COUNTRIES	PHRD GRANT ACTIVITIES INCREASING IMPLEMENTING AGENCY'S CAPACITIES
Mongolia	The grants to <i>Gansu and Inner Mongolia Poverty Reduction</i> provided technical assistance to provincial poverty reduction program authorities. Several TA components helped to design and integrate participatory approaches and Village Development Planning in the project, by developing guidelines, manuals, and providing training to stakeholders. In each of the provinces, with populations of 30-40 million people, the government did adopt a policy change of participatory, bottom-up approach to planning from the Village level. Furthermore, the provincial offices had to adjust from implementing the US\$200 million project with related procurement plans, to a project of a much smaller scope (the grant), where they were mostly procuring consultant services, a very different kind of procurement need. Although the start up was slow for the grant, over time, procurement management was part of the capacity built in the two provincial offices.
Mongolia cont'd	<i>"Feedback from implementing agencies tells us that in addition to the specific project outputs, they have enhanced their cross agency coordination capacity; their capacity to fund raise internally and externally to enhance regular program implementation; and enhanced the implementation quality of their own programs."</i> <sup>54</sup>
Madagascar	Capacity building in Madagascar as a result of the TA for the <i>Second Health Sector Support Project</i> was also reported. The Malagasy now own the methodology developed in the health sector ( <i>Comptes Nationaux de la Santé</i> ) and they use it. The government was forced to take more initiative because the international consultant firm hired was not very involved. <sup>55</sup>
Benin	As reported in internal World Bank documents (TFSTAR - Report, p.3), <i>"the TA for the Social Fund was able to build the capacity of the Fund to evaluate the poverty and gender impact of its activities. It did this both by establishing a methodology and by providing the Social Fund experience in contracting out necessary data collection activities that exceed the Fund's capacity, but are necessary for a careful evaluation of impact. It also provided the data necessary for a detailed poverty map of the country that the Social Fund is now using to improve its targeting."</i>
Bolivia	The capacity of the implementing agency has been enhanced as a result of grant support to the <i>Institutional Reform Project</i> so that they have a better evaluation of the system they are implementing. This is due to the capacity building exercises held to ensure that the recipient can effectively assume the sustainability and security of the Central Government Integrated Financial Management System (SIGMA).
Indonesia	In reference to TA support for <i>Kecamatan Development II</i> , the respondents also report that capacity building has taken place, but since the project is run by three ministries, it is unlikely that all of them improved their ability to do Monitoring and Evaluation

**Finding 15: Stakeholders assess CC grants highly in terms of their contribution to local capacity building.**

Climate Change grants have a high component of capacity building activities. In general, executing agencies can implement the main project activities (plant trees, generate electricity) but they lack experience on how to design and execute the emission reduction component of the project. A plantation can only be used to claim GHG reduction credits as long as the trees are growing and their growth can be monitored and verified. It is the management of the certification process that is the main challenge for many national agencies. Survey respondents generally rated the capacity building of CC projects as very high.

<sup>54</sup> P046564 Gansu and Inner Mongolia Poverty Reduction, GRM, p.5.

<sup>55</sup> P051741 Second Health Sector Support Project –CRESAN II, GRM1, p.1 *"Thanks to the grant the client has strengthened its capacity to manage budget at peripheral level and its capacity to understand the sector financing. The Malagasy ministry of health is now able to carry-out its national accounts and analyse the implications of the financing on the sector's efficiency and effectiveness"*

### 5.5 Country Ownership

Country ownership is generally defined to mean that a recipient country feels responsibility for the design, implementation and outcomes of a loan operation, together with its success and any potential areas of failure. The requirement that PHRD TA grants are administered by recipient governments using their own administrative, procurement, financial, auditing and reporting systems including the selection of consultants, is seen as a key mechanism for increasing a country's acceptance of responsibility for the conduct and success or failure of project activities. This involvement at the preparation stage is assumed to further increase country ownership of the subsequent loan operation. More broadly, country ownership is indicated when the results of grant activities lead to follow-up actions by governments such as policy changes; additional investments of their own either in kind or in cash; further consultations with civil society; or even, when a government makes its own decision *not* to take on the loan operation.

#### **Finding 16: PHRD TA Preparation grants increase the sense of country ownership for follow-on operations**

In all case study countries, it was found that having a Preparation grant that is recipient executed increases the sense of national ownership over the subsequent WB project. Despite, or because of, the delays that are incurred through careful project preparation, particularly the stakeholder participation process within the country, preparation projects create a sense of national ownership – sometimes a strong sense of ownership. The key contributing factor is local involvement in the *implementation* of the PHRD Preparation grant. In terms of consultants used – the major expenditure in these grants - local consultants were used in 73 percent of PHRD projects and international consultants in 57 percent of projects. Many projects used both.

In all case study countries, the direct involvement of the government in actually preparing the PHRD grant proposal was reported as limited. However it was the recipient governments who identified the objectives and the components of the grant in almost all cases, while the TTL wrote the actual proposal. The TTL is reported as primarily responsible for the preparation of 82 percent of PHRD proposals.

In Indonesia, some government representatives were critical of the way the World Bank TTLs managed the PHRD TA grants, often attempting to speed up the process to ensure a timely submission of the Project at the Board meeting.

In both Vietnam and India (accounting for a substantial share of the Preparation grants examined) the national partners are intensively involved in all phases of the implementation of PHRD grants (which may well extend the time required). Few, if any, substantial decisions would be taken by Bank officials alone. In one major case in India, the entire grant proposal was specifically presented as having been written by the State government agency responsible, and simply transmitted for consideration without amendment.

In Ethiopia, it was realized that while the country might have a sense of ownership over the follow-on project, government officials were also realistic in understanding that there were limits to that ownership in the decisions that they could make in the preparation phase. Nonetheless, in several countries, including Ethiopia, national governments did make the decision not to go ahead with the follow-on loan, due to a change in government priorities or policy, or because the project did not meet their quality criteria. This is also proof of a sense of ownership and a capacity to take decisions regarding the fate of follow-on operations.

In Colombia, government investments in up-front policy changes that are conditions for follow-on operations (especially for Policy Development Loans), also increase the commitment of the government to take ownership of the follow-on project.

In at least two countries (Armenia and Ethiopia) some stakeholders raised the question whether the sense of ownership would not be even further increased if some more explicit co-funding requirements were specified for PHRD Preparation grants, going beyond the present pattern of various in-kind contributions that are not always clearly identified or credited.

**Finding 17: PHRD Implementation grants have created a sense of project ownership by recipient governments and implementing agencies.**

Several respondents reported that Implementation grants contribute to a sense of project ownership on the part of governments and implementing agencies. Having the client execute the grant, use local consultants, and develop outputs that are considered to be relevant beyond the life of the grant and the project are key attributes of the grants for local ownership.

**Mongolia-Gansu:** The provinces hired a person to administer the grant and they took it very seriously. They are continuing to apply the tools and methodologies (PRA and village Development plans) in their own poverty reduction programs, which are much larger in scope than the WB investment project. Thus, the grant had effects that went beyond expectations. There was scaling up and continued use of the grant outputs.

The most positive aspect is the degree of ownership. This is the result of having the client execute the grant and of using local consultants. WB staff

**Madagascar:** According to the GRM Report, the *Second Health Sector Support Project* has permitted the country to get a better grasp on the health sector financing mechanisms, and the state of its public health infrastructure. The country is using this knowledge to prepare a sector wide plan that would include a proposal to harmonize financing by the donors and the government, and a rational investment budget. The Malagasy ministry of health is likely to use the MBB and the national accounts tools to define its policy decisions in the future. The interest created by the results of those exercises both in the ministry of health and the National Institute of Statistics increased the likelihood of the results being used and exercise updated regularly.

**Finding 18: Country ownership of the CC grants appears to be less than for other PHRD grants**

During the first few years of the CC all initiatives for request came from the Carbon Finance Unit of the World Bank. Recently more initiatives have come from WB staff in Operations. Typically the grant proposal is prepared jointly by the recipient institution and WB staff. This is not unexpected for a new grant initiative, especially one for which the natural implementing department is likely to be the Ministry of Environment, which tends to have less experience of PHRD than others. While three grants have been cancelled by the Bank and one grant cancelled by Japan, the recipient countries have cancelled three grants. This number of cancellations may also raise some questions around the sense of country ownership with respect to CC grants.

### 5.6 Policy Development and Change

#### **Finding 19: PHRD TA grants are reported to have contributed to policy development generally and to specific policy changes in certain cases.**

Although policy change is not an expected outcome of most PHRD Preparation grants, they have often *contributed* to policy changes by producing the information required for policy decisions, and in some cases even directly led to new policies. Survey respondents report that 38 percent of PHRD Preparation projects have led to new policies and 39 percent have produced new rules and procedures (Q5.1). They rate the contribution of PHRD Preparation grants to policy changes in recipient countries as substantial (46 percent), moderate (23 percent) with 31 percent saying that there has been little or no contribution (Q5.4).<sup>56</sup>

Examples of policy influence cited in the case study countries range from a policy paper on macro-finance (Indonesia) to a national water resources strategy based on PHRD-supported workshops (Ethiopia), to a PHRD-funded survey leading to the identification of delays in customs clearance of shipped goods as a major obstacle for private sector development – and thus, preparing the way for a change in customs legislation (Armenia).

In India, respondents attributed the replication and adaptation between States of a number of significant new policy approaches to work accomplished under PHRD grants. This influence ranged from critical support for the process and content of the National AIDS Strategy to rural poverty reduction strategies (as examined in Andhra Pradesh) to new policies and practices for water supply and irrigation management in several States. The integration of much wider participation, community leadership in poverty reduction, and decentralized management were carried forward in several different phases during the preparation phase, and eased by the injection of new thinking, expertise, good practice and “intermediaries” during that work. This went far beyond the preparation of new operating manuals, procedures, regulations.

In Vietnam, some notable impacts of PHRD preparation work at the policy level were seen in the restructuring of rural energy tariffs as well as delivery systems, the support for radical new empowerment at the community level through the Poor Communes Livelihoods and Infrastructure Program and - at the other end of the scale – far-reaching policy changes to bring much higher standards and practices to public sector financial management.

The experience of implementing a PHRD Preparation grant has sometimes led to restructuring of sectors which has changed policy priorities. For example, in Colombia a new Vice Ministry of Higher Education was established following PHRD-supported analyses of the education sector. In other cases, studies conducted as part of the Preparation grant contributed to shifts in policy orientation. For example, in Ethiopia, following round-table discussions on telecommunications involving the private sector for the first time, the Government agreed to the grant licenses for Internet Service Providers and rural radio to the private sector.

More direct impacts on policy development usually relate to the drafting of legislation as part of the activities of the PHRD Preparation grant. These include the regulation governing seeds and saplings and the associated implementation guidelines in Armenia; and drafting decrees and laws for water resources and for air pollution control in Colombia. In the Colombian portfolio reviewed, six policy development loans required prior policy actions before the operations could be implemented. These policy actions were supported by PHRD Preparation grants.

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<sup>56</sup> Significant differences were found by country, such that India reports a relatively greater contribution and Indonesia considerably less contribution to policy change. (See Volume IX: Methodology)

One of the express purposes of the PHRD CC grants is to support the incorporation of climate change considerations into national planning processes. While there is some evidence of policy influence at national level, particularly in the reforestation and renewable energy sectors, the CC projects are less likely to have led to new policies or new rules and procedures within countries than have Project Preparation grants.<sup>57</sup>

However, CC projects have already demonstrated policy impact at international level. In China, Moldova, Albania and Honduras, the PHRD grants have each resulted in a new reforestation and afforestation methodology that has been internationally approved by the CDM Executive Board, not only for use by those specific projects but for all developing countries interested in doing similar projects. There are currently only five internationally approved reforestation and afforestation methodologies, four of which have been produced by PHRD TA grants.

## 5.7 Visibility of Japan

**Finding 20: PHRD TA grants provide little visibility for Japanese aid in recipient countries. The reasons lie in the low profile types of activity involved and modest size of the grants, insufficient communication on the part of the WB, and little involvement of local Japanese embassies.**

Although there are recent efforts by the World Bank to increase communications with the Japanese Embassies in country and to better promote Japan as the donor for PHRD TA, Japan still gets very little public visibility for its support to PHRD TA.<sup>58</sup> This is partly because the nature of the grants does not lend itself to high public interest, except perhaps for the Climate Change grants. More attention is given to the follow-on projects which are for larger amounts and for implementation – actually building roads or reforesting lands – which are more visible than the preparatory studies and activities. It is not unexpected that the preparatory phase and the smaller dollar amounts of the PHRD grants arouse less general interest.

