

Capacity Development BRIEFS

SHARING KNOWLEDGE AND LESSONS LEARNED

LEARNING BY DOING: THE JAPANESE PHRD FUND AND CAPACITY DEVELOPMENT

By David Potten, Head, Trust Fund Program Management

The Government of Japan has been supporting capacity development through the World Bank for 17 years. It has provided grants under its Policy and Human Resources Development (PHRD) Fund to support graduate scholarships, training activities, and preparation and implementation of loans and credits. Various evaluations have shown all three types of assistance to be effective, and grants to support project preparation in particular have generally been judged highly successful, because they have contributed to rapid and high-quality preparation of lending operations. A recent independent evaluation has shown that these grants have also contributed substantially to human capacity development in recipient countries, because recipient execution has led to strong ownership, the nature of project preparation has put a premium on capacity development needs, and the design of the program has favored capacity development activities.

The Government of Japan has been supporting capacity development through its Policy and Human Resources Development Fund since 1990. Since the fund's inception, its key objectives have been to "develop human resources in developing member countries of the Bank and to assist developing member countries [to] formulate and implement development policy."¹ Since 1990 Japan has contributed more than \$2.3 billion to the PHRD Fund.² This figure includes more than \$186 million in contributions to the Joint Japan / World Bank Graduate Scholarship Program, more than \$43 million to World Bank Institute (WBI) capacity development programs, and more than \$1.6 billion to the PHRD Technical Assistance Program, much of which has been used to support project preparation grants.

The World Bank and Government of Japan give a high priority to monitoring the achievements of grant-supported programs and evaluating their results whenever possible. This *Capacity Development Brief* summarizes some of the conclusions from evaluations of the three major capacity development programs that PHRD has supported.

The Joint Japan / World Bank Graduate Scholarship Program

The Joint Japan / World Bank Graduate Scholarship Program was launched in 1987 before the main PHRD Fund, but was incorporated within the fund after 1990. The program's mission is to award scholarships for graduate studies to well-qualified mid-career professionals, who are then expected to apply their newly acquired knowledge and skills in promoting socioeconomic progress in their own and other developing countries (WBI 2007). Between 1987 and 2007, the program awarded more than 3,750 scholarships for study in 150 universities in 32 World Bank member countries.

Since 1994 a series of tracer studies has provided the Government of Japan and World Bank with feedback on program graduates, which it has used for the continual improvement of the overall program's performance. The most recent tracer study (World Bank

¹ PHRD Letter of Agreement, July 30, 1990.

² All dollar amounts are U.S. dollars unless otherwise noted.



2007) investigated specific achievements in terms of completion of studies, return to home country, employment, professional progress, and alumni perceptions of the benefits gained.

Key conclusions from the tracer study include the following:

- More than 98.7 percent of scholars attained their graduate degree, and the attainment rate has been increasing over the years.
- Almost 85 percent of the scholars returned to either their home country (79.7 percent) or other developing countries (4.8 percent). This figure has also been increasing over time.
- Very few graduates were unemployed (1.5 percent) at the time of the study. Most are employed in senior positions in government organizations and with public service providers.
- Scholars say that their new skills are recognized, and 60 percent indicated that their career progress has been enhanced by the scholarship.

The evaluation concluded overall that the graduate scholarship program “is achieving its goal at reasonable cost. The overwhelming majority of scholars attain their degrees, return to their countries, and engage in gainful employment that contributes to the development of their countries” (WBI 2007).

WBI Capacity Development Grants

The aim of the PHRD Capacity Development Grants program is to support World Bank Institute programs designed, developed, and delivered either solely by WBI or jointly by WBI and partner institutions to help build individual skills and strengthen organizations and societies as a whole. The program has been particularly critical to its support for implementing multi-year, country-specific programs in Asia.

