**Multi-Donor Programmatic Trust Fund**

**for Europe and Central Asia Region Capacity Development**

**Objectives, Criteria and Processing Steps for**

**Project Preparation Grants**

**Objectives**

The main objective of the Europe and Central Asia (ECA) Region Capacity Development (ECAPDEV) Multi-Donor Trust Fund (MDTF) is to support improvements in the quality and speed of project preparation complemented by focused capacity development in eligible lower-income countries in the ECA Region. As the quality of project preparation is one of the key factors affecting outcomes, this Trust Fund (TF) will be an important tool to enhance operational quality. Hence, the ECAPDEV MDTF will ultimately help the lower-income countries in the ECA Region to strengthen their capacity to design and carry out their investments.

The Trust Fund is designed as a flexible source of financing for technical support to individual countries or groups of countries. The initial amount of resources pledged to the Trust Fund by the Government of Russia is US$23 million to be contributed in annual installments in accordance with the schedule in Annex 1. The TF is being established as a Multi-Donor Trust Fund (MDTF), to provide an opportunity for other interested donors to join.

**Focus of the Project Preparation Grants**

The ECAPDEV MDTF will support activities that contribute to quality improvements in project preparation and implementation capacity. Under the Project Preparation Grants component of the ECAPDEV MDTF grant support will have to be consistent with the development priorities of recipient countries and agreed Bank Country Assistance Strategies (as set out in the grant selection criteria as specified below).

Grants may be used for preparation of operations proposed to be financed by any IBRD loan, IDA credit or IDA grant, or the Eurasian Economic Community (EurAsEc) Anti-Crisis Fund (ACF) financing. There would be no restrictions on the type of lending instrument or on the sectors to be supported, allowing potential recipients to determine themselves the areas where they are in greatest need of project preparation assistance. For the latter, ACF staff would have to justify their proposals (inter alia) with the same kind of evidence that a World Bank Task Team Leader (TTL) will use.

**Activities Supported by Project Preparation Grants**

Project Preparation Grants, will be recipient-executed, normally by the agency that is expected to be implementing the planned project whose preparation the grant will support.[[1]](#footnote-1) They will support project design work and capacity building and training for project preparation and implementation. Table 1 provides further details on the kinds of activities that may be funded by the program.

***Table 1: Activities and Funding under Project Preparation Grants***

|  |  |
| --- | --- |
| **Components** | **Activities** |
| **Project Preparation Grants - Recipient-Executed** (Approximate allocation for first round US$5.0 million) | Provision of competitively allocated grants to eligible ECA countries for  (a) Preparation of development project activities according to country development priorities. These could include technical designs, results frameworks, component descriptions, operational manuals, social and environmental assessments, economic analysis, and consultations; and  (b) Capacity building and training for project implementation. These could include monitoring and managing contract implementation, procurement, financial management, M&E, study tours, workshops and seminars, travel within the ECA Region, and equipment essential to support the technical assistance. Such equipment would be limited to a maximum of 10 percent of the grant. |

The main aim of project preparation grants will be to accelerate and improve the quality of the preparation and implementation of projects. They will be complemented by increased Bank efforts to strengthen supervision of project preparation.

**Eligible Countries**

The ECA region includes a variety of countries that fall under different borrowing categories: IDA eligible, IDA/IBRD blend, and IBRD only. The TF would consider only IDA, blend, and IBRD Borrowing countries with a 2010 GNI per capita of US$4,000[[2]](#footnote-2) or less as recipients of TF support.

The project preparation grants could also be used for preparation of regional operations. These would require a modified approval process (e.g., will require endorsement of country directors of all countries that would benefit from the regional operations), to be determined as appropriate if demand for support of such operations would emerge. These grants will be eligible for execution either by the Bank or by regional international development agencies or coordination bodies (EurAsEc and others). To be eligible, a regional operation or project must include countries that are eligible for single-country project preparation grants. The Bank will make sure that the ownership of such activities is clear and the implementation modality is feasible.

**Grant Timeline and Funding**

The recipient-executed project preparation grant disbursement periods will be set according to the expected time required for each grant’s implementation. Project preparation grant activities should normally be completed by the time the corresponding project is submitted to the Bank’s or ACF’s Board of Executive Directors. No new contracts may be signed after Board approval. However if there are ongoing activities that have not been completed by the Board date these may continue for up to six months, or until the date of the operation’s effectiveness, whichever comes earlier.

Recipient-executed grants for project preparation must be in the range of US$100,000 to US$700,000. If some project preparation requirements exceed US$700,000, co-financing may be sought from other donors. On an exceptional basis, proposals that exceed US$700,000 will be considered. Any such proposals, including the justification for the larger amount, will be reviewed by the Project Team Committee and considered for approval by the Steering Committee.[[3]](#footnote-3) Bank and ACF teams will be encouraged to submit proposals for amounts below the maximum wherever this is reasonable, and the maximum limit may be reviewed by the Steering Committee in the light of TF experience.