The label generally used within the Bank – PHRD – also does not provide any visibility for the donor, although within some countries such as Colombia, Vietnam and India, the PHRD TA is informally referred to as the ‘Japanese Grant’. This is something that could easily be changed within the Bank by adding either ‘J’ or ‘Japan’ to PHRD in all references to the program. It would also improve recognition of the donor within the Bank. In Indonesia, Vietnam and India we found that a number of local partners did not know that Japan was the donor for the PHRD program.

Survey results show that there is awareness of Japan as the source of trust funds for PHRD TA among local partners both for Preparation grants, where 85 percent of respondents reported that local partners were aware of Japan’s role as donor to PHRD TA (Exhibit 5.8),<sup>59</sup> and for Climate Change grants, where 90 percent of respondents indicated awareness of Japan as the donor among local partners.

<sup>57</sup> Spearman’s rho significant at  $p=0.01$

<sup>58</sup> Country comparisons reveal significant differences, such that Indonesia reports significantly less awareness of Japan as donor than other countries.

<sup>59</sup> Country comparisons reveal that government officials in Armenia, Colombia and India are significantly more likely to be aware of Japan’s role.

## Exhibit 5.8 Awareness of Japan as Source of Funds

RESPONDENT GROUP	NO		YES		TOTAL	
	#	PERCENT	#	PERCENT	#	PERCENT
TTL and World Bank	9	5 %	61	35 %	<b>70</b>	<b>41 %</b>
Country Government	10	6 %	45	26 %	<b>55</b>	<b>32 %</b>
Project Consultants	7	4 %	40	23 %	<b>47</b>	<b>27 %</b>
<b>Total</b>	<b>26</b>	<b>15 %</b>	<b>146</b>	<b>85 %</b>	<b>172</b>	<b>100 %</b>

Note to table: Analysis conducted on full data set (n=194). The total number of valid responses is 172

Nonetheless a matter of concern is that only 13 percent of respondents say that Japanese representatives were involved in either project start-up or completion ceremonies<sup>60</sup> and only 10 percent say that there were local press reports that referred to Japan as the donor. One of the attributes of PHRD TA is that it does not require Japanese consultants to be hired and this is borne out by the survey – only 6 percent of respondents report that Japanese consultants were involved. (See Exhibit 5.9)

## Exhibit 5.9 Factors in Visibility of Japan in PHRD TA Program

SURVEY QUESTION	YES		NO		TOTAL	
	#	PERCENT	#	PERCENT	#	PERCENT
Were Japanese represented in start-up or completion ceremonies?	19	13.4	122	86.5	<b>141</b>	<b>100</b>
Were Japanese consulted during project preparation?	22	15.6	119	84.3	<b>141</b>	<b>100</b>
Were Japanese consultants involved to deliver technical assistance?	9	6.3	132	93.6	<b>141</b>	<b>100</b>
Did local press reports refer to Japan as donor?	14	9.9	127	90.0	<b>141</b>	<b>100</b>

Note to table: Analysis conducted on full data set (n=194).

Thus, it appears that WB staff and recipient country government officials who are involved in PHRD grants are aware that Japan funds the PHRD program and they express their appreciation of support for the TA grants. Beyond these government agencies, however, there is little visibility or recognition of Japan as the donor. In one case study, where it was checked, there was little knowledge about Japan's support for PHRD among other donors in the country. There is even less visibility for Japan provided through events that might attract national media coverage. High profile government officials are less likely to attend a grant signing event for a grant agreement of less than one million dollars than they are to sign a loan agreement for hundreds of millions of dollars. Even the Climate Change grants attract less public attention than could probably be achieved with more attention to a communications strategy for the PHRD program.

<sup>60</sup> Country comparison analysis shows a significantly higher involvement of Japanese representatives in delivery and their appearance in press reports in Vietnam.

**Finding 21: The Climate Change Initiative has a high potential to enhance the visibility of Japan for PHRD at country level but this potential is not realized.**

International attention to climate change has raised the interest within countries about the Climate Change Initiative of the PHRD. Implementing a Climate Change grant that results in a carbon finance project and an entry into the international carbon market creates awareness of the grant program among recipient countries. However, visibility of the CC does not necessarily translate into visibility for Japan as the donor. The reasons appear to be:

- Lack of donor name recognition in the appellation ‘PHRD’;
- Lack of interest on the part of Japanese representatives in country. While climate change is a top priority for officials in Japan, it does not seem to have permeated to officials in the Japanese Embassies and these people are less engaged and visible than they could be with the CC grants;
- Lack of communication by World Bank staff in country especially with Japanese Embassy officials.

The exceptions are CC grants that provide access to leading Japanese technology, such as that involving the Earth Simulator (the world’s largest and fastest computer developed in Japan) which is being used by Japanese and Colombian scientists to simulate climate change impacts on high mountain ecosystems.

## 5.8 Cost-Effectiveness and Results

**Finding 22: PHRD TA is an investment that has led to a high level of outputs and good quality results for the resources expended.**

**Exhibit 5.10 Stakeholder Ratings for their Satisfaction with the Quality of Outputs of PHRD Grants**

RESPONDENT GROUP	VERY UNSATISFACTORY	UNSATISFACTORY	SOMEWHAT UNSATISFACTORY	NEITHER SATISFACTORY NEITHER UNSATISFACTORY	SOMEWHAT SATISFACTORY	SATISFACTORY	VERY SATISFACTORY	TOTAL
TTL and World Bank	1 (1%)	1 (1%)	1 (1%)	0 (0%)	7 (4%)	27 (17%)	27 (17%)	<b>64 (41%)</b>
Country Government	0 (0%)	2 (1%)	2 (1%)	2 (1%)	3 (2%)	22 (14%)	20 (13%)	<b>51 (32%)</b>
Project Consultant	0 (0%)	0 (0%)	0 (0%)	0 (0%)	2 (1%)	24 (15%)	17 (11%)	<b>43 (27%)</b>
<b>Total</b>	<b>1 (1%)</b>	<b>3 (2%)</b>	<b>3 (2%)</b>	<b>2 (1%)</b>	<b>12 (8%)</b>	<b>73 (46%)</b>	<b>64 (41%)</b>	<b>158 (100%)</b>

Note to table: Analysis conducted on full data set (n=194). The total number of valid responses is 158.

The general assessment of World Bank staff and national government officials is that PHRD grants are producing results that are more than commensurate with the resources put into them. Results include capacity building (section 5.3), policy development and change (section 5.5), characteristics of follow-on projects (sections 5.1-5.2) and visibility of Japan as the donor.

In response to the question: “Do you think that the results achieved by PHRD grants are sufficient when compared to the resources used,” 82 percent of respondents across all groups replied positively for the Preparation grants and 100 percent were positive about the results being achieved by the Climate Change grants (Q5.5). These positive assessments were based on the perceived relationship of the Preparation projects, in particular, to the Quality at Entry of the follow-on

projects. Respondents also believed that, independent of the value of preparation for the subsequent loan activity, the PHRD-supported studies had generated a wealth of data and tools that were valuable for future development in different development sectors. Rarely were examples cited where preparatory studies were not used to some advantage – and then usually because of a shift in government priorities.

For example, in one Indonesian case, PHRD-supported instruments allowed scaling up of the WB operation from the initially designed two districts to 52, with the coverage of the additional 50 districts paid for by the national government, thus providing a considerable multiplier bonus. In another Indonesian project, the results of a feasibility study supported by PHRD were also used as a reference for the preparation of a second project.

Since consultancy costs are the main item of expenditure, there is naturally an interest in how cost-effective these consultancies are. This includes the mix between international and national consultants, with the former typically being considerably more expensive. The mix seems to be determined by Governments and the Bank in relation to the availability of expertise appropriate to the specific needs of projects. Thus in India, the projects showed the predominant use of Indian consultants, while in other countries the mix was much more heavily international. In Indonesia it was felt by national government officials that the costs of international consultants provided less value for money than would be the case with local consultants. In Vietnam and Ethiopia we heard the opposite – one of the specific benefits of PHRD grants was the networks and access to expertise brought by international consultants, considered of special benefit at this stage of the country's development.

Analysis of the survey data showed that a simple index of inputs (local and international consultants, surveys, training programs, etc.) is significantly correlated with an index of outputs (follow-on project, training, new policies, rules and procedures) for PHRD projects,<sup>61</sup> indicating that the greater the range of different preparatory activities supported by PHRD grants, the greater the number of different outputs.

It has been suggested that another way to shed light on cost-effectiveness is to compare the dollar value of the PHRD grant amount to the amount of loans that followed from it. Exhibit 5.11 shows the ratio of PHRD grant amounts for Preparation grants approved FY00 to FY06, compared to the approved credit amount of follow-on loans. This shows that each Preparation grant dollar was related to varying amounts of credit amounts in the six case study countries – from a low of \$68.66 credit per Preparation grant dollar in Armenia to a high of \$303.47 in India.

Since loans specified in the CAS are a condition before a Preparation grant is approved, it is not possible to infer that Preparation grants actually 'leverage' the loan amounts, although some do lead to refinements in loan activities. A better interpretation might be that \$294.37 of credit in India takes a dollar of Preparation grant whereas in other countries, such as Armenia or Ethiopia, loan activities require comparatively more investment in preparation per loan dollar approved.

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<sup>61</sup> Spearman's rho significant at the 0.01 level



**Exhibit 5.11 Ratio of Grant Amount to Loan Amount for PHRD Preparation Grants FY00-FY06 in Case Study Countries**

COUNTRY	TOTAL GRANT AMOUNT APPROVED FOR PROJECT PREPARATION (US\$ THOUSAND) <sup>62</sup>	TOTAL CREDIT AMOUNT APPROVED (US\$ MILLION) <sup>63</sup>	AVERAGE \$ OF CREDIT RELATED TO EACH PREPARATION GRANT DOLLAR <sup>64</sup>
India	\$4,872.90	\$1,346.13	\$276.25
Vietnam	\$17,733.53	\$3,844.60	\$216.80
Ethiopia	\$3,044.27	\$270.8	\$88.95
Armenia	\$4,347.65	\$221	\$50.83
Colombia	\$4,474.33	\$970	\$216.79
Indonesia	\$8,782.53	\$1,2936.93	\$140.84
All six countries	\$42,955.20	\$7,889.46	\$183.67

**Finding 23: The PHRD Climate Change Initiative has contributed to international policy norms and has had some impact at national level.**

PHRD CC grants have been influential in developing methodologies for land use change and reforestation/afforestation that have been approved and registered by the CDM Executive Board and for use by other countries. There are currently only five internationally approved methodologies for reforestation and afforestation and four of them have been developed by PHRD grants.

At national level, apart from some examples where Climate Change grants have encouraged policy shifts, such as in establishing community management of forested and degraded lands, it is too early to know. Survey respondents generally did not know if CC grants had contributed to policy change at country level, although 6 TTLs reported that they knew of substantial contributions to policy change by the grants.

## 5.9 Collaboration and Synergy with other ODA

The evaluation also explored the effectiveness of PHRD TA in terms of collaboration and synergy with other donors.

**Finding 24: PHRD grants do not appear to duplicate other ODA resources, nor is there evidence of much collaboration with other donors.**

PHRD TA grants influence the investments made by others (recipient country, or bilateral or multilateral agency) on the preparation of projects by their existence. Countries prefer to use grant money rather than loans to prepare a project and the World Bank TTLs rely to a very large extent on the PHRD TA grants for project preparation.

<sup>62</sup> Includes preparation grants with >50 percent disbursement on 30 June 2006. No information is available on whether additional preparation activities were supported by other grants beyond PHRD. Data from WB databases and grant application documents.

<sup>63</sup> The credit amount represents the money that was allocated in credit by the IDA/IBRD only. It does not include other sources of credit. Those numbers can be found in the project appraisal documents (PAD) or in the grant application documents. Only the figures for Armenia and Colombia have been corrected for subsequent changes in loan/credit amounts.

<sup>64</sup> For each case study country, a ratio per country was produced by finding the total of the country's IDA/IDRB loan FY00-FY06 and dividing this amount by the total PHRD amount allocated to the country for the same period.

Less than 10 percent of respondents report any duplication between PHRD Preparation projects and other sources of support for loan preparation (either national or international). The PHRD TA is often described as a unique source of funding due to its “*generosity, predictability, its untied nature.*”

In our survey 88 percent of respondents said that synergy was achieved between PHRD TA and other donor programs and 65 percent said that other funding sources were considered for preparation of the follow-on project. In the country case studies a few examples were reported of synergy with other funds. For example, in Indonesia the PHRD TA grant supported the planning process for the *Recovery Support Conflict Ridden Areas* project and the Post Conflict Fund supported household surveys. Similarly, there was synergy between the PHRD TA and the Dutch Trust Fund on the *Urban Local Governance Reform* project in Indonesia.