PHRD-supported activities are integrated into WBI's larger program and have never been evaluated on their own; however, WBI attaches high importance to continual evaluation of all its activities. A substantial proportion are subjected to “level 1” (participant assessment) evaluations, and WBI conducts focused evaluations to identify the broader impact of its work, for example, covering unusually large events, work in specific countries, evidence from tracer studies, and experience from working in association with specific partners.³ Between fiscal 2005 and 2007, 111 PHRD-supported WBI activities were the subject of “level 1” evaluations. These indicated generally high levels of participant satisfaction and a generally improving trend; the proportion of participants reporting “overall usefulness of the activity” increased from 79 percent in fiscal 2005 to 89 percent in fiscal 2007. This is consistent with long-term analysis of WBI performance.

An overview of evaluation results from fiscal 2001 to 2006 (Khattri 2007) indicated generally improving trends for all WBI activities, using a range of variables.

PHRD and Project Preparation

PHRD has financed about 2,875 project preparation grants, supporting development of World Bank lending operations in 144 countries. The major beneficiaries, each receiving more than 60 grants, have been Brazil, China, India, Indonesia, Mexico, Pakistan, the Philippines, and Vietnam.

The World Bank views project preparation as the responsibility of the borrower. The Bank participates in identification of possible lending activities and then appraises the proposed loan, as prepared by the borrower. Only in exceptional cases does the Bank carry out project preparation itself, and in such cases the Bank works very closely with the future borrower.

Borrowers finance project preparation in various ways. Some use their own resources (sometimes including funds borrowed under previous loans). Some benefit from funds provided by bilateral donors, but these tend to be highly country and sector specific. The World Bank's Project Preparation Facility provides advances against the anticipated loan to assist in preparation. The amount disbursed from the advance is then included in the subsequent loan value or must be repaid if no loan emerges. In recent years, however, PHRD project preparation grants have played a much larger role than other sources of external funding for project preparation. More than 30 percent of all Bank operations between fiscal 2000 and 2006 benefited from PHRD project preparation grants. Their average value was \$650,000, of which the recipient disbursed an average of about 75 percent. Countries in all the Bank's Regions used the grants for preparation of both International Development Association credits/grants and International Bank for Reconstruction and Development loans.

The Impact of PHRD Project Preparation Grants

Evaluations of the PHRD project preparation grants program were conducted in 2001 and 2007. The first covered fiscal 1988 to 1999 and observed that

analysis of the ratings produced by the World Bank's Operations and Evaluations Department (OED) [show that] these PHRD-prepared investments have higher development effectiveness than investments prepared without PHRD grants. More significantly, the quality at entry of these PHRD-prepared investments, and the implemen-

³ See, for example, Khattri (2007).



tation of the corresponding investment operations by borrowers were also significantly better compared to investments prepared without PHRD grants. The evidence also suggests that the grants have helped to improve policies, institutions, and capacity in the 143 countries that received them” (World Bank 2001, p. ii).

An independent consulting company carried out the second evaluation, which covered fiscal 2000 to 2006. It confirmed, once again, that

the PHRD TA program remains a unique strategic instrument for providing technical assistance to improve the quality of [Bank-supported] 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 (Universalia 2007, p. xii).

This second evaluation carried out six country case studies, and one of the strongest conclusions the teams reached was that the grants had substantially contributed to capacity building in the countries visited. Given that the primary purpose of these grants in the view of most stakeholders was rapid and quality preparation of lending operations, rather than capacity

building in itself, the conclusion that such an impact on capacity building exists deserves closer attention.

How and Why Did Project Preparation Grants Support Capacity Development?

The evaluation team categorized capacity-building contributions at three levels: individual, organizational, and operational environment (box 1).

