

CHAPTER 4 PROJECT EVALUATION AND RECOMMENDATION

4-1 Effect of Project

Palau, as an archipelago country, has developed sea routes for a long time. Wharves serving as small scale fishing ports, access channels and satellite facilities are essential in the connection of land and sea routes and in the exchange of information among people. Recently there has been a growing demand for larger, faster boats that need varied docking facilities, and for more efficient cargo handling and transport. The old existing docking facilities are inadequate for these functions. The request for improved docking facilities is a very reasonable one.

(1) Evaluation

The execution of this project will dramatically improve the following: fishing port functions, docking facilities, access channel, and satellite facilities for interchange of people and materials; and the small scale fishing environment of the project site. This will lead to safer and more efficient transport of fish and shellfish, agricultural products, and food produced in the village behind the sites; better fuel, and better living conditions for the people. Development of the reef offshore fishery will lower the depletion rate of marine resources in and around the northern area reef of both states, and will also increase the supply of fishery products for Koror. The result will be more stable and self-sufficient fisheries, small scale commercial fisheries in particular, which will raise the labor and living conditions of local fishermen and residents. Specifically, the following effects are anticipated.

- 1) More efficient operation and management of fishing and other boats that use the docking facilities.

Presently small and mid-size boats can freely depart, arrive and berth without regard for the tide level only 4-5 hours a day. A set fishing time is impossible, because there is an approx. 40 min. tide delay every day. Efficient fishery, cargo handling, and embarkation and disembarkation of passengers are difficult under these circumstances. But when the project facilities are built, boats will be able to safely depart, arrive and berth 24 hours a day. This will make fishery and transport more efficient.

2) Promotion of reef offshore fishery

Through this project, mid-size fishing boats for the reef offshore fishery will come into use. The unused resources of the reef offshore fishery will be developed. This will conserve resources in the reef, ensure a local food supply, and meet the fishery product demand from the expanding tourist and metropolitan populations.

The project will benefit the small fisheries development in the northern area, including the 2 project states and Ngarchelong and Kayangel. Palau's total catch will increase about 9%, from 890 tons/year (1994, reef and surrounding) to 970 tons/year (FY 1995, reef and surrounding 900 tons/year, reef offshore 70 tons/year: Small scale Fisheries Development Project.

3) Promotion of local industries

The project will improve living and labor conditions, increase the number of tourists, and create job opportunities in depopulated areas. These areas will attract former residents (immigrant and native, many talented) from cities or overseas back. The long term result will be an equable development among the states.

4) Control for the population concentration in the metropolitan area

Koror and its environs have congestion-related problems such as unemployment, public safety, garbage disposal and environmental pollution, which have worsened with the increased population concentration in the metropolitan area (38% in 1958; 48% in 1970; 69% in 1990; 71.4% in 1995). By encouraging a return to the countryside ("U-Turn"), these problems will be controlled.

5) Reduction of government expenditures

Under U.S. administration, many local residents and Palauans were employed as public servants due to the equable share of public employees' salaries under financial aid. The percentage of public servants among Palauans is accordingly high (average 29.9%; Ngaraard state 43%, Ngardmau state 84% in 1995). The central and state governments urgently needed to cut expenditures, so they revised the number of public employees and lowered the retirement age. This project will increase job opportunities in local states and reduce the financial burden of central and state governments

as they try to reduce the number of public employees.

(2) Beneficial effects

To meet current demand, the project improves and restores the existing deteriorating facilities that have limited functions. This will better the living conditions and infrastructures of the fishing village, which is the base for the port and for distribution. The following beneficial effects are anticipated.

1) On the northern fishing village level

- ① Improvement of fishermen's working conditions.
- ② Progress in fishing port functions.
- ③ Rise in standard of living in villages.
- ④ Promotion of settlement in fishing villages, and "U-turn" of people working away from their home area.

2) On the national development level

- ① Balanced local development for each state.
- ② Restoration of fishery products' demand and supply balance, and conservation of fishery resources in the reef.
- ③ Contribution to diversified tourism.
- ④ Progress of Small Scale Fisheries Development Project in the Northern Area.

3) Extent of improvement by project implementation.

Improvement of fishing port functions.

- ① The existing docking facilities allow small outboard motorboats and other boats to enter and leave the port during a period of 4-6 hours per day. This is because they have to wait for a favorable tide. After the project is completed, mid-size boats (approx. 1.2 m. maximum water line) will be able to safely enter and leave the port 24 hours a day. This increases the fishing time, and fishing will be 4-6 times that of now. The number of fishing days and catch quantity can be increased, resulting in markedly improved working conditions and fishing efficiency.