For climate change projects, PHRD TA grants are the only source of funding that can combine analytical work for preparation with practical implementation of pilot projects. No respondent in the survey reported any duplication with other funding mechanisms. The combination is critical for climate change as many of these efforts are innovations that need to be developed methodologically, but also need to be tested in practice. PHRD TA Climate Change grants are not restricted in their purpose or geographical coverage, and are the only source that gives direct access to Japanese technology, which is leading the world’s efforts on climate modeling and adaptation science.

The Ethiopian case study (Volume IV of the Final Report) reports that the PHRD Program is not known among other donors and that there is little or no discussion of the grants among other donors in country. This is of more concern than perhaps visibility among the general public and national media because the Donor Assistance Group in Ethiopia (and in other countries) is a key forum for collaboration between donors to encourage synergy and reduce gaps and overlaps in their development assistance programs. It would be the responsibility of the Japanese Embassy officials, as well as the Country Office of the World Bank, to ensure that other donors operating in country are made aware of the PHRD program.

In Armenia, WB staff and their Armenian counterparts reported that they sought exchange with other donors who were already working in the same sector while developing PHRD proposals, in order to avoid duplication of activities of PHRD and other projects, and to explore opportunities for synergies.

## 6. Management of PHRD TA Program

### 6.1 Introduction

This section of the report brings together the findings of the evaluation on management from of the PHRD TA Program from the six country case studies and the case studies on the Implementation and Climate Change grants together with a special study of Bank management policies and procedures for PHRD TA. The evaluation is of program *management* (not governance) of PHRD TA, and the efficiency of its management structure and processes, with particular attention to the simplification process, administration, monitoring and evaluation by the World Bank.

### 6.2 The Grant Approval and Implementation Cycle

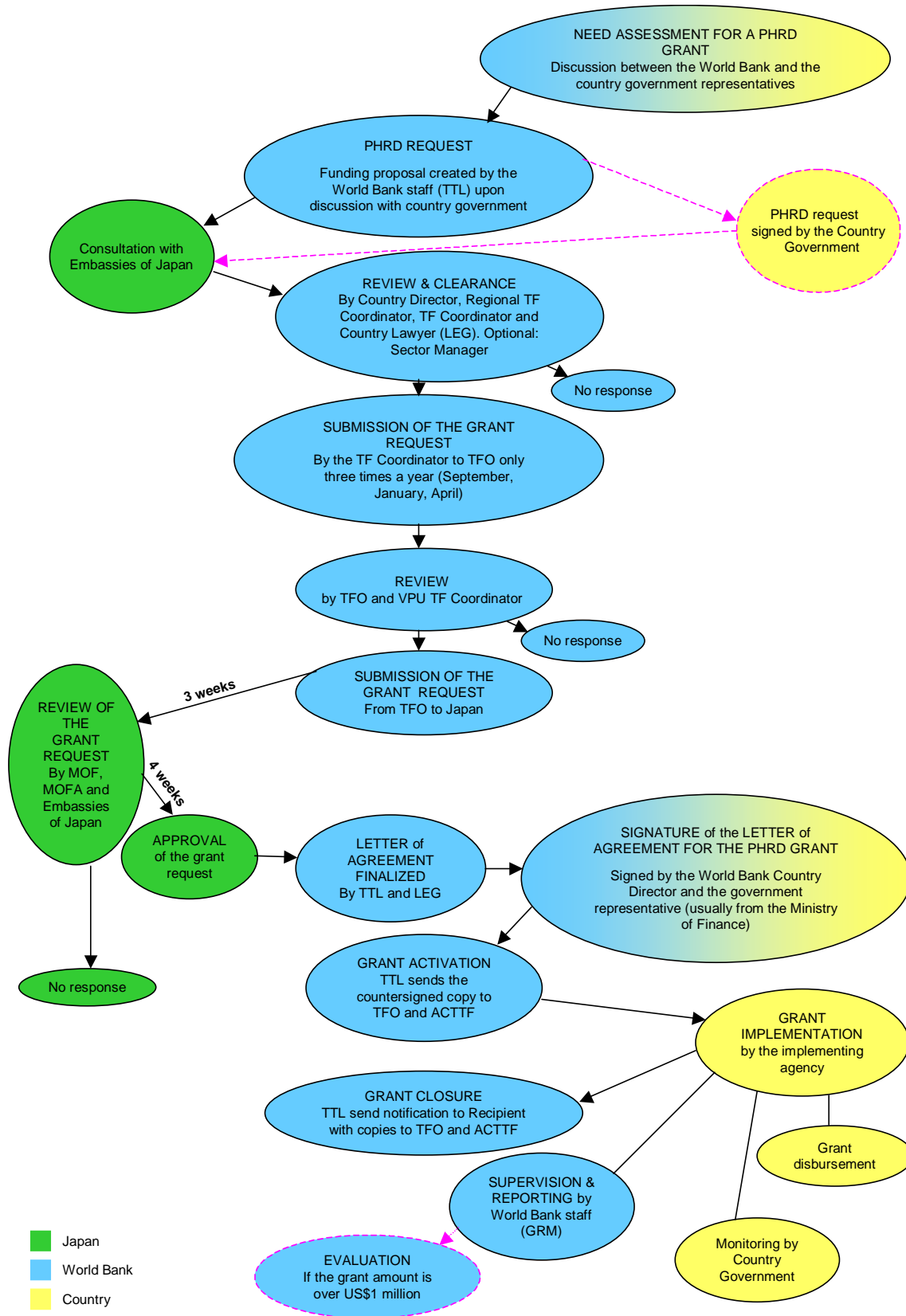
The first area of program management refers to the PHRD TA grant cycle.

**Finding 25: The PHRD project grant cycle is well established and generally understood within the Bank but is seen as slow and complex by TTLs.**

The application and approval process for PHRD TA grants has been used for more than a decade and is generally well known and understood by Bank staff. There is now a Bank-wide policy that requires a certification training and test for TTLs before they can apply for any Trust Fund grant, to ensure that they are sufficiently familiar with the procedures and requirements.

Exhibit 6.1 shows the grant making process for PHRD with the time requirements normally expected for different stages (World Bank, February 2005). Once approved, the administration of PHRD follows normal WB supervisory and oversight procedures until the grant is closed with a final report. The complexity of the process has been the subject of several attempts to improve the grant making procedures which are known as the 'simplification process.'

**Exhibit 6.1 Grant Making Process for PHRD TA**



### 6.3 Administration of PHRD TA Program by World Bank

The PHRD TA program of Japan is managed within the Trust Fund Operations (TFO) Department of the World Bank. The WB acts as trustee and administers grants mainly to recipient countries. Administration of the grant and execution of the TA activities are carried out according to the terms and conditions of a formal grant agreement between the Bank and the recipient government.

TFO is responsible for the overall management of the grant. The Head of the Program Administration Team (PAT) in the TFO is delegated the responsibility for day-to-day operations and is reported to spend about 40 percent of his time on PHRD related work. In addition, a full time professional and support staff together with temporary consultants as needed, carry out the day-to-day administrative activities. TFO staff processes from \$70 to 90 million in PHRD TA applications each year within a PAT portfolio of about \$200 million. They work closely with the Bank's regional units, each of whom has Trust Fund Coordinators who are responsible for providing regional oversight on all Trust Fund activities and liaison with TTLs.

The present lines of demarcation between the TFO and regions seem to work reasonably well from the perspective of headquarters. Support units in headquarters, (finance, procurement and legal) also report that the system of roles and responsibilities are clear and appropriately managed. PHRD TA financial and procurement work follows the guidelines of the WB, and respondents viewed these as appropriate.

Governance is carried out by a joint Japan-World Bank Body that meets each year to review the work of PHRD, formulate policies and program priorities, and monitor the results of the work of PHRD.

#### **Finding 26: There is relatively little analytical work done on key strategic issues in the management of PHRD.**

In this finding, "strategic" issues refer to issues that are important or essential for obtaining the objectives of the PHRD TA program. The evaluation team recognizes that decisions on strategic issues related to the PHRD Fund (including TA) lie with the Government of Japan. Nonetheless, as a manager of the Fund, TFO plays a role in identifying the issues and the options that can be used in discussions with Japan and, as necessary, with other divisions in the World Bank (such as OPCS).

In the course of the evaluation, the team identified a number of areas at the strategic level that need further clarification. In trying to understand the goals of PHRD, the team reviewed the original MOU signed by the Bank and the Government of Japan. As we continued to delve into PHRD, we found that a number of other "goals/objectives" also guide the management of PHRD. These included 'capacity building', 'country ownership' and the 'visibility of Japan'.

The capacity building of recipient countries is noted as an important goal but its strategic importance to PHRD has not been stipulated, nor is there any guidance stemming from PHRD policy documents.<sup>65</sup> In the country case studies, it was unclear what the capacity building component really meant. Is capacity development a strategic objective of PHRD? If it leads to a longer time to develop a loan, is this seen as good or bad? Is a shorter implementation time more important to achieve than local capacity building or vice versa? Similar questions can be posed with respect to the 'goals' of country ownership and visibility of Japan. Thus, the management of the

<sup>65</sup> Capacity building is not specifically addressed in the GRMs. In some of the GRMs there is a question: "Has the capacity of the implementing agency been enhanced in the process of implementing this grant?"

PHRD program appears to follow a number of strategic objectives that have neither been adequately explored nor defined.

There are challenges to doing this sort of analysis as input to decision making on PHRD. One of the limitations is the absence of processes in place to do so - except perhaps through periodic evaluations such as the present one. In this context, the project grant cycle should fit within a more strategic program cycle. The strategic cycle deals with a set of managerial decisions and actions that determine the long-range performance of a program. A second challenge is that analytical work relies on a small team in TFO, reduced in size during the simplification process. Finally, while the TFO Manager/Head of PAT spends considerable time on strategic issues, there is little systematic strategic analysis done on PHRD TA within the Bank. These factors coincide to give the appearance of a program management that is more reactive than strategic.

### 6.3.2 Management Efficiency

The evaluation team was also asked to analyze the efficiency of the management of PHRD TA. The findings on management issues and flexibility of the fund are presented below.

**Finding 27: Management of PHRD is seen by staff and country partners as satisfactory, though most mention areas for improvement, including the need for better communication with national governments.**

There is no easy answer to the question of whether PHRD was efficiently managed during the period of this review. In the management literature the concept of efficiency has taken on a wide assortment of meanings and ideas. In general, we have used the common sense idea that efficiency is the ability of managers to eliminate waste in the resources used to achieve the objectives of the program.<sup>66</sup> In this context we have explored administrative waste in a number of areas. From the Bank's perspective the review examined the roles and responsibilities of the various groups involved in managing the grant.

The review explored issues of financial and procurement controls and the quality of audit in order to assure ourselves that the management of PHRD was able to control the waste of these systems. Implementation times were examined and how far the funds provided by PHRD led to loans (section 5.2). From the grant recipient perspective the evaluation explored the extent to which the grant recipient was able to use the funds as well as the quality of grant execution and management on behalf of the Bank. Finally, the review tried to understand the degree to which the various system managers were engaged in learning about how to make the system work better.

Survey results show widespread satisfaction among respondents with the efficiency of PHRD projects with 94 percent of respondents rating their management costs (Q6.1.1) as satisfactory; and 84 percent expressing satisfaction with the project implementation times (Q6.1.2).<sup>67</sup> Both WB staff and country government representatives rate the performance of grant recipients in using the grants

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<sup>66</sup> A major limitation in understanding the efficiency of PHRD is the lack of systematic data and analysis of the real resources being employed by this grant. Some of these non-recorded costs are identified in an April 2005 study done on Administrative costs. We have only a cost estimate of PHRD which ranges somewhere from 5-13 percent of the amount distributed in any year. The approach of the evaluation was to ask whether there are efficiencies to be gained through better management, regardless of the level of expenditures.

<sup>67</sup> The patterns of results from country comparison analysis are similar for these questions. In both cases, India and Armenia are relatively more satisfied with the cost and implementation times of these grants, and Ethiopia and Columbia are relatively less satisfied.

as satisfactory (94 percent of WB staff and 96 percent of government officials: Q6.2) and 98 percent of WB staff rate the management of the TTL and Bank team as satisfactory (of which about half give themselves a very satisfactory rating: Q6.3).<sup>68</sup>

During the interviews, stakeholders echoed many of the same positive views, but they also indicated that there were ongoing irritants that led to inefficiencies in particular projects. These ranged from slowness in decision making, to poor consultant selection, to personality clashes between Bank and national government staff and so forth.

