

Processing and Implementation of Japanese Trust Fund Grants

Roles and Responsibilities of World Bank and Japanese Stakeholders

1 Introduction

1.1 The PHRD and JSDF Funds

There are two main Japanese supported Trust Funds at the World Bank: the Policy and Human Resources Development (PHRD) Fund and the Japan Social Development Fund (JSDF).

The **PHRD** Fund was established in 1990 and supports a wide range of poverty alleviation and capacity-building activities. The main programs supported by PHRD are:

- The PHRD Technical Assistance (TA) program which complements the World Bank's core lending and business activities by providing grants for project preparation, project cofinancing, project implementation, and climate change;
- The Joint Japan-World Bank Graduate Scholarship Program which provides scholarships for post-graduate training;
- The PHRD World Bank Institute Capacity Development Grants program;
- The Japan Staff and Extended Term Consultants program; and
- The Japan-World Bank Partnership Program.

The **JSDF** was established in 2000 to provide direct support to the poorest and most vulnerable groups in developing countries and to support capacity-building, participation and empowerment of local authorities, communities and non-government organizations (NGOs) involved in the development process.

Detailed policies for both PHRD and JSDF are agreed each year by the Government of Japan and the World Bank. The Annual Policy Documents for FY08 are annexed to this note.

Full details of both Funds, including Annual Reports and Annual Policy Documents, can be found on the following English and Japanese language websites:

PHRD English language: <http://www.worldbank.org/phrd>
 JSDF English language <http://www.worldbank.org/jsdf>
 PHRD and JSDF Japanese language www.worldbank.org/japan/about-j

1.2 Objective of this Guidance Note

The object of this note is to explain the roles and responsibilities of key stakeholders in the preparation, processing, implementation and monitoring of PHRD TA and JSDF grants. The World Bank, Recipient Governments, the Office of the Executive Director (ED) for Japan at the World Bank, the Japanese Ministry of Finance (MOF), the Japanese Ministry of Foreign Affairs (MOFA), Embassies of Japan (EOJ), the Japan International Cooperation Agency (JICA) and the Japan Bank for International Cooperation (JBIC) are considered to be the key stakeholders.

It should be noted that most PHRD TA and JSDF grants are “recipient-executed” – that is, a grant is made from the World Bank to a Recipient Government (or occasionally an NGO), and the responsibility for grant implementation (including procurement of goods, works and consulting services) lies with the Recipient. This arrangement helps to ensure ownership and capacity-building on the Recipient’s part. Once a grant has been made, the World Bank’s role is to monitor implementation.

In the following sections the roles and responsibilities of each stakeholder are discussed in detail.

1.3 The Life-Cycle of a PHRD or JSDF Grant

The overall process is summarized in the following table, which notes the main stages in a grant's "life-cycle", and the main stakeholders at each stage.

Japanese Trust Funds: A Typical (simplified) "Life-Cycle"

Life-cycle Stage	Main stakeholders	Approximate time required	Notes
Preparation of grant proposal	Recipient and World Bank task team leader (TTL)	2 to 6 months	In order to identify positive linkages and avoid potential overlaps between proposed activities and Japanese multilateral and bilateral ODA activities, TTL is encouraged to consult with EOJ from the early stage of grant preparation. EOJ, JICA, and JBIC are encouraged to constantly share information about their assistance with the country representatives of the World Bank, in order to avoid possible duplication.
Review of grant proposal by TTL's, management (including sector and country management), legal and fiduciary and quality assurance staff	World Bank staff in country and Region	1 to 2 months	In principle, TTL is required to consult with EOJ. EOJ may advise TTL to also consult with JICA and/or JBIC.
Submission of grant proposal for final review and clearance within World Bank	Concessional Finance and Global Partnerships (CFP) vice-presidency and subject specialists	3 weeks for PHRD, 6 to 8 weeks for JSDF (JSDF proposals are more complex)	There are usually 3 rounds of proposals a year, with submissions due before given deadlines
Submission of all grant proposals from World Bank to Japan for approval	Executive Director (ED)'s office, MOF, MOFA, EOJ (and JICA and / or JBIC at EOJ discretion)	4 weeks for PHRD Cofinancing proposals, 4 weeks for all other PHRD proposals, 4 weeks for JSDF proposals	CFP formally submits all proposals to MOF through the ED's office; MOF consults with MOFA, JICA and JBIC, and advises CFP when proposals are approved. Consultation with MOFA, JICA, and JBIC is expected to be fast track (within 2 weeks).
Grant agreement preparation and signature	World Bank Country Director and Recipient	8 to 52 weeks (usually 8 to 16 weeks)	TTL is encouraged to hold grant signing ceremonies in the field, inviting EOJ, local and international press.

			In some countries, processes for grant signature are very time-consuming. Causes of delay may include awaiting approval by Parliament, changes in key Ministry staff, elections etc.
Grant implementation	Recipient	2 to 4 years	
Monitoring and supervision of implementation	TTL, with support from fiduciary staff	Regular missions during grant implementation; TTL reports at least annually to Regional management and CFP	
Reporting on and evaluation of results	Recipient, TTL, CFP	At end of Grant	Recipient reports to TTL, TTL reports to Regional management and CFP, CFP reports annually to MOF. MOF shares information with MOFA (EOJ), JICA and JBIC.