- ② The project will develop the cargo space lacking in present docking facilities. This will facilitate fishing preparation, loading of fishing gear and landing of fish catch, which will also necessitate the expansion of reef offshore fishing.
- ③ By using crane trucks to handle cargo, conditions will be safer for unloading ice-packed fish boxes, fuel drum cans, outboard motors, small FRP boats and other heavy cargoes (600-2,000 kg.). At the same time the working efficiency of fishermen will be improved.

Improvement of infrastructures

- ① With a better dock and access channel, traffic between the metropolitan and local areas, and transport of daily commodities, cargoes, and emergency patients will be possible 24 hours a day. This more efficient transport will improve local living conditions.
- ② Products are now transported by state-owned and operated small outboard motorboats, or by privately owned small boats. The maximum weight of people and cargoes transported at one time is 500-600 kg. When the project is completed, mid-size and berge boats will operate safely and efficiently. This will dramatically improve transport efficiency. Mid-size boats will carry 1,500-1,800 kg. (triple the present maximum) and berge boats will carry 3-5 tons (ten times the present maximum). Transport costs will also be reduced.

The handling of cargo and heavy materials (daily commodities, construction materials and equipment, industrial machinery, etc.) now involves much labor and time. With the crane truck, handling and transporting the above will become easier and safer.

4) Indirect advantages

- ① Beneficiaries of the project include the 583 residents of the two states, where social and economic developments are now at low levels, and also the Koror citizens who are consumers of the states' products, and various others who use the facilities to travel. These will have access to safer, fresher products.
- ② With the development of the reef offshore fishery will come greater job

opportunities. More efficient transport of agricultural products will lead to agricultural growth. Capital investments will expand tourism, and the income of local residents is expected to go up. At the same time, the local area image will be vastly improved. This will normalize the population differential between the congested metropolitan area and the sparsely populated local areas. It will also contribute to balanced economic growth among the states of Palau.

(3) Evaluation of project effects

Proposal priorities are: improve docking facilities, dredge the access channel, build a shoreline protection sea-wall, restore the causeway, build a waiting house and introduce cargo handling machinery. These will make things convenient for local residents and docking facility users, and also further the objectives of the national development project. In relation to the Small Fisheries Development Project in the Northern Areas scheduled for completion and turnover in February 1997, this project will improve the home fishing boat port introduced in both states and contribute to the development of the northern area reef offshore fishery in each state.

The following evaluation concludes that the project objectives, components, and concepts are suitable for Japan grant aid assistance.

- 1) Direct beneficiaries are people low on the economical scale, with one fourth the income and seven times the unemployment rate of people in the metropolis. Their villages lack even hospitals and other welfare facilities. Other beneficiaries include local (project area) visitors, metropolitan area consumers of local primary products, and foreign tourists to the country.
- 2) The project facilities, functioning both as ports for small scale fisheries and infrastructures for local residents, support local industries and the country's living standard improvement project.
- 3) Better facilities enable mid-size fishing boats to operate in the reef offshore and further the country's small scale fisheries promotion. The result is an efficient, stable supply of fish for consumers, mainly in the metropolitan area.
- 4) Facilities are designed to be managed and maintained by a government staff with state financing, which will not be burdensome to the state.

- 5) The project contributes to the National Development Project's objectives of equal and sustainable development among states and economic self-reliance.
- 6) The project facilities are not for profit. They are essentially public utilities for diverse people: local community residents, metropolitan citizens, relatives, governmental officials and tourists. In scale and components they meet the needs of fishermen, general residents of the project sites and pertinent government officials. Local residents are very much aware of the project.
- 7) The Environmental Impact Assessment Report of the recipient country has concluded that the project would not be harmful to the natural environment surrounding the sites. EQPB has approved the project's execution. Project design, implementation and management plans have also taken into account the natural and social settings in and around the sites.
- 8) Despite a brief construction period and two project sites, no difficulties are anticipated for the Japan grant-aid project, because work will proceed simultaneous at both sites.

4-2 Recommendation

The project facilities are designed for public use under state management and maintenance. In the past similar project facilities were not fully used due to mismanagement and poor organization by the state government (the project implementation organization). The support system of the state is inadequate when complex financial and technical difficulties arise, and this hinders the functioning ability of the facilities. There is a great need to train and recruit technical experts to repair ice plants and other facilities. For these reasons the following recommendations are made.