At the country level, a number of management problems have been encountered. These include: the coordination between central and line government departments; the limited time period for implementing and completing the Preparation grants; slowness in getting grants started, especially the procedures for hiring consultants; closing of a grant once a follow-on project has been approved – even when key preparatory work is not yet completed; a sometimes cumbersome process due to parallel procedures of WB and national governments.

For example, in the case of the East Java Development Program in Indonesia, the main problem with the PHRD grant was reported to be that the World Bank staff was in too much of a hurry to get the loan prepared to meet their annual deadlines. As a result, no capacities were built and the Ministry did not agree to take the loan.

In Vietnam, some problems were reported regarding poor consultant selection in one project (*National Water Resources Management Project*). One project consultant declared that if the international consultants were more experienced and more creative, the results would have been better. In another Vietnamese project (*Second Higher Education Project*) there was confusion about grant approval procedures at country level and the roles of the MPI, MOF, Government Office, Ministry of Foreign Affairs, Ministry of Construction and Ministry of Trade. As a result, much time was spent to find out who had to approve the grant.

For the Implementation grants, most of the government agencies are ready to implement them because they are already familiar with the norms and procedures being applied in the investment project. In this regard, there is less of a project management learning curve than with the Preparation grants. One of the grants reviewed (*Lake Sarez Risk Mitigation*) was used specifically to improve procurement practices by providing a procurement advisor to the executing agency. There are three to four grant reports that cite delays in the launch and/or the implementation of Implementation grants. Delays in the launch of Implementation grants are attributed to changing political environments. Two of the 18 Implementation grants reviewed were closed due to lack of disbursement (*Ertan II: Income Generation and Poverty Alleviation* and *Third Provincial Adjustment Loan Catamarca*).

For the Climate Change grants, which tend to be more innovative (and therefore may require closer supervision), the fact that the grants do not include any more funding for managing them than is available for any other PHRD grant can present particular challenges for high quality management and monitoring. TTLs must search for other sources of funding to cover the costs of managing and supervising the grants, and must be able to convince their managers of the benefit of taking resources from other resources for this purpose. The results include poor quality GRM reports – which appear to go largely unused – and infrequent supervisory missions to the field.

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<sup>68</sup> Country comparison analysis in this case reveals a significant difference reflecting Ethiopia's relatively lesser appreciation of TTL's management.

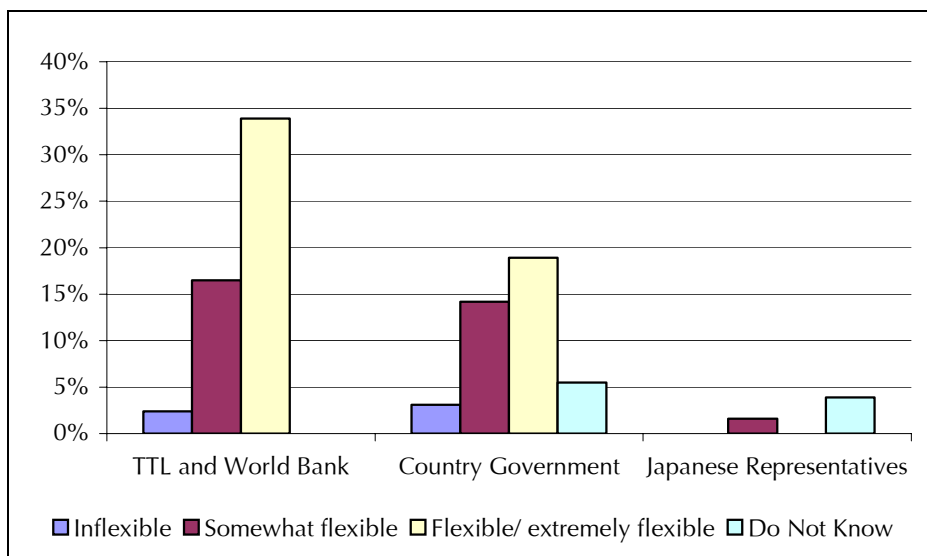
There are also concerns about lack of communication between the Bank and national governments. For example, the CC grant for *Capacity Building and BioCarbon Fund Pilot Implementation* (PO 99628) in Kenya has been recently signed with great fanfare. However, it was difficult to get the signature of the Kenyan Ministry of the Environment since there was confusion with respect to a previous PHRD grant for Kenya. This grant had been dropped the previous year by the Bank but it had not been made clear to the Kenyan government that it had been cancelled or why. The carbon purchase contract produced by the *Industrial Rehabilitation and Kyoto Mechanisms* grant in Ukraine is almost ready, but the government has decided they don't have the necessary procedures to sell the carbon credits - a situation which could perhaps have been avoided had there been better communication between the Bank and the government.

**Finding 28: In general, most Bank staff and national government representatives see the PHRD as a flexible vehicle.**

The PHRD TA Program is the largest program within the suite of PHRD funded operations. It provides grants to member countries which are generally seeking loans from the WB with relatively few restrictions. Over the years PHRD TA has been recognized as a very flexible granting mechanism.

In response to various development challenges, PHRD TA initiated a number of new areas. Ten years ago it expanded its scope of work to include a TA program to address implementation capacity issues. The Project Cofinancing grants not covered by this evaluation have been particularly heavily utilized. In FY02 the Climate Change Initiative was introduced and has been seen as an innovative way to support countries new to work in this area. In 2003-2005 the administrative procedures for PHRD TA were simplified and decentralized to improve the ease and flexibility of the program. These changes appear to have led stakeholders to see the PHRD Trust Fund as flexible to use (Exhibit 6.2).

**Exhibit 6.2 Flexibility of PHRD Trust Fund**



Note to Chart: Analysis conducted on full data set (n=194). The total number of valid responses is 127.



The main positive aspects highlighted by respondents in the case study interviews relate to the flexibility in hiring consultants and in the request for time extensions. Government representatives in particular appreciate that, unlike other donors, there are no restrictions on consultant nationality in PHRD TA. This is perceived, among other things, as a means to foster country ownership.

Our survey results show that compared to alternatives, PHRD Preparation grants are seen as having easier access (61 percent of respondents) or similar access (29 percent of respondents) with only 10 percent of respondents reporting that access is more difficult (Q4.2.1). Similarly, the management of PHRD Preparation grants is reported to be easier by 35 percent of respondents, similar to alternatives by 52 percent and more difficult by only 13 percent of respondents (Q4.2.2).<sup>69</sup> Overall, 61 percent of respondents rate the PHRD TA fund as extremely flexible to use and 39 percent rate it as inflexible or only 'somewhat flexible' (Q6.10).

For the Implementation grants, all of the grants reviewed were approved prior to the PHRD simplification process. Nonetheless, the TTLs interviewed all indicated that the Implementation grants were a flexible and valuable form of TA to support project implementation. They allow the project team to find the best person in the field to provide the TA, independent of nationality. The Implementation grants are also more accessible in that TTLs do not need to shop around to the different consultant trust funds. The deadlines for completing the Implementation grants make them more flexible than the Preparation grants.

Furthermore, although there is an expressed need for a greater allocation for overall management and supervision than the current allowance of 5 percent of disbursements (60 percent of which is available to the managing Vice-Presidential Unit (VPU), the current allocation for supervision is considered to be very important.

PHRD Climate Change grants are seen as particularly flexible (83 percent of respondents: Q4.6.2). Some of these grants are being used for project preparation, some for implementation of pilot projects, some for capacity building, and still others for cutting edge scientific research. By allowing the combination of analytical work for preparation with practical implementation of pilot projects, the Climate Change grants are valued, as many climate change efforts are innovations that need to be developed not only scientifically and methodologically, but also tested in practice.

On the other hand, three aspects that limit the flexibility of PHRD TA have been highlighted in the case study reports:

- 1) The limitation of 10 percent for non-consultant costs;
- 2) The non-eligibility of study tours, which are considered to be important tools in the design phase of some projects;
- 3) PHRD grants aim mainly at providing technical assistance for the preparation of projects through consultancies, but some question whether the current ceiling of US\$ 1 million makes it the best way to prepare large and complex projects, which may require a larger investment in the preparation phase.

Due to the overall visibility and coverage of PHRD TA, its procedures are amongst the best known within the Bank. Although there remain some concerns about transaction costs and implementation time, in general this facility is seen as extremely important to loan operations.

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<sup>69</sup> In both cases, Ethiopia stands out in the country comparison analysis for finding the PHRD relatively more difficult to access or manage than do other countries.

### 6.3.3 Effects of the Simplification Process

Annual reports on the PHRD program from 1999 onwards report concerns with the internal administrative procedures for the grant application process. The preparation, approval and clearance of agreements took too long. There appeared to be too much bureaucracy in the approval process. The PHRD grant making process was adding to the length of time required for the preparation of Bank loans and credits. Projects in the forestry sector, for example, can be extremely time sensitive due to the seasonality of planting. In several of the Climate Change forestry projects, activities had to start before funding was made available. In short, it was felt that over the years, the PHRD process had become overly complicated.

From 2003 to 2005, the WB rolled out a process of simplifying the procedures related to the management of PHRD TA grants. The overall aim of the simplification process is to improve the sequence of required actions and to streamline procedures to speed up the grant making process. The specific objectives of the simplification process were to:

- Streamline the grant application and approval process;
- Reduce delays in grant start-ups;
- Allow flexibility to accommodate needed changes during the grant implementation;
- Simplify reporting;
- Improve client support.

This section provides the study findings on the effects of this process to date.

**Finding 29: Implementation times seem to be improving since the application of the simplification process but it is too early to tell and there are many intervening variables.**

One of the drivers of the simplification process was the realization that the grant process took an average of 36 months from start to finish. It was hypothesized that the simplification program would improve on this benchmark and thus the review was asked to examine the implementation time of grants to ascertain whether or not the simplification process seemed to making a difference.

Of the 132 grants in our sample, 40 were started in 2004 or later. Of the 40 there were 7 grants (< 20 percent) that were identified as completed on December 2006. While we found important efficiency strides made in the Grant Application process, it is too early to know if similar gains are being made as a result of the move to decentralize decision making to the field, with the added values of increasing flexibility and a sense of national ownership.

Simplified proposals, standardized legal agreements, clarifying the audit approach, and simplifying reporting have all had a positive effect on the making the application process more efficient. This part of the grant process is mainly conducted by Bank staff, particularly the TTL. Moving from grant approval to grant completion and loan application is a much more complex and less controllable set of processes. Three major factors affect the implementation time of the grant:

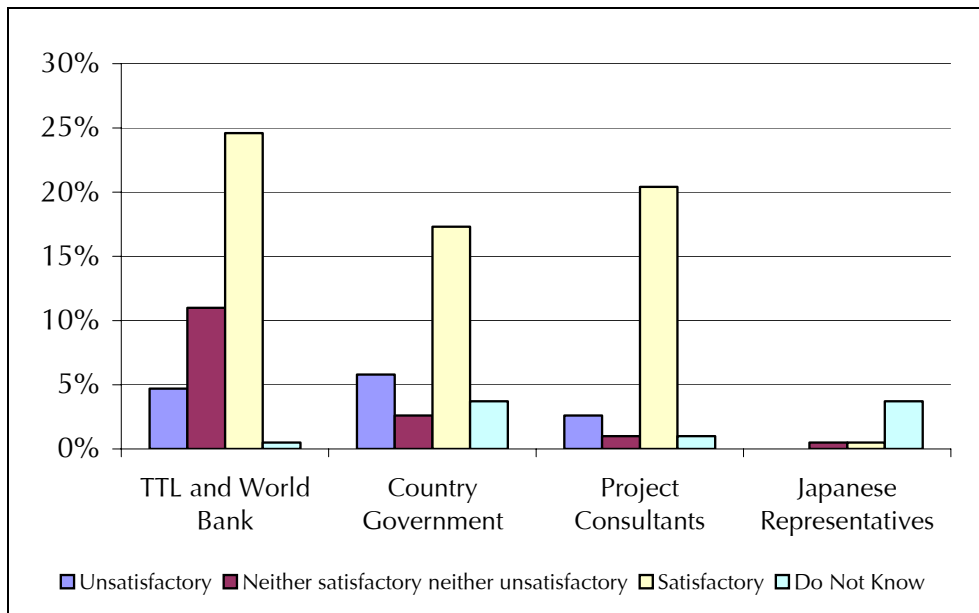
- The level of decentralization of decision-making. One of the concerns before the simplification process was that any changes to the original grant application needed to be approved by TFO. This was identified as a time wasting procedure that could be decentralized. It was decentralized and is already reported to lead to implementation efficiencies.