**Eligible Expenditures**

For project preparation grants, the TF Contributions may be used to finance the following:

1. Consultants’ services.
2. Goods (approved on a case-by-case basis by the Steering Committee. This category primarily refers to equipment deemed essential to carry out technical assistance and achieve grant objectives, and will not exceed 10 percent of the total grant amount).
3. Operating Costs[[4]](#footnote-4) approved by the Steering Committee on a case-by-case basis and not exceeding 10 percent of the total grant amount (Government officials and civil servants may only be hired under certain circumstances as described in paragraph 1.13 of the World Bank’s *“Guidelines: Selection and Employment of Consultants by World Bank Borrowers”*[[5]](#footnote-5)).
4. Training. Total training expenses will be expected not to exceed 10 percent of the overall grant amount, although larger allocations for training could be approved on case-by-case basis. Training will be carried out, whenever possible, in-country. Study tours expenses will not exceed 5 percent of the grant amount. The grants will not fund academic studies leading to a degree.

The foregoing categories of expenditures may include the financing of taxes in line with the corresponding country financing parameters established in accordance with OP/BP 6.00 Bank Financing[[6]](#footnote-6) and related memoranda.

Civil works, salaries of civil servants, government staff honoraria or sitting allowances, purchase or rental of vehicles, furniture or equipment of a recipient agency’s office or training facilities, or backstopping activities,[[7]](#footnote-7) and implementation of pilot programs will not be eligible for financing under the TF.

**Call for Proposals and Processing Steps**

The ECA Director of Operational Services and Quality will invite proposals from the Bank’s ECA Regional Vice Presidency country and sector units and the ACF staff twice a year. Information on the total amount available for each fiscal year and allocations for each component under each round will be provided.

Grant proposals will be prepared using a concept memo template or PCN by a Bank or ACF team working with the expected recipient country. Country Project Preparation grant proposals will be supported by a formal request from the expected recipient country and cleared by the corresponding Bank Sector Manager (SM); including for those grants related to projects to be financed solely by ACF as the Bank Sector Manager will have to assign a Bank TTL if the proposal were to be approved for grant funding. Grant proposals should be endorsed by either Bank Country Directors or ACF Directors and/or Country Managers, as relevant.

The team presenting a grant proposal will have to complete the following steps:

* TTL identifies operation that the grant will help prepared and if it does not have an Activity Initiation Summary (AIS) yet, creates one that the SM has to clear before submission of proposal
* TTL prepares a Application package:
  + PCN
  + Financing plan (attached Excel file)
  + letter of formal request from the expected recipient country
* SM clears the package
* The country director endorses the package.
* The TTL submits the application to the TF Program Manager (Keta Ruiz) for consideration for funding by the TF Steering Committee.

**Proposal Evaluation Criteria**

In addition to their technical quality and feasibility (e.g., consistency of the proposal objectives with those of the TF, consistency of the proposed activities with the proposal objectives, readiness and feasibility of the proposal to be implemented in the time frame), the following criteria will be taken into account when evaluating the proposals for TF funding under Component:

* Resource availability (based on available funding allocation);
* Strategic alignment with country and sector development priorities and agreed in Bank Country Assistance Strategies and ACF’s strategic priorities;
* Support of the proposals by the respective Government agencies and either Bank Country Directors or ACF Directors and/or Country Managers, as relevant;
* Within broad grant eligibility, IDA countries will have first priority, followed by IDA/IBRD blend borrowing members;
* Recipient agencies that have not previously benefited from similar capacity building support will have higher priority;
* Higher priority will be given to any proposals ranked as top priority by the Bank Country Directors or ACF Directors and/or Country Managers of any country for which multiple proposals are submitted;
* Lower priority will be given to proposals related to Additional Financing (AF), unless the AF would require substantial preparation work, not included in the original project, that would merit consideration for a preparation grant; and
* Regional importance (for regional grants).

The TF's Project Team Committee will review and prioritize the proposals and submit them to the Steering Committee who will review and approve or reject the proposals and announce the winners. Once the team is notified that their proposal is a winner, they could proceed with appraisal, negotiations and final CD approval following the processing steps according to regular Bank TF Administrative Procedures for Recipient-executed TFs ([OP](http://intranet.worldbank.org/WBSITE/INTRANET/OPSMANUAL/0,,contentMDK:21833095~menuPK:51456940~pagePK:51457169~piPK:51457175~theSitePK:210385,00.html)/[BP](http://intranet.worldbank.org/WBSITE/INTRANET/OPSMANUAL/0,,contentMDK:21831242~menuPK:64857201~pagePK:51457169~piPK:51457175~theSitePK:210385,00.html) 14.40, *Trust Funds*), depending on the size of activity (either for micro grants – those below US$ 500,000 – or for small grants – those between US$500,000 and US$700,000) and using the corresponding [guidance](http://intranet.worldbank.org/WBSITE/INTRANET/UNITS/INTOPCS/INTINVLENDING/0,,contentMDK:23145742~pagePK:64137152~piPK:64136883~theSitePK:388707,00.html) and accompanying [templates](http://intranet.worldbank.org/WBSITE/INTRANET/UNITS/INTOPCS/0,,contentMDK:23145778~pagePK:51455324~piPK:51455326~theSitePK:380832,00.html).