(1) Improvement of system and awareness for management

Palau is a state unit society based on a traditional clan and chief system. There is a high level of community cooperation, and public facilities and common properties are used with care. But when facilities are damaged or not working properly they are unattended, because no one is responsible, or in many cases it is not clear exactly who is responsible, for solving these problems. Although project facilities and cargo handling machinery are public facilities of the state government, they may still be mismanaged, because they are not limited to area fishermen and residents as a home port but are also open to unspecified people.

Management system and costs are not the only cause of difficulties. When a facility-related problem arises, maintaining peace and relationships take precedence over finding a solution. In a small community everyone knows one another; friends and relatives are all involved in the problem; and this makes it difficult to clarify responsibilities and authority of those involved.

This kind of family consciousness exists not only between states but also between the central and state governments, among Ministries, and the Division of Marine Resources and PFFA. This condition is a big factor in the delay in finding remedies for situations.

Traditional social system, national attitudes and values do not change suddenly, but when the above tendency changes, all public facilities, materials and machinery of Palau, including the project facilities, will be fully utilized.

Material and equipment management and maintenance of past and future project facilities, including this project, should be a model. The main government office and project implementing organization should confer with project-related governmental organizations and with the president, in addition to the relevant organizations, responsible individuals, residents, users, etc., to improve mutual cooperation and consensus for facility management and maintenance.

(2) Early stage facility maintenance

Previous similar project facilities are relatively well-maintained and managed (roof maintenance, paint, interior renovation and extension, daily cleaning, etc.). But the gabion sea-wall, also part of this project, has elsewhere been partially damaged and unattended. In this case early repair is simple and cheap, but with time inner stones slowly erode and damage increases, making repair more difficult.

This situation requires the following improvements in relation to the above-mentioned management awareness.

- Designate a responsible person to every facility and machinery with the obligation to report usage and management conditions.

Prepare and distribute formal reports to be submitted to the ultimate person in charge (governor).

- Educate and train responsible person in operation and maintenance of facility (as necessary). Provide designated person with data and information.

APPENDIX

- 1. Member of the Survey Team**
- 2. Itinerary of the Survey**
- 3. List of Related Persons of the Subject Country**
- 4. Minutes of Discussions**
- 5. Estimate of cost borne by Recipient country**

1. Member of the Survey Team

	Name	Position
Leader	Mr. Norio Matsuda	Director, Coordination and Appraisal Division, Grant Aid Project Study Department, Japan International Cooperation Agency (JICA)
Coordinator	Mr. Takashi Tohyama	Second Project Study Division, Grant Aid Project Study Department, Japan International Cooperation Agency (JICA)
Technical Advisor	Mr. Shiro Matsumura	Fisheries Promotion Division, Fisheries Promotion Department, Fisheries Agency
Chief Consultant cum Fisheries Development Planner	Mr. Nobuo Itoi	Overseas Agro-Fisheries Consultants Co., Ltd.
Port Engineer	Mr. Mamoru Namiki	Overseas Agro-Fisheries Consultants Co., Ltd.
Natural & Environmental Condition Surveyor	Mr. Akiyoshi Takahashi	Overseas Agro-Fisheries Consultants Co., Ltd.
Construction Planner, Cost Estimator	Mr. Wataru Iwasaki	Overseas Agro-Fisheries Consultants Co., Ltd.