- The second variable in the process from grant acceptance to grant completion is the complexity of the loan being sought. Interviewees consistently tell us that PHRD grants are sought for the more complex loans in the Bank. Thus, it is not surprising that the length of time between the grant approval and grant completion is longer than the Bank average. Grants come with important conditions that are aimed at providing fiduciary oversight for both the Bank and the Government of Japan.
- The third issue is the capacity of the country to engage in project preparation work. The less expertise in the Government, country or region the more there is a need for external capacity to be brought in. The question of country capacity is the third important factor in determining the time of implementation. Since most of the grants are given to countries with relatively low GDP, capacity to implement PHRD grants is also likely to be lower.

Exhibit 6.3 shows satisfaction ratings for the time taken to implement PHRD grants given by World Bank staff, country government officials, project consultants and Japanese representatives. More government officials and project consultants express themselves to be satisfied with the implementation times than does World Bank staff. Japanese representatives are more likely to say that they do not know. However, it is not determined what an appropriate benchmark for PHRD is with respect to implementation time.

*“We all know that when we seek PHRD funding it comes with its own bureaucracy. That’s ok – for me when we are faced with a complex project I know the country will need more and better feasibility work than they can do – they need resources to do this work and PHRD is great that way– I mostly discuss PHRD funding with the country about complex projects.”*  
World Bank staff (Asia)

**Exhibit 6.3 Stakeholder Ratings for their Satisfaction with PHRD Project Implementation Times**



Note to bar chart: Analysis conducted on full data set (n=194). The total number of respondents is 191.

**Finding 30: The simplification process has led to generally positive outcomes. It has helped to improve the speed and efficiency of the PHRD grant making process and has decentralized more decision-making to the field. Less positive outcomes include less familiarity and oversight of PHRD TA by TFO and poorer quality reporting.**

A simplified grant making process was rolled out 2003-2005. It provided shortened grant application forms, standardized legal agreements and disbursements for grant expenditures, simplified reporting and financial procedures, facilitated procurement, and multiple closing dates. It also addressed capacity building needs. The simplified process reduced the time between the initial grant application and final authorization signatures to release the funds to about 10 weeks.

While some of the TTLs are aware that the process was simplified, few of them are repeat users and hence have no 'before' and 'after' comparison. Some users expressed satisfaction with the efficiency of the PHRD grant making process; others reported that it is still taking too long for grants to get approved and for funds to be made available.

The simplification process also led to more decentralized decision making. This reduced the administrative staff in headquarters and transferred more administrative responsibility to the TTLs. Task Team Leaders are required to be trust fund accredited through the Trust Fund Learning and Accreditation Program. TTLs can now agree to grant changes in the field that had previously been sent to headquarters for approval and were a source of conflicts and delays. From the perspective of government stakeholders, they reported that in general requests such as grant time extensions were approved efficiently (as long as the request was prior to the approval of the follow-on operation).

The simplification process has helped improve the *efficiency* of documentation, legal forms and field-based decision making, but

because of poor reporting and less than complete responses to the simplified reporting and monitoring forms, it has not necessarily improved *effectiveness*. One of the efficiency benefits is reduction of administrative costs. Before simplification there were two full-time staff and one part-time staff

*"Before simplification there were two full time staff and one part-time staff working on the new and old PHRD projects. Most of their work revolved around application, closing date extension, changes to the agreement, review of reports and so forth. Simplification reduced it to one full-time professional staff doing administrative work. The difference is: before we were very familiar with the projects – we had to be. Now we are much less familiar. The job is more paper-oriented than project oriented."*  
World Bank staff

working on the new and old PHRD TA projects. Most of their work revolved around administrative tasks, application, closing date extension and other day-to-day stuff. Simplification reduced it to one full-time professional staff doing administrative duties.

As a result, another outcome of the simplification process is that trust fund management staff in headquarters has less familiarity with PHRD funded activities and are not able to provide as much oversight as before on ensuring consistent report quality on PHRD grants. Since simplification, the staff involved in trust fund management note that reporting on grants is less detailed and less useful for monitoring and evaluation.

Poor reporting is one of the key limitations in the present management of the PHRD TA. While data and information abound in the system, there are few controls to ensure that it is complete or of good enough quality for reviews and evaluation – or for the benefit of other TTLs who may take over responsibility for managing a grant.

TTLs reported that while the simplification measures helped to save time, the shorter forms were a ‘mixed blessing’ as they required the TTL to be more precise, with less room to fully explain the relevance of the proposed project. Once a project is prepared there is no incentive for the TTLs to invest time to produce in-depth and quality reports. Interviews with staff in headquarters also point to quality of data coming from the field, including monitoring and project completion reports to be a main management problem for PHRD. This appears to be an area that needs improvement.

**Exhibit 6.4 Reported Helpfulness of the Simplification Process**

Question	Respondent Group	Not helpful	Somewhat helpful	Helpful/ Very helpful	Total
Simplification Changes Helpful	TTL and World Bank	3	4	31	38
	% of Total	7.70%	10.30%	79.50%	97.40%
	Japanese Representatives	0	0	1	1
	% of Total	0.00%	0.00%	2.60%	2.60%
	<b>Total</b>	<b>3</b>	<b>4</b>	<b>32</b>	<b>39</b>
<b>% of Total</b>	<b>7.70%</b>	<b>10.30%</b>	<b>82.10%</b>	<b>100.00%</b>	

Note to Table: Analysis conducted on full data set (n=194). The total number of valid responses is 39.

**Finding 31: Many World Bank staff and Japanese representatives are not well informed about the simplification process.**

There is limited awareness of the simplification process among Bank personnel interviewed and among Japanese Government representatives involved in the grant making process (Exhibit 6.5). This is perhaps particularly surprising among the TTLs who under the simplification regime are more closely involved in managing the grants than they were before. The TTLs in our sample were very experienced in World Bank procedures – 96 percent had three or more years of experience in the Bank and 83 percent had more than seven years’ experience. Some features of simplification may be better known than others among the TTLs. The principal areas highlighted by respondents in the case of Columbia relate to ease in the application process (simpler forms), reduction in approval time, and, more flexibility to make changes in the resources allocated across components, once the grant has been approved. It is unclear how familiar TTLs might be with other simplification measures. The findings suggest that more internal communication be made within the Bank about the rationale and procedures of the simplification process, and the need for complete and good quality reporting.

**Exhibit 6.5 Awareness of the PHRD Simplification Process**

Question	Respondent Group	Uninformed	Somewhat informed	Informed/ Well informed	Total
Information about the simplification process	TTL and World Bank	23	10	34	67
	% of Total	31.10%	13.50%	45.90%	90.50%
	Japanese Representatives	5	2	0	7
	% of Total	6.80%	2.70%	0.00%	9.50%
	<b>Total</b>	<b>28</b>	<b>12</b>	<b>34</b>	<b>74</b>
<b>% of Total</b>	<b>37.80%</b>	<b>16.20%</b>	<b>45.90%</b>	<b>100.00%</b>	

Note to Table: Analysis conducted on full data set (n=194). The total number of valid responses is 74.

### 6.3.4 Compliance with World Bank Procedures

PHRD TA grants are to be managed in accordance to WB norms and procedures for procurement and financial management. This section reports the evaluation's findings on compliance with these norms and procedures.

**Finding 32: Compliance with WB procedures in managing PHRD grants is high although respondents report difficulties in meeting project deadline requirements.**

Survey data show that compliance with WB procedures for PHRD grants is reported as high (Exhibit 6.6). This holds true for procurement guidelines (Q6.4) and for financial reporting and auditing (Q6.5). However the respondents' ratings of Bank *requirements* for managing PHRD grants is less positive, particularly with respect to Bank requirements for deadlines. Nearly 30 percent of respondents think that financial reporting and auditing standards are only 'adequate' or 'somewhat adequate' (Q6.6.1)<sup>70</sup> and nearly 27 percent report that the Bank's requirements for deadlines are 'barely realistic' or 'unrealistic' (Q6.6.2).<sup>71</sup> While some government officials tend to be harder on the adequacy of the financial reporting and auditing standards, more Bank staff is harder on the deadline requirements.

Exhibit 6.6 provides a summary of the questionnaire survey data for various administrative issues under study. It shows high reported rates of satisfaction with the clarity of roles and responsibilities for managing the grant process; for the quality of the WB team and the responsible TTL; the extent to which financial and procurement guidelines are followed; with internal audit; and with overall management costs. The one outlier was the requirement with respect to deadlines. Only 10 percent of survey respondents reported that they were satisfied with deadlines compared to 75 percent who were dissatisfied – a reversal of the ratings for the other administrative aspects of PHRD.

This may be the result of poor understanding of PHRD procedures, especially by the recipients who feel under pressure with respect to the deadlines, especially in countries where projects take a long time to get started. In reality a large number of Project Preparation grants are extended beyond the Board approval date for the associated operation. In FY05 out of 80 Project Preparation grants approved, 21 (26 percent) have been extended (information provided by TFO).

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<sup>70</sup> Country comparison analysis indicates that Colombia rates the PHRD least highly on this factor than other countries.

<sup>71</sup> Country comparisons indicate a range of opinions regarding the realism of Bank deadlines, with Ethiopia being significantly less positive in this regard.

**Exhibit 6.6 Satisfaction with the Management of PHRD**

Question	Satisfied	Not Satisfied	Don't Know
Clarity of roles and responsibilities in the Bank	85.70% (108)	0.80% (1)	13.50% (17)
Quality of TTL and Team	91.70% (88)	2.10% (2)	6.30% (6)
Extent to which procurement guidelines followed	85.70% (144)	0.60% (1)	13.70% (23)
Extent to which financial guidelines followed	84.80% (140)	0.60% (1)	14.50% (24)
Quality of audit	74.50% (123)	0.00% (0)	25.50% (42)
Level of management costs	78.00% (131)	5.40% (9)	16.70% (28)
Requirements with respect to deadlines	9.90% (16)	75.79% (123)	14.20% (23)

Note to Table: Analysis conducted on full data set (n=194)

### 6.3.5 Linkage to CAS

Since at least FY04, the Annual Policy Guidelines for the PHRD TA have specified that follow-on operations must be listed in the CAS or the CAS Update as one of the criteria of eligibility for PHRD Preparation grants.

**Finding 33: The PHRD TA is found to be so consistently linked to the World Bank Country Assistance Strategy that some flexibility regarding the linkage requirement could produce additional benefits in special circumstances.**

In all case study countries reviewed, there is a clear and consistent linkage between PHRD TA and the World Bank's Country Assistance Strategy (CAS). Over 96 percent of respondents report that the PHRD TA is supportive of the CAS (Q4.7) with 91 percent saying that the follow-on project is very relevant to the CAS and 9 percent saying it is somewhat relevant to the CAS (Q5.10.1).

This includes the Climate Change grants. Since all CC grants must be linked to either a World Bank loan or one of the environmental funds managed by the Bank, they are in line with the CAS. In at least four cases (Albania, Niger, Ethiopia and Belarus) they are reported to be influencing the new CAS to address climate change. All CC project respondents reported that the CC grants were 'very supportive' of the CAS.

Respondents in the WB and national governments are in agreement with this required linkage but identified circumstances where some flexibility in the requirement would prove advantageous.

For example, problems can occur when the CAS or I-CAS (Interim CAS) is near the end of its term. Under the existing requirement, new PHRD TA grants cannot be funded until the follow-on operation is identified in the yet-to-be approved new CAS. Similarly, innovative, high priority programs may very occasionally be defined after the CAS has been issued and cannot always be covered in the CAS in a timely manner. The required linkage could be with either the CAS or the PRSP, but as these two are themselves linked, one requirement is effectively the same as the other.

Overall, because the general requirement for the CAS linkage is respected and has not presented major problems, it appears to make sense to allow a measure of flexibility for managers to propose PHRD TA projects that can fall outside the CAS framework, on the understanding that it will be used only on an exceptional basis, and appropriately tracked and reported upon.

### 6.3.6 Monitoring and Evaluation

**Finding 34: While data and information abound in the World Bank system, the controls that are being used to ensure that monitoring and reporting data are complete and of good quality are inadequate.**

Data are important for all systems of accountability and learning. The World Bank has expended considerable funds to ensure that there is a data management system for PHRD funds that can be used by staff. In addition the World Bank requires that Bank staff become certified in Trust Fund Management as a condition for managing any trust funds. While in theory this might seem to be sufficient, it is not.