These PHRD grants had such an effective impact on capacity building for three main reasons: First, there was clear *ownership* of the grants by the recipients, because they executed the grants themselves. Second, the project preparation phase appeared to be a critical entry point for capacity building, as explained below:

- For most agencies involved in implementing development programs, the first experience they have working with bilateral or multilateral development agencies comes during project preparation. An agency that is new to the development process confronts a steep learning curve. Not only may there be new challenges within the agency’s own area of technical expertise (e.g., a new approach to road construction or pensions administration), but the organization will have to meet new requirements related to financial management, procurement, environmental and social safeguards, project management, techniques such as logframe or critical path analysis, monitoring and evaluation, and audit. Many of the skills that the agency first applies in

Box 1: Capacity Development Contributions at Three Levels

At the Individual Level

- *Increased knowledge, especially of prevailing international (specifically, World Bank) standards and procedures (procurement, logframe, and financial management)*
- *Enhanced technical competencies through (a) workshops in financial management, monitoring and evaluation systems, and data collection and analysis, (b) experience in drafting proposals and terms of reference, and (c) working alongside more experienced experts and international consultants*
- *Awareness of alternative working styles, for example, how to reach group consensus, how to listen to the views of other stakeholders, the value of “soft” investments to improve quality, and so on*

At the Organizational Level

- *Improved organizational systems, such as financial management and procurement systems, project design, planning and management, and restructuring that leads to improved capacity to deliver programs*
- *Implementing more decentralized management systems that are more efficient and participatory, allocate tasks more appropriately along the national-local spectrum, and work with civil society*
- *Better coordination and information sharing among different agencies, such as interministerial discussions to agree on priorities, timeframes, and indicators*

At the Operational Environment Level

- *Increasing awareness at the policy level of the value of stakeholder participation for better project outcomes*
- *Disseminating knowledge beyond the original group of local consultants trained through sharing of the training through local organizations*
- *Building the capacity of the domestic consulting industry*
- *Leveraging best practice in national contexts: The World Bank’s requirements helped some implementing agencies to press national authorities for higher standards and good practice in project management and procurement systems, and so on.*

Source: Universalia (2008).

project preparation will be needed, often scaled up, during subsequent project implementation.

- During project preparation, speed is of the essence. Slow preparation delays all activities that follow; this results in heavy pressure on recipients and multilateral agencies to accelerate project preparation.
- Fiduciary or safeguard issues may need special attention at the project preparation stage. The capacity to approach environmental or social safeguard issues effectively or to handle financial management and procurement issues may be particularly weak for agencies preparing projects. High-quality attention to these issues is of particular importance to other stakeholders, particularly because environmental and social safeguard issues may involve significant externalities.

Third, the PHRD project preparation grants were specifically designed to emphasize their use in capacity building. At least 90 percent of the grant had to be used to recruit domestic or international consultants; a maximum of 10 percent was available for additional training activities or other necessary costs.

Conclusion

The project preparation grants component was included in the scope of the Japanese PHRD Fund partly because of a clear need to improve the quality and speed of preparation for World Bank lending operations; however, it is clear that this grant program has made a substantial and continuing contribution to human and institutional capacity in the 144 benefiting countries, particularly because recipient execution has meant recipient ownership and because the project preparation stage is a critical point at which capacity-building requirements are needed and appreciated.

What could have been done better? The evaluation consultants suggested that some of the grant

processes could have been improved. Other observers have noted that the program created no synergies; each grant has been country, institution, and project specific and has not led to the sharing of results, experiences, or lessons learned. The purpose in producing this *Capacity Development Brief* was to ensure that some of the broader lessons from the almost 20 years' of experience in all three PHRD capacity development programs are more widely shared.

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Note: Copies of these documents can be found at the following Web sites: www.worldbank.org/phrd and www.worldbank.org/wbi/scholarships.

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The World Bank Institute (WBI) helps countries share and apply global and local knowledge to meet development challenges. WBI's capacity development programs are designed to build skills among groups of individuals involved in performing tasks, and also to strengthen the organizations in which they work, and the sociopolitical environment in which they operate.

WBI Contact:

Mark Nelson; program manager, Capacity Development Resource Center
Tel: 202-458-8041, e-mail: mnelson1@worldbank.org

Ajay Tejasvi; program coordinator, Capacity Development Resource Center
Tel: 202-458-4064, e-mail: anarasimhan@worldbank.org

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