2. Itinerary of the Survey

Day	Date	A day of the week	Contents of survey		
			Official members	Day	Consultants
	Nov. 3	Sun.		1st	Narita to Guam [Except the Construction Planner / Cost Estimator]
	Nov. 4	Mon.		2nd	Guam to Koror ; courtesy call to the Ministry to the Division of Marine Resources ; discussions on the itinerary of the survey; explanation of and discussions on the Inception report with the governments of the Ngardmau and Ngaraard states
	Nov. 5	Tues.		3rd	Courtesy call to the governors of the related states, explanation of the Inception report ; discussions on the back ground and contents of the request ; collection of data from the Meteorological Bureau
	Nov. 6	Wed.		4th	Inspection of the planned areas in the Ngardmau and Ngaraard states
1st	Nov. 7	Thurs.		5th	Courtesy call to the Ministry of States, Bureaus of Foreign Affairs and Statistics; collection of data
2nd	Nov. 8	Fri.	Narita to Guam	6th	Discussions with the governments of Ngardmau and Ngaraard States
3rd	Nov. 9	Sat.	Guam to Koror and site survey in Ngardmau and Ngaraard ; inspection of similar facilities (Koror-Ngatpang-Ngaremlengui- Ngardmau-Ngaraard -Koror	7th	Same as that of official members
4th	Nov. 10	Sun.	Inspection of similar facilities in Peleliu ; discussions within the team	8th	Same as that of official members [Construction Planner/Cost Estimator, Narita to Guam]
5th	Nov. 11	Mon.	Courtesy call to the Ministry of Resources and Development and discussions with the governments of Ngardmau and Ngaraard States	9th	Same as that of official members [Construction Planner/Cost Estimator, Guam to Koror]
6th	Nov. 12	Tues.	Inspection of the office in Ngarchelong State and discussions with the government of Ngardmau State	10th	Same as that of official members (Chief Consultant)/Others : Survey of Ngardmau and Ngaraard States
7th	Nov. 13	Wed.	Discussions on the contents of the Minutes of Discussions with the Division of Marine Resources, Ministry of Resources and Development ; final discussions with the governments of Ngardmau and Ngaraard States	11th	Same as that of official members
8th	Nov. 14	Thurs.	Signature on the Minutes of Discussions and supplementary surveys	12th	Same as that of official members (Chief Consultant)/Others : Survey of Ngardmau and Ngaraard States
9th	Nov. 15	Fri.	Koror to Guam ; report of surveys to the Consulate-General of Japan in Agana	13th	Detailed site surveys in the two states (wharves, Causeways, etc.)
10th	Nov. 16	Sat.	Guam to Narita	14th	Discussions within the team
	Nov. 17	Sun.		15th	Arrangement of data
	Nov. 18	Mon.		16th	Data collection from the Division of Marine Resources and the Ministry of Public Businesses
	Nov. 19	Tues.		17th	Survey of the case of Ngatpang and collection of cost estimation data of construction materials, etc.
	Nov. 20	Wed.		18th	Survey of the case of Melekeok and detailed discussions with the governments of Ngardmau and Ngaraard States
	Nov. 21	Thurs.		19th	Detailed site survey in Ngardmau and Ngaraard States
	Nov. 22	Fri.		20th	Discussions with the governments of Ngardmau and Ngaraard States
	Nov. 23	Sat.		21th	Detailed site survey in Ngardmau and Ngaraard States
	Nov. 24	Sun.		22nd	Arrangement of data
	Nov. 25	Mon.		23rd	Detailed final discussions with the Ministry of Resources and Development on the contents the facilities and the final site surveys in Ngardmau and Ngaraard States
	Nov. 26	Tues.		24th	Koror to Guam
	Nov. 27	Wed.		25th	Guam to Narita

3. List of Related Persons of the Subject Country

1. Presidential Office
Mr. Koichi Wong
Official in Charge of National Development
2. Ministry of States, Bureau of Foreign Affairs
Mr. Andres Uherbelau
Minister
Mr. Steven Kanai
Director, Bureau of Foreign Affairs
Mr. Ramon Rechebei
Chief Technical Assistant Div. Dept., Bureau of Foreign Affairs

Mr. Beckwin Mechol
Specialist in Fishery, Parau Maritime Authority
Ministry of States, Bureau of Land Survey
Mr. Fritz Koshiba
Manager, Bureau of Land Survey
3. Ministry of Resources and Development
Mr. Marcelino Melairei
Minister
Mr. Demei O. Otobed
Director, Bureau of Natural Resources & Development

Mr. Theofanes Isani
Chief, Marine Resources Dept., Bureau of Natural Resource Development
4. Ministry of Public Businesses
Mr. Vivian Mad
Assistant Manager, Bureau of Public Businesses
Mr. Masasinge Arurangu
Manager, technical Design Room, Capital Improvement Planning Room
5. Koror Meteorological Bureau (NOAA : U.S. Department of Commerce, Marine Atmosphere Management Office)
Mr. Hiob Mesabed
Director
6. Governors of States and Organs Related to Governments of States
Mr. John K. Rechucher
Governor, Ngardmau State
Mr. Tadashi Sakuma
Governor, Ngaraard State
Mr. Jackson R. Ngiraingas
Governor, Peleliu State
Mr. Rudimch J. Tiliml
Governor, Ngarchelong State
Mr. Ngirbeketerong Merép
Governor and Head, Ngatpang State
Mr. Okada Techitong
(Chief Financial Manager), Ngatpang State
Mr. Lazarus Kodep
Governor, Melekeok State
7. Parau Federation of Fishers Associations (PFFA)
Mr. Franny Reklai
Manager
8. Experts dispatched from the Overseas Fishery Cooperation Fund
Mr. Katsumi Kira
Expert in fishery development
Mr. Ryo Nishii
Expert in fishing technology
Mr. Minoru Hatano
Expert in engines for fishing boats and refrigerating equipment