A systematic review was undertaken of all the Trust Fund Status reports and GRMs available for the PHRD grants in the six selected countries in order to assess the frequency of monitoring the grants.

It shows that in 96 percent of cases,<sup>72</sup> PHRD grants have had at least one monitoring report every two years. For the Climate Change grants, 100 percent of the approved grants under review<sup>73</sup> have had at least one monitoring report every two years. This shows that the

*“One of the key issues in PHRD is the quality of reporting. In most cases the quality of reports or GRM is poor. We know that this is due to the fact that once a project is prepared there are no incentives for the TTL’s to provide first-rate reports. This is clearly an area for improvement.”*  
World Bank staff

monitoring of PHRD grants is satisfactory in terms of frequency. However we found that there are challenges to adequate monitoring of PHRD grants because of the poor quality of data that exist in the GRM and TFSTAR data system – which also frustrated data collection efforts for the evaluation.

In order to more systematically explore this issue we looked at 27 randomly selected projects that had been at least 50 percent disbursed. We found almost all projects rated satisfactory, data on procurement in TFSTAR was almost always missing or undated, therefore unapproved. Many areas to be filled are simply left blank. In particular these empty cells related to outputs and outcomes. The pattern that emerges is that there is not sufficient oversight on these reports.

For the GRM, the document review explored how two monitoring questions were answered:

- 1) Has the capacity of the implementing agency been enhanced?
- 2) How have you supervised the implementation of the grant activities?

For both questions we found the data provided in the GRMs were either extremely general or were incomplete — in other words, not helpful.

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<sup>72</sup> The population of grants taken into account to calculate the percentage does not include the grants that were cancelled and those still lacking a signed and countersigned grant agreement.

<sup>73</sup> Excluding those approved but for whom there are no documents mentioning the grant start and closing dates. As for the Preparation grants, the population of grants taken into account to calculate the percentage does not include the grants that were cancelled and those still lacking a signed and countersigned grant agreement.



In contrast to what the documentation shows, our case studies and surveys indicated that WB staff felt satisfied with the quality of monitoring that was conducted for PHRD grants. For Implementation grants, respondents said that the supervision and monitoring of the grant was generally rolled into supervision of the loan. A few TTLs, who had managed both Implementation and Preparation grants, indicated that they tend to do more monitoring of the Implementation grant than the Preparation grant because the TA activities are included in regular monitoring of the WB project.

The Ethiopian and Armenian case studies highlight the appreciation of the government representatives for the assistance provided by WB staff in the grant monitoring (see sidebar).

The survey shows that monitoring for PHRD TA grants is seen as adequate in all countries visited and complies with normal WB procedures and criteria. Over 73 percent of respondents rate the quality of PHRD project monitoring as 'good' or 'excellent' compared to nearly 27 percent who rate it as barely adequate or poor (Q6.6.3).<sup>74</sup>

The issue of poor monitoring reports emerged as more of a reporting and management system concern than a problem with actual project oversight. TTLs and staff members who are responsible for procurement, finance and administration know the projects for which they have responsibility, but systematic reporting of that knowledge is poor. Therefore, the short term oversight is probably not compromised but the longer term corporate memory is weakened. This should be a matter for concern for the Bank since there is high turnover of the responsibilities of TTLs for individual PHRD grants (as we found to our cost during the evaluation). There is also career movement for both Bank staff and government staff of the implementing agencies, such as in Armenia<sup>75</sup> and Colombia.<sup>76</sup> There are few incentives provided for staff to produce good monitoring reports and little time for Trust Fund staff to monitor the reports that are made. The result is poor report writing and the loss of data for learning and improvement—and evaluation. It is the loss of learning opportunities that is of most concern.

*"In all reviewed projects, the respective TTLs have provided frequent assistance to the implementing agency with regards to quality control, and have played a key role in the ongoing monitoring of project progress. Consulted Armenian partners expressed appreciation for this support, and appeared to find the level of engagement of the respective TTL appropriate and helpful."*

Armenia case study (Volume II)

*"WB monitoring was found reasonable and indeed several GoE respondents welcomed the input and mentoring they had received from WB staff during grant implementation."*

Ethiopia case study (Volume IV)

<sup>74</sup> Statistical analysis reveals significant differences in opinions regarding Bank monitoring, with Armenia and India being relatively more positive than other countries in this sample.

<sup>75</sup> One PHRD management challenge mentioned by some Armenian government partners was the frequent changes of WB TTLs in some sectors, which had posed some problems for the respective PIUs. Armenia case study, p. 18

<sup>76</sup> [7]he challenges for monitoring due to the changes in the task manager and sometimes in the government staff of the implementing agencies [...]. Colombia case study, p. 21

**Finding 35: There have been few evaluations of PHRD TA grants as most grants fall below \$1 million (this is in accordance with WB guidelines). Consequently, the major oversight tool for PHRD TA has been periodic program evaluations such as this study.**

Evaluations are an evidence-based tool that managers and policy makers can use to gain insight into a program. Evaluation is different from monitoring in that it pays much more attention to context(s), methodology and more macro issues. This evaluation and others like it over the life of the PHRD Trust Fund are the principal tools currently used for learning more about PHRD. The question is whether periodic evaluations are sufficient. From our interviews and case studies it is clear that there is no huge demand for more evaluation activities, which is to be expected.

To our knowledge, very few of the grants in our sample have been evaluated, usually internally through TFO Annual reviews and VPU quality control reviews. Therefore, respondents generally could not report on the extent to which results of evaluation were used to improve subsequent PHRD TA activities. Although this complies with WB policies and procedures, we have some concerns on this issue.

Given the total size of the PHRD TA program it would seem appropriate and feasible to evaluate either a select number of grants each year, or to periodically assess a country's portfolio. These would not have to be very costly evaluations, and would provide a regular feedback loop on how the PHRD TA grant program is working. While the current evaluation has allowed us to take a broad look across a number of grants, we were not able to go into depth on any one of them.

Another improvement to assessing quality of the PHRD TA program would be to place more emphasis on the evaluative aspects of the grant completion report – an assessment of performance that is self-prepared by TTL– without making it an excessively heavy exercise, and recognizing both the size of the grants and the fact that most energy will be going into the investment project itself. Finding a sufficiently rigorous, but not too onerous approach to the grant completion report is the best guarantor that it will be respected. The Japanese representatives have also indicated that they would like more information on project progress and results.

### 6.3.7 Risk Management

When discussing our work plan with both the Bank and the Japanese Executive Director's Office, there was a recurring conversation with respect to procurement and financial management of the PHRD TA. The general concern was that these two areas represent significant reputation risks to the Bank and Japan. The evaluation team was asked to look into whether or not the standards that were used in PHRD TA were the same as that used in other Bank work. To obtain more insight into these issues we looked at a wide assortment of financial and procurement documents; we spoke to staff in the field and had interviews with senior staff in the finance and procurement areas.

All data sources showed that the level of financial and procurement controls were the same for PHRD TA as they were for the rest of the Bank. In addition, staff indicated that these controls were always being updated and assessed to make sure that they were appropriate for the work that the Bank undertakes. What is important for the evaluation was that the management of PHRD TA was obtaining systems benefits from being integrated into normal Bank operations. These benefits include on-site procurement and financial specialists, local managers, tested guidelines and procedures, audits, oversight visits and so forth. In our opinion these are significant benefits to the PHRD Trust Fund and, as we understand it, are not fully costed into the five percent trust fund management fee.

**Finding 36: The World Bank is exercising appropriate control and mitigation measures to support the anti-corruption initiatives of both Indonesia and the World Bank. Following a project corruption case in 2006, additional measures have been put in place, but it is too early to assess their impact.**

Almost all respondents from the WB and the Indonesian government recognized that the World Bank procurement guidelines, financial reporting and audit procedures are well respected, as demonstrated by the responses shown in Exhibits 6.7 and 6.8 below.

**Exhibit 6.7 WB Procurement Guidelines Followed (Indonesia Country Study)**

RESPONDENTS	ALWAYS		USUALLY		NEVER		DON'T KNOW	
	#	PERCENT	#	PERCENT	#	PERCENT	#	PERCENT
TTL	6	85.7%	1	14.3 %	-	-	-	-
Government Rep.	10	90.9%	1	9.1 %	-	-	-	-
WB Staff	1	100.0%	-	-	-	-	-	-
Consultants	1	100.0%	-	-	-	-	-	-
Japan Representative.	-	-	-	-	-	-	-	-

**Exhibit 6.8 Financial Reporting and Auditing Standards Followed (Indonesia Country Study)**

RESPONDENTS	ALWAYS		USUALLY		NEVER		DON'T KNOW	
	#	PERCENT	#	PERCENT	#	PERCENT	#	PERCENT
TTL	6	86.7 %	1	14.3 %	-	-	-	-
Government Rep.	9	75.0 %	1	8.3 %	-	-	2	16.7%
WB Staff	1	100.0 %	-	-	-	-	-	-
Consultants	1	100.0 %	-	-	-	-	-	-
Japan Representative	-	-	-	-	-	-	5	100 %

Note to Tables: Analysis conducted on full data set (n=194)

The World Bank has been particularly vigilant in exercising zero-tolerance for corruption, and since 2003 all new projects financed by the World Bank in Indonesia have required an Anti-Corruption Action Plan (ACAP). The ACAP is part of the Project Appraisal Document and identifies the main corruption prevention aspects of a proposed project. The ACAP must include the following six elements:

- 1) Enhanced disclosure provisions
- 2) Civil society oversight
- 3) Complaints handling mechanism
- 4) Policies to mitigate chances of collusion
- 5) Mitigation of fraud and forgery risks
- 6) Sanctions and remedies.

In June 2006, in light of the results of an investigation by the World Bank's Integrity Department (INT),<sup>77</sup> the World Bank's anti-corruption team in the Jakarta office developed an enhanced anti-corruption plan (see sidebar) to strengthen the management of PHRD TA projects in Indonesia.

The Ministry of Finance of Japan is anxious to know whether these measures are effective, but it is too early to say as no new PHRD TA grants have been approved since these took effect. Both TTLs and representative of the Government of Indonesia have raised concerns about the effects of these increased control measures on the length of the PHRD TA grant proposal process. While the World Bank anti-corruption measures apply to both grants and loans, not all ministries are ready or able to implement them. Given their limited capacity and resources (in terms of people and funds), Indonesian representatives admitted that it might be impossible for them to implement these new measures.

### **Plan to Strengthen Management of PHRD TA in Indonesia**

1. Improved control on quality at entry (rigorous scrutiny of proposals)
2. Improved fiduciary design (ex-ante risk mitigation measures, protection against collusion: integrity pact from all bidders)
3. Improved fiduciary oversight, monitoring and evaluation (tracking and public disclosure of activities and progress, independent fiduciary audits)

## 6.4 Changes to Management Practices

While good progress has been made on a number of areas regarding administrative and management issues, some concerns still exist. The country studies of the evaluation highlight a number of management problems that need to be resolved. These include:

- Coordination between central and line government departments;
- Too limited time period for implementing and completing the Preparation grants;
- Agreement for clear, appropriate and mutually helpful arrangements for the involvement of officials in Tokyo and Japanese representatives in the field;
- Slowness in getting grants started especially the procedures for hiring consultants;
- Closing of grant once follow on project has been approved even though key preparatory work is not yet completed;
- Parallel procedures between WB and national governments that can make for a cumbersome administrative process;
- In one country concern was expressed about the need for improved clarity in roles and accountability in decision-making on applications and extensions between the WB country office and headquarters.

The management area needs feedback loops to support continuous improvement. While the simplification process provides a shift in the right direction, it is only a first step.

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<sup>77</sup> INT investigates allegations of fraud or corruption in World Bank Group-financed operations, as well as allegations of staff misconduct within the Bank Group.

## 7. Conclusions and Recommendations

The main conclusion from the evaluation is that nearly 20 years after its inception the PHRD TA remains a unique strategic instrument for providing technical assistance to improve the quality of Bank-supported projects. Its main focus on upstream project preparation and its requirements that grants be untied and be implemented directly to recipient governments, are valued highly within the World Bank and by Member governments and have been key to its continued high relevance and effectiveness in strengthening development assistance across many sectors and in all developing regions.

The original rationale of the Government of Japan for funding good project preparation is still valid and it is to be wondered why other donors have not joined in this effort, given that the need for help to design successful loan operations still exists and is growing rapidly in certain sectors such as the emerging carbon market. PHRD TA remains almost alone in its focus on support to careful project preparation combined with capacity development that ensures that both the recipient government and the World Bank use best practices for designing and implementing successful loan operations. Perhaps now it is time to make the success story of PHRD TA more widely known among other investors in the Bank and consider a wider collaboration among them for high quality preparation of Bank loan operations.