2 World Bank Roles and Responsibilities

The World Bank is responsible for ensuring that, prior to their submission to the Japan Executive Director's office, PHRD and JSDF proposals are consistent with Country and Sector strategies as well as with the requirements of the relevant Administration Arrangements and Program Guidelines agreed with the Government of Japan, and are judged to be effective means of achieving the stated Grant Objectives. Following approval of grants, the Bank is responsible for ensuring that agreements with recipients are aligned with the terms of the Administration Arrangements and Program Guidelines.

The Bank aims to meet these objectives through the following allocated responsibilities:

Consistency of proposals with Recipient strategy, needs and capacity: Most grants are intended to be recipient-executed. The Task Team Leader (TTL) must ensure that the Recipient is ready and has the financial and managerial capacity to implement the grant, if it is approved. TTLs are responsible for ensuring that proposals are technically sound, in line with Recipient needs and capacity, and that unit costs and cost structures are appropriate and consistent with comparable Bank-financed operations. During proposal preparation, the TTL consults with the Embassy of Japan accredited to the Recipient country (see also Section 4 below).

Consistency of proposals with Bank Country and Sectoral Strategies: All proposals have to be cleared by the responsible Country Director. The Country Director may require explicit clearances from Sector Managers. In more technically complex areas (PHRD climate change, JSDF proposals), independent specialists from within the Bank, who are not associated with the specific task team, review the technical content of proposals as well as the appropriateness of unit costs and expenditure categories.

Consistency of proposals with Administration Arrangements and Program Guidelines: The Program Guidelines for the different programs specify maximum grant levels and identify ineligible categories of expenditure. The Regional Trust Fund Coordinators verify that proposals meet Program Guidelines and Regional quality standards (including design and cost considerations) before submission to the Concessional Finance and Global Partnerships Vice-Presidency (CFP). CFP reviews each proposal in detail for both accuracy and compliance with Program Guidelines.

Proposal submission to Japan. CFP submits all proposals formally to the Japan Executive Director's (ED's) office in the World Bank. The ED's office will transmit any questions and comments on the proposals from Japanese stakeholders, such as the ED's office, MOF, MOFA, JICA and JBIC and the Bank will respond as appropriate.

Agreements with Recipients: Once a grant is approved by Japan, an agreement has to be signed by the World Bank Country Director and the Recipient. All agreements have to be cleared by the Bank's Legal Department and by the Loan Department (LOA) to verify that the Bank's project-specific legal and financial requirements are satisfied. There is usually a grant signing ceremony to which representatives of the Government of Japan are invited.

Implementation: Following grant approval, normal Bank supervision practices are adopted. The Task Team Leader (TTL) has primary responsibility for monitoring implementation progress, in accordance with Bank standards and use of Bank Procurement Guidelines, and this is further monitored by the Sector Manager, the Country Director, and by CFP who regularly review Grant Monitoring Reports. The Bank's fiduciary staff (financial management and procurement staff) support the TTL in monitoring the use of grant resources. All grant-funded activities may be subject to audit, including external audit, internal audit by the Bank's Internal Audit Department (IAD), and compliance checks by the Trust Fund Quality Assurance and Compliance Unit (TQC). Outputs and outcomes are monitored regularly by the Task Team Leader, who reports to the Sector Manager and to CFP through periodic Grant Monitoring Reports and, for all grants greater than \$1m, with an Implementation Completion Memorandum (ICM) on grant closure. All ICMs are reviewed by CFP. The Bank prepares an annual report on the performance of PHRD and JSDF programs. About once every five years, there is a broader overall evaluation of each Program's performance.

3 Ministry of Finance (MOF) Responsibilities

MOF is responsible for final approval of all proposals. Proposals are submitted to MOF by CFP through the office of the Executive Director (ED) for Japan at the World Bank. After an initial compliance review by the ED's office, proposals are forwarded to MOF, Tokyo, who copy proposals to MOFA, JICA and JBIC.

After receipt of comments from MOFA, and review of proposals by MOF staff to ensure conformity with MOF policy, MOF advises CFP of their decision, through the ED's office.

4 Ministry of Foreign Affairs (MOFA), Embassy of Japan (EOJ), Japan International Cooperation Agency (JICA), and Japan Bank for International Cooperation (JBIC) Responsibilities

(1) Preparation of grant proposal stage

EOJ, once consulted by TTL, is expected to review the proposed activities to ensure that they do not pose any conflict with Japan's foreign policy and aid projects/programs. EOJ may make comments on creating possible linkages or collaboration between the proposed activities with Japanese multilateral and bilateral Official Development Assistance (ODA) to enable the proposed activities to have maximum development impact by coordinating well with other Japanese resources.

(2) After submission of grant proposal for final review

MOFA copies all proposals to the accredited EOJ. MOFA and EOJ, JICA, and JBIC review the proposals to ensure that they do not pose any conflict with Japan's foreign policy and aid projects/programs and to check on linkages or potential overlaps between proposed activities under the grant and Japanese multilateral and bilateral ODA activities. EOJ may request further consultations with the TTL if necessary.

Annexes

Agreed FY08 Annual Policy Documents for:

- PHRD TA
- PHRD Cofinancing
- PHRD Climate Change
- JSDF