**Grant Execution Arrangements**

Activities will be recipient-executed. A separate Child TF (disbursing grant account) will be created for each proposal selected for funding and separate grant agreements will be signed for each allocation. The recipient countries are expected to contribute to the activities supported by the TF with staff time and, as appropriate in each case, in-kind contribution or co-financing.

The responsibility for supervising specific activities that are approved for TF funding will be with the Bank TTLs for those activities (including for those grants related to projects to be financed solely by ACF as the corresponding Bank Sector Manager will have to assign a Bank TTL once the proposal is approved for grant funding).

**Bank’s Responsibilities as Grant Administrator**

Recipient-executed grants will be supervised by the Bank (and for those grants related to projects to be financed by ACF will involve ACF staff, as observers, in implementation reviews and meetings) to ensure compliance with the Bank’s TF policies, as well as Safeguards, Procurement, and Financial Management Guidelines (as for Bank loans and credits). Bank-executed activities will be the responsibility solely of the Bank and will be carried out in accordance with its applicable operational policies and procedures.

**Procurement under Grant Activities**

Procurement for the Child TFs would be carried out in accordance with the World Bank‘s “*Guidelines: Procurement under IBRD Loans and IDA Loans,”*[[8]](#footnote-8) *“Guidelines: Selection and Employment of Consultants by World Bank Borrowers,”*[[9]](#footnote-9) and the provisions stipulated in the corresponding Grant Agreement. For each contract to be financed by the grant, the different procurement methods or consultant selection methods, the need for prequalification, estimated costs, prior review requirements, and time frame will be agreed between the recipient and the Bank team in the Procurement Plan (submitted with the proposal). The Procurement Plan would be updated, as required, to reflect the actual grant implementation.

**Results Framework, Monitoring and Evaluation**

For the purposes of monitoring the progress towards achieving development objectives, annual progress reports will be developed by TTLs of disbursing grants and submitted to the TF Program Manager for review.

The recipient of project preparation grants should submit Project Progress Reports semiannually. The TTL reviews the Project Progress Reports to determine whether the implementation arrangements remain satisfactory and whether the recipient needs to implement any follow-up actions, including a timeline for their implementation. The TTL will be responsible for preparing the first Implementation Status and Results Report (ISR) within six month after grant approval, and as needed but at least once a year thereafter. The ISR will rate the status of grant implementation, update risk ratings, and document completion of deliverables, outputs and results. An Implementation Completion and Results Report (ICR) will be prepared, depending on the size of the grant and using the corresponding Guidance, by the TTL (in consultation with recipient) upon completion of grant financed activities.

As specified in the Administration Agreement,the Bank will provide the Donors with an annual report on the progress of activities financed by their contributions. The Program Manager will submit such annual report to the Steering Committee. Within six (6) months of the final disbursement date, the Bank will furnish to the Donors a final report on the activities financed by the TF.

1. The Bank, with the absence of objection by the Steering Committee, may consider waiving the requirement for recipient execution in exceptional circumstances in accordance with Bank policy (OP14.40), for instance in a new member country or following civil strife or an emergency, or if a grant is being proposed for preparation of a regional operation. [↑](#footnote-ref-1)
2. According to the Atlas method. [↑](#footnote-ref-2)
3. The governance structure of the ECAPDEV TF has three main elements: a Steering Committee responsible for high level oversight and final approval of the grants (composed of representatives of the Russian Government and the Bank with an observer from the ACF); a Project Team Committee (chaired by the Director of Operational Services and Quality for ECA and composed of representatives from each of the ECA Departments of the Bank with an observer from the ACF) primarily responsible for review and prioritization of grant proposals; and a Program Manager responsible for day-to-day program management of the TF. [↑](#footnote-ref-3)
4. In line with the corresponding country financing parameters established in accordance with OP/BP 6.00 Bank Financing (dated April 2004 and as subsequently amended) and related memoranda. [↑](#footnote-ref-4)
5. Dated January 2011and as subsequently amended. [↑](#footnote-ref-5)
6. Dated April 2004 and as subsequently amended. [↑](#footnote-ref-6)
7. Project implementation units, office facilities, rent, secretarial services, transportation, electricity, water, telephone, staff salaries, and other backstopping and recurrent activities should normally be part of the local counterpart funding. In addition, at the discretion of the Steering Committee, if the grant recipient is an entity with no previous experience with World Bank procedures, a small amount of the grant may be used to finance the cost of consultants to carry out project financial management and procurement for a period not to exceed six months over the life of the grant. [↑](#footnote-ref-7)
8. Dated January 2011 and as subsequently amended. [↑](#footnote-ref-8)
9. Dated January 2011 and as subsequently amended. [↑](#footnote-ref-9)