The evaluation found that Preparation grants are seen as filling a key need in a donor context where there are few alternative mechanisms. More recently the Climate Change Initiative has enabled recipient countries to enter the new international carbon market and to experiment with innovative projects, including some of a research nature. PHRD TA is seen as an essential source of project preparation without which many climate change projects would not be undertaken. In contrast, while still relevant in those circumstances where unexpected developments occur or where more technical studies are needed, the demand for PHRD TA Implementation grants is usually less than the annual allocation.

The 16 individual findings on the effectiveness of PHRD TA add up to one overall message – that PHRD TA is producing high quality results in all areas except for the visibility of Japan. Through the grant program, Japan has gained valuable experience in managing ODA, and has gained visibility with the implementing agencies in recipient countries, although not as much visibility as might be possible or desirable. The Program's apparent lack of visibility with other donors also suggests that there may be more opportunities for synergy with other ODA initiatives than are being realized at present.

Although each grant is generally less than \$1 million, the technical assistance achieved is rated highly by both World Bank and government officials, especially for the key objective of high quality project preparation for Bank loan operations. Although the results of our analysis of quality of follow-on projects (comparing projects prepared with and without PHRD TA), were inconclusive, all other evidence points to a highly effective grant facility.

While good progress has been made on some administrative and management issues, the evaluation highlights a few areas where improvements in managing PHRD TA grants between the Bank, recipient governments and the Government of Japan would strengthen the effectiveness of PHRD TA at country level. These include:

- Slowness in getting grants started especially through cumbersome procedures for hiring consultants;
- A too limited time period for implementing and completing the Preparation grants in some cases, although extensions can usually cover the need;

- A need for clearer and mutually agreed protocols for the involvement of officials in Tokyo and Japanese representatives in the field;
- The required closing of grants once the loan operation has been approved even though all preparatory work is not yet completed;
- Parallel procedures between the World Bank and recipient governments that can make for inefficient administration of the grants.

The evaluation also draws attention to areas where changes in the management of the PHRD TA by the World Bank could make it more relevant and effective in reaching its strategic goals. Indeed it is not clear that there is an effective strategic planning process in place for the PHRD TA that is based on data from monitoring and evaluation feeding into systematic planning. Major strategic choices such as fund allocation (e.g. 35 percent for Asia), new initiatives (the Climate Change Initiative), shifts in sector allocations, additional objectives (capacity building, country ownership) appear to result from policy and/or management decisions without the benefit of careful analysis and strategic planning processes.

One of the main weaknesses in the present management system for PHRD TA is poor reporting. The simplification process implemented in 2003-2005 has helped to improve the *efficiency* of documentation, legal forms and field-based decision making, and has led to a reduction in administrative costs within the Bank. However, the simplification process has not necessarily improved management *effectiveness* because of less than complete responses to the simplified reporting and monitoring forms and few controls to ensure that reporting is of good quality. At the same time, it is recognized that the simplification process was only one step in what should be a continuous improvement and learning process, of which this evaluation is a part.

The six main recommendations are directed to the World Bank and the Government of Japan, with the first and last ones primarily for the consideration of Trust Fund Operations and other divisions within the World Bank. They are drawn on the detailed findings of the evaluation articulated throughout the report.

**Recommendation 1: A Bank-wide discussion, possibly led by the Operations Policy and Country Services Department (OPCS), should be initiated to develop a position paper on the financing of project preparation in the Bank and to make the experience of PHRD TA more widely known to Bank investors.**

The evaluation has shown that project preparation is still needed and is an important element for the effectiveness of the Bank operations. The investment made for project preparation should be maintained for the following reasons:

- It contributes to quality at entry of WB' s operations,
- It increases ownership of follow-on WB operations,
- It supports the capacity building of countries where the WB has operations.

The study also found that the World Bank is highly dependent on PHRD TA for preparation of its loan operations. This reliance on one donor for project preparation is a risk for the Bank and for recipient governments. Therefore, the World Bank needs to look at the need for project preparation more broadly and alternative mechanisms to meet those needs. A position paper using the evaluation findings of this study together with other experiences and analyses would enable Bank staff and Member countries to reflect on the issues raised. It may also be a useful basis for wider discussion among Bank investors on what is needed to support project preparation in the context of

what funds are available to countries for project preparation, and what national resources are invested in such preparatory activities, and it would provide Japan with an occasion to share its own experience over nearly 20 years with PHRD TA. The OPCS, which is the central Bank unit responsible for operational policies and procedures, should take the lead in developing the paper.

**Recommendation 2: Given a future in which the increasing demand for project preparation support may exceed the supply, the Trust Fund Program Administration Office of PHRD and the Government of Japan need to establish more strategic priorities for PHRD TA to ensure that it manages available resources in the most cost-effective way.**

To date, except for Implementation grants (where fund allocation generally exceeds demand), the supply of funds for Preparation and Climate Change grants have just been able to keep pace with the demand. If this situation changes for any reason, much harder choices may have to be made about allocating resources. The pressure on the management of PHRD TA to ensure strategic allocation will increase, as will the demand for clearer priorities with regard to sectoral and regional distributions.

The evaluation findings suggest at least ten ways that PHRD TA could be more strategic in allocating resources.

- 1) It can reconsider the current allocations between IDA/non IDA countries and regional allocations.
- 2) Operations that include a significant decentralization component can be given higher priority since this is where existing capacities to implement loan operations are most severely stretched.
- 3) A more sector-specific prioritization can be made that supports World Bank strategies, including further earmarking of grants as has been done for the Climate Change Initiative (CC).<sup>78</sup>
- 4) Within the CC there could be further focus on strategic priorities. The CC could encourage broader based mitigation projects. The first generation of mitigation projects have been single-site, limited to a carbon upgrade in one plant. The recent opening of the UN Clean Development Mechanism (CDM) to consider programs makes it likely that the second generation of mitigation projects will be sectorwide and program-based. In order to stay at the forefront of innovation and maintain a catalytic role, the PHRD TA Climate Change Initiative could encourage these broader sectoral or programmatic mitigation efforts, which would focus largely on energy efficiency, a sector of prime interest to Japan.

The CC could also become more strategic in funding climate risk analysis studies. Adaptation activities are far behind mitigation activities. While understanding and capacity for mitigation is well under way, adaptation strategies are still in their pioneering stage. On the adaptation side, the CC could perform a strategic and high impact role by supporting risk assessment of development investments.

It is believed that much of the project portfolio of development banks is at risk due to climate change impacts. This risk has not been assessed and measures have not been taken

<sup>78</sup> As priorities for development of the World Bank and Japan may not always coincide, the WB needs to ensure that it has identified alternatives to support operations in sectors that may not be supported by the PHRD TA

to “climate proof” investments. Eventually, international development will have to internalize this emerging risk factor. In the meantime the methods for assessing risk have to be developed and here is a path-breaking role for PHRD TA. Climate proofing of development assistance is another area where Japan could invite other members of the G8 to participate.

- 5) Since partners are expected over time to learn and internalize the importance and good practices of project preparation, the PHRD TA could be reconfigured to provide smaller grants, and/or require greater partner contributions, in order to maintain as many grants as resources allow. This approach is particularly of interest where implementing agencies in-country receive repeat Preparation grants.
- 6) Complementing and reinforcing the above approach, the PHRD TA application process could be designed to include more specific capacity assessments of implementing agencies, aiming to identify those at the lower end with adequate capacities to assure effective basic implementation, but still in a position to benefit most from the infusion of resources and advice available through these grants. Such an approach might be expected to steer grants toward Ministries, States or districts with less experience in project preparation, and thus target capacity building where it is most needed.
- 7) In cases where a country has received repeated major lending or investment in a particular sector, it will presumably have been building its own capacity to plan, prepare, and manage activities in the sector commensurately with the total volume of activity. After a certain point, this could provide a reasonable rationale for reducing PHRD TA grants to a sector in specific countries.
- 8) Conversely to the case above, PHRD TA might favor supporting the preparation of operations that are very new and/or that require new ways of working within a country - such as a more collaborative or participatory process which brings together a number of different actors (e.g., ministries, levels of government, other agencies) who may not have worked together closely before.
- 9) Given that the existing allocations for Implementation grants are commonly not absorbed by grant proposals, PHRD TA could consider eliminating or severely restricting this grant category.
- 10) The World Bank could also manage allocations of PHRD TA less through centralized policy and more by establishing priority setting at the country level by increasing the authority of the Bank Country Directors to propose allocations that best fit the needs of the countries within the strategic directions set for PHRD TA and aligned with the framework provided by the CAS.

**Recommendation 3: The Government of Japan and TFO should identify tools and processes that support a greater recognition of Japan’s dedicated support to good project preparation through PHRD TA.**

Although the Government of Japan wishes to be more visibly linked with the program, the evaluation has shown that in all the countries visited, there is little recognition beyond government officials and consultants directly involved with implementing the grants that Japan is funding the PHRD TA. The responsibility for leveraging the visibility of Japan through the PHRD TA is a shared responsibility of the World Bank, the Japanese Government and beneficiary countries. They should engage separately and collectively in reflecting on various ways to increase recognition of the support given by Japan.



There are three broad approaches identified for increasing the visibility of Japan.

- 1) **Symbolic changes:** These are the easiest changes to put in place and would include such visible symbols as putting a Japanese flag emblem on PHRD TA reports or other outputs; more clearly acknowledging the role of Japan in supporting the grants; and adding the letter J to PHRD TA, if this were agreeable to Japan and to the World Bank.
- 2) **Process changes:** Systematically inviting Japanese representatives to both grant and loan operation signature ceremonies and publicly recognizing the support provided to countries by Japan through the PHRD TA. Working with recipient governments and local media to get more news distributed about the grant and loan activities that recognizes the role of Japan and providing such reports to the Japanese representatives in country for forwarding to Tokyo. One approach might be to have a signing ceremony or similar occasion for publicity about PHRD TA once or twice a year for all PHRD TA grants (so that the overall amount is larger) as part of a more coherent and planned communications strategy at national level.
- 3) **Strategic changes:** A more coordinated country-level approach to PHRD TA grant submissions (rather than the individual approach in which each TTL decides to apply for a PHRD TA grant), based on regular discussions between the WB Country Office and the Japanese Embassy about the portfolio of prospective grants for the country.

Finally, the World Bank might consider assigning a significant portion of a communications person's time to the PHRD TA to ensure appropriate recognition and visibility at country level. This would need to be coordinated with the staff members in Japanese embassies assigned responsibility for PHRD and with the Bank Country Offices, which at present have uneven levels of capacity, commitment and understanding of the strategic role of PHRD TA.

**Recommendation 4: The TFO and the Government of Japan should consider limited additional flexibility in PHRD TA grant conditions in order to increase the effectiveness of the grant program.**

Without unduly adding to management complexity (and thus potential delays and staff costs) by proposing that the PHRD TA grant process allows for greater flexibility, the evaluation identified some cases where the relevance and effectiveness of PHRD TA could be enhanced if some exceptions were allowed to existing policies and conditions. This is proposed in the context of a general finding that PHRD TA is already very compliant with existing rules and regulations. For example, the requirement that the grant-related project be specifically listed in the CAS might be lifted where the project is regarded as highly desirable and is innovative enough not to have been foreseen in the CAS (or where the CAS is several years old or is an I-CAS so that recent priorities are not yet reflected in it). Individual case studies present the demand, which was expressed by the users of PHRD in several countries, for an increase in the 10 percent cap on non-consultant costs. This is particularly evident in countries such as Ethiopia, where there is an expressed need from country officials for capacity building in the form of training to be incorporated into the project preparation phase. However, after collectively reviewing this demand in an overall context of declining resources for project preparation and availability of alternative potential resources for training, the evaluation team recommends that the 10 percent cap be maintained.

**Recommendation 5: The World Bank and Government of Japan should consider ways to increase the efficiency of the PHRD TA grant approval process, to avoid unnecessary delays in a process that can take six months to a year or more to complete.**

TFO and the Government of Japan have made significant efforts to address the issue of excessive lead time in processing PHRD grants. As noted in this report, Bank processes have been shortened and simplified through the PHRD simplification process. The Government of Japan has also taken steps to accelerate approvals. Nonetheless, one of the concerns raised frequently in the evaluation was the long lead time required for PHRD TA grant approvals, especially compared to other application and approval processes. The reasons cited for delays in the process include problems encountered by TTLs in reaching appropriate officials in Japanese embassies for early consultation regarding the grant, especially when the responsible embassy is located in another country and/or embassy officials are not familiar with PHRD TA or the recipient country situation. Another concern raised is that sometimes no decision from Tokyo is received on a particular proposal and the TTL is unsure whether to wait and resubmit the proposal in the next call for proposals or to assume that the decision is negative. In the course of drafting this evaluation report, new guidelines on “*Processing and Implementation of Japanese Trust Fund Grants, Roles and Responsibilities of World Bank and Japanese Stakeholders*” had been developed by TFO, MOF, and MOFA, and were expected to be formally approved. The guidelines are expected to provide further help to stakeholders and further improve the processing cycle. The evaluation team supports this initiative and would encourage periodic review of the guidelines to ensure that the changes adopted are reducing delays in the cycle.

**Recommendation 6: TFO should ensure greater oversight of the PHRD TA reporting system to check that GRM reports are complete and that they provide adequate data to monitor and assess the efficiency and effectiveness of the PHRD TA grants.**

The evaluation found that although the monitoring and evaluation of PHRD TA grants complied with agreed Bank procedures, the quality of reporting data is less than desirable with incomplete reporting particularly at the outputs and outcomes levels. The monitoring system does not need changing but rather TFO should exercise better quality control of the reporting on grants within the system. This would include more emphasis on the evaluative aspects of the grant completion report for the GRM. Furthermore, given the total size of the PHRD TA program, it would seem appropriate and feasible to evaluate either a select number of grants each year, or to periodically assess a country’s portfolio.

This is particularly important as the Government of Japan is expressing the need to be kept better informed on results of the PHRD TA program. A positive step in this regard is the April 2007 “*Review of PHRD TA Grants Closed in Fiscal Year 2006*”. This report, which reviews 117 PHRD TA grants, provides feedback from grant implementation that could lead to program improvements and allows extended reporting on the results of the completed grants. The report is very good in providing descriptive data on PHRD and identifying strategic issues for the program. There are two ways in which the report could be improved:

- 1) In addition to identifying the issues, TFO could outline options for addressing those issues. It may be helpful, for example, to add a section on Management and Follow Up to present options to be considered by Japan and/or by the World Bank.

- 2) TFO could also provide more analysis about what would be acceptable as a benchmark on some of the areas. For example, if Sector Manager comments contribute significantly to the quality of the GRM reports, as the Review identifies, what can be done to increase the number of Sector Managers who provide commentary? What would be the acceptable percentage of Sector Managers who provide comments? A similar exercise could be applied to the issue of disbursement. Is 73 percent overall disbursement above or below the expectation? The evaluation team does not know of external benchmarks in the areas covered by the TFO report, but it would be strategic for the World Bank to establish such benchmarks in collaboration with the Government of Japan. Finally, TFO may need to continue to clarify with the Government of Japan what specific reporting would be useful for the Japanese Parliament and adjust the annual WB report on the PHRD TA to satisfy the Japanese request for more accountability on results.

## Appendix I List of Main Findings

- Finding 1: PHRD TA grants are relevant to the operations of the World Bank, particularly because there are few alternative mechanisms with the advantages of PHRD Preparation grants, and more recently, the Climate Change grants. While Implementation grants are also relevant, they are seen as less critical to Bank operations.
- Finding 2: PHRD Preparation grants are seen as an essential and unique source of funding for which the need still exists or is growing. Without PHRD preparation support, countries would be less able to implement Bank loan operations in support of their national development strategies.
- Finding 3: Demand for Implementation grants has been lower than the planned allocations for this grant area.
- Finding 4: For most countries, there are no real alternatives to the PHRD Climate Change Initiative for preparing climate change projects which are seen as relevant to national development priorities.
- Finding 5: The reported need for future PHRD grants under the Climate Change Initiative appears to be growing.
- Finding 6: At the present level of PHRD TA funding, the earmarking of grants as part of the Climate Change Initiative has enabled developing countries to enter a new international carbon market to support national development strategies.
- Finding 7: Some of the original objectives of Japan in funding PHRD TA have been partially met, but the main objective of meeting the need for good project preparation in developing countries remains valid and may increase with increased government decentralization and civil society participation in project design and implementation.
- Finding 8: The Climate Change Initiative is an important reason for the continuing relevance of PHRD TA to Japan.
- Finding 9: PHRD TA has operated according to the policy of maintaining a poverty focus by ensuring that at least 35 percent of submissions for grants are from IDA and Blend Countries. It has partially achieved a similar policy requirement for regional distribution of submissions for the Asia region.
- Finding 10: PHRD Preparation grants are reported to have positive outcomes for follow-on operations.
- Finding 11: Implementation grants are a helpful mechanism for quickly channelling TA resources to address issues that were not contemplated in preparation and to otherwise improve the implementation of follow-on projects.
- Finding 12: Grants under the PHRD Climate Change Initiative are effective in leading to follow-on activities and adding value for countries.

- Finding 13: PHRD TA Preparation grants have contributed to human resources development within recipient countries as much, if not more, through practical experience than through specifically designed training activities. There is demand for increasing the 10 percent cap on non-consultant costs to increase resources for training.
- Finding 14: Implementation grants are reported to increase technical capacities of implementing agencies.
- Finding 15: Stakeholders assess CC grants highly in terms of their contribution to local capacity building.
- Finding 16: PHRD TA Preparation grants increase the sense of country ownership for follow-on operations
- Finding 17: PHRD Implementation grants have created a sense of project ownership by recipient governments and implementing agencies.
- Finding 18: Country ownership of the CC grants appears to be less than for other PHRD grants
- Finding 19: PHRD TA grants are reported to have contributed to policy development generally and to specific policy changes in certain cases.
- Finding 20: PHRD TA grants provide little visibility for Japanese aid in recipient countries. The reasons lie in the low profile types of activity involved and modest size of the grants, insufficient communication on the part of the WB, and little involvement of local Japanese embassies.
- Finding 21: The Climate Change Initiative has a high potential to enhance the visibility of Japan for PHRD at country level but this potential is not realized.
- Finding 22: PHRD TA is an investment that has led to a high level of outputs and good quality results for the resources expended.
- Finding 23: The PHRD Climate Change Initiative has contributed to international policy norms and has had some impact at national level.
- Finding 24: PHRD grants do not appear to duplicate other ODA resources, nor is there evidence of much collaboration with other donors.
- Finding 25: The PHRD project grant cycle is well established and generally understood within the Bank but is seen as slow and complex by TTLs.
- Finding 26: There is relatively little analytical work done on key strategic issues in the management of PHRD.
- Finding 27: Management of PHRD is seen by staff and country partners as satisfactory, though most mention areas for improvement, including the need for better communication with national governments.

- Finding 28: In general, most Bank staff and national government representatives see the PHRD as a flexible vehicle.
- Finding 29: Implementation times seem to be improving since the application of the simplification process but it is too early to tell and there are many intervening variables.
- Finding 30: The simplification process has led to generally positive outcomes. It has helped to improve the speed and efficiency of the PHRD grant making process and has decentralized more decision-making to the field. Less positive outcomes include less familiarity and oversight of PHRD TA by TFO and poorer quality reporting.
- Finding 31: Many World Bank staff and Japanese representatives are not well informed about the simplification process.
- Finding 32: Compliance with WB procedures in managing PHRD grants is high although respondents report difficulties in meeting project deadline requirements.
- Finding 33: The PHRD TA is found to be so consistently linked to the World Bank Country Assistance Strategy that some flexibility regarding the linkage requirement could produce additional benefits in special circumstances.
- Finding 34: While data and information abound in the World Bank system, the controls that are being used to ensure that monitoring and reporting data are complete and of good quality are inadequate.
- Finding 35: There have been few evaluations of PHRD TA grants as most grants fall below \$1 million (this is in accordance with WB guidelines). Consequently, the major oversight tool for PHRD TA has been periodic program evaluations such as this study.
- Finding 36: The World Bank is exercising appropriate control and mitigation measures to support the anti-corruption initiatives of both Indonesia and the World Bank. Following a project corruption case in 2006, additional measures have been put in place, but it is too early to assess their impact.

## Appendix II List of Recommendations

Recommendation 1: A Bank-wide discussion, possibly led by the Operations Policy and Country Services Department (OPCS), should be initiated to develop a position paper on the financing of project preparation in the Bank and to make the experience of PHRD TA more widely known to Bank investors.

Recommendation 2: Given a future in which the increasing demand for project preparation support may exceed the supply, the World Bank and the Government of Japan will need to establish more strategic priorities for PHRD TA to ensure that it manages available resources in the most cost-effective way.

Recommendation 3: The Government of Japan and TFO should identify tools and processes that support a greater recognition of Japan's dedicated support to good project preparation through PHRD TA.

Recommendation 4: The TFO and the Government of Japan should consider limited additional flexibility in PHRD TA grant conditions in order to increase the effectiveness of the grant program.

Recommendation 5: The World Bank and Government of Japan should consider ways to increase the efficiency of the PHRD TA grant approval process, to avoid unnecessary delays in a process that can take six months to a year or more to complete.

Recommendation 6: TFO should ensure greater oversight of the PHRD TA reporting system to check that GRM reports are complete and that they provide adequate data to monitor and assess the efficiency and effectiveness of the PHRD TA grants.

## Appendix III Analysis Performed on Questionnaire Data

Coding and analysis of the questionnaires was undertaken by a separate team from those responsible for interviewing to minimize bias. A coding manual was prepared for each questionnaire module using two coders as cross-checks. Data entry was checked through independent visual scanning of raw data in SPSS data file and frequency checks were run on every variable used in the analysis to identify outliers. All outliers were corrected resulting in a clean data set. To compare the responses for the Preparation, Implementation and Climate Change grants, the 194 completed questionnaires were reduced to 177 'pure cases' since it was found that 11 respondents had referred to more than one grant in their answers and 5 respondents indicated no specific purpose. This is the survey data set used for the discussion of the preparation grants throughout the report (see table A.1).

### Distribution of respondents in questionnaire survey by grant type

	PREPARATION	IMPLEMENTATION	CLIMATE CHANGE	TOTAL	TOTAL PERCENT
<b>World Bank staff</b>	<b>53</b>	<b>4</b>	<b>17</b>	<b>74</b>	<b>41</b>
TTL	42	4	17	63	35
Other staff	11	0	0	11	6
<b>Country government officials</b>	<b>52</b>	<b>1</b>	<b>2</b>	<b>53</b>	<b>30</b>
<b>Grant project consultants</b>	<b>48</b>	<b>0</b>	<b>0</b>	<b>48</b>	<b>27</b>
<b>TOTAL</b>	<b>153</b>	<b>5</b>	<b>19</b>	<b>177</b>	<b>100 percent</b>

Note to table: Percentages do not add to 100 percent due to rounding.

Data analysis was performed using SPSS to explore patterns among various factors and seek explanatory variables in the distributions found.

Frequency analysis was conducted for questions 2 through 6, as well as for questions 1.3 (country) and 1.4 (purpose of grant). The complete questionnaire and coding manual is provided in Volume IX – Methodology.

Cross tabulations were produced for questions 2 through 6. Responses to these variables were studied first according to country and second according to response group. Country is a six class variable, representing Armenia, Colombia, Ethiopia, India, Indonesia and Vietnam. The six respondent groups in the sample were collapsed into three classes, consisting of TTL and World Bank personnel, Country government officials (line and central), and finally Project Consultants. Japanese representatives and other donors were excluded from this analysis, since their numbers were too few to permit meaningful comparisons.

Significant differences indicated by the cross tabulation analyses (as indicated by  $\chi^2$  with an associated  $p$  level of .05 or under) prompted further study. This further analysis consisted of ANOVA analysis accompanied by pair wise t-tests on the group means for continuous scale data and General Linear Model analysis (GLM) analysis for ordinal scale data. (See Volume IX – Methodology for the results.) Where significant differences uncovered in the survey data are relevant to the text, reference and interpretation are offered as a footnote.



In addition, exploration into the factors potentially related to key outcome variables of interest led us to conduct bivariate association analysis (Pearson or Spearman correlation coefficients depending on the nature of the scales). In connection with this exploration, simple indices were formed of the inputs (question 3.1 in the TTL survey) and outputs (question 5.1 in the TTL survey) derived from PHRD grant activity. Both indices represent a simple count of the affirmative responses to the variables in each list. Specifically, the index of inputs resulting from the PHRD grant reflects the total “yes” responses to six dichotomous variables: local consultants employed, international consultants, study tours, surveys/assessments, training/workshops and other inputs. The index of outputs resulting from the PHRD grant reflects the total “yes” responses to seven dichotomous variables: a project prepared for submission to the World Bank, a project prepared for carbon financing, training, project reports, new policies, rules and procedures and other outputs.