4. Minutes of Discussions

MINUTES OF DISCUSSIONS
THE BASIC DESIGN STUDY
ON
THE PROJECT FOR IMPROVEMENT OF SMALL SCALE FISHERY
RELATED INFRASTRUCTURE IN THE NORTHERN STATES
OF THE REPUBLIC OF PALAU

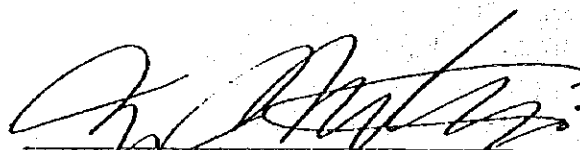
In response to a request from the Government of the Republic of Palau, the Government of Japan has decided to conduct a Basic Design Study on the Project for Improvement of Small Scale Fishery Related Infrastructure in the Northern States (hereinafter referred to as "the Project") and entrusted the study to the Japan International Cooperation Agency (JICA).

JICA has sent to Palau a Basic Design Study Team (hereinafter referred to as "the Team") headed by Mr. Norio MATSUDA, Director, Coordination and Appraisal Division, Grant Aid Project Study Department, JICA, and the Team is scheduled to stay in the country from November 4 to November 26, 1996.


The Team held a series of discussions with the officials concerned of the Government of the Republic of Palau and conducted a field survey at the study area.

In the course of the discussions and field survey, both parties have confirmed the main items described on the attached sheets. The Team will proceed to further works and prepare the Basic Design Study Report.

Koror, November 14, 1996



NORIO, MATSUDA
Leader
Basic Design Study Team
JICA



MARCELINO MELAIREI
Minister
Ministry of Resources & Development
Government of the Republic of Palau

ATTACHMENT

1. Objective

The objective of the Project is to enhance the productive capacity of small scale fishery and promote the transport of fishery products, commodities and people as well, and contribute to the development of the local communities by improving the small scale fishery related infrastructure in the northern states of the Republic of Palau.

2. Project Sites

The Project sites is located in the two (2) states of Ngaraard and Ngardmau, as shown in ANNEX I and ANNEX II, respectively.

3. Executing Agency

The Ministry of Resources and Development (MRD) is responsible for administration and execution of the Project.

4. Items requested by the Government of the Republic of Palau

The items requested by the Government of the Republic of Palau are listed in ANNEX III.

5. Japan's Grant Aid System

- 1) The Government of the Republic of Palau has understood the system of the Japan's Grant Aid explained by the Team; the main feature is described in ANNEX IV.
- 2) The Government of the Republic of Palau will take the necessary measures, described in ANNEX V for the smooth implementation of the Project on condition that the Grant Aid by the Government of Japan is extended to the Project.

6. Operation & Maintenance

The facility constructed and equipment purchased under the Japan's Grant Aid will be operated and maintained by the respective State Governments with the guidance and support of MRD.

7. Issues to be Noted

- 1) Both of the Team and the Government of the Republic of Palau agreed the basic concept of the project which is illustrated in ANNEX I & ANNEX II.
- 2) The team requested the Government of the Republic of Palau to take necessary measures for guaranteeing that the location, size and design of docking facility, waiting house and other related works illustrated in ANNEX I would not be influenced by the plan of forthcoming Compact Road Construction Project.

- 3) The Team confirmed that enough stock yard which could accomodate the Project construction materials in or near the project sites in Ngaraard and Ngardmau states would be secured by the both states.
- 4) The Government of the Republic of Palau understood that the use of the existing docks and other related facilities in the both project states should be limited during the construction period.
- 5) Both the Team and the Government of the Republic of Palau recognized that the respective state governments should properly and timely prepare and execute detailed operation and maintenance plan of the docking facility, waiting house and other related facilities and equipment to be provided through the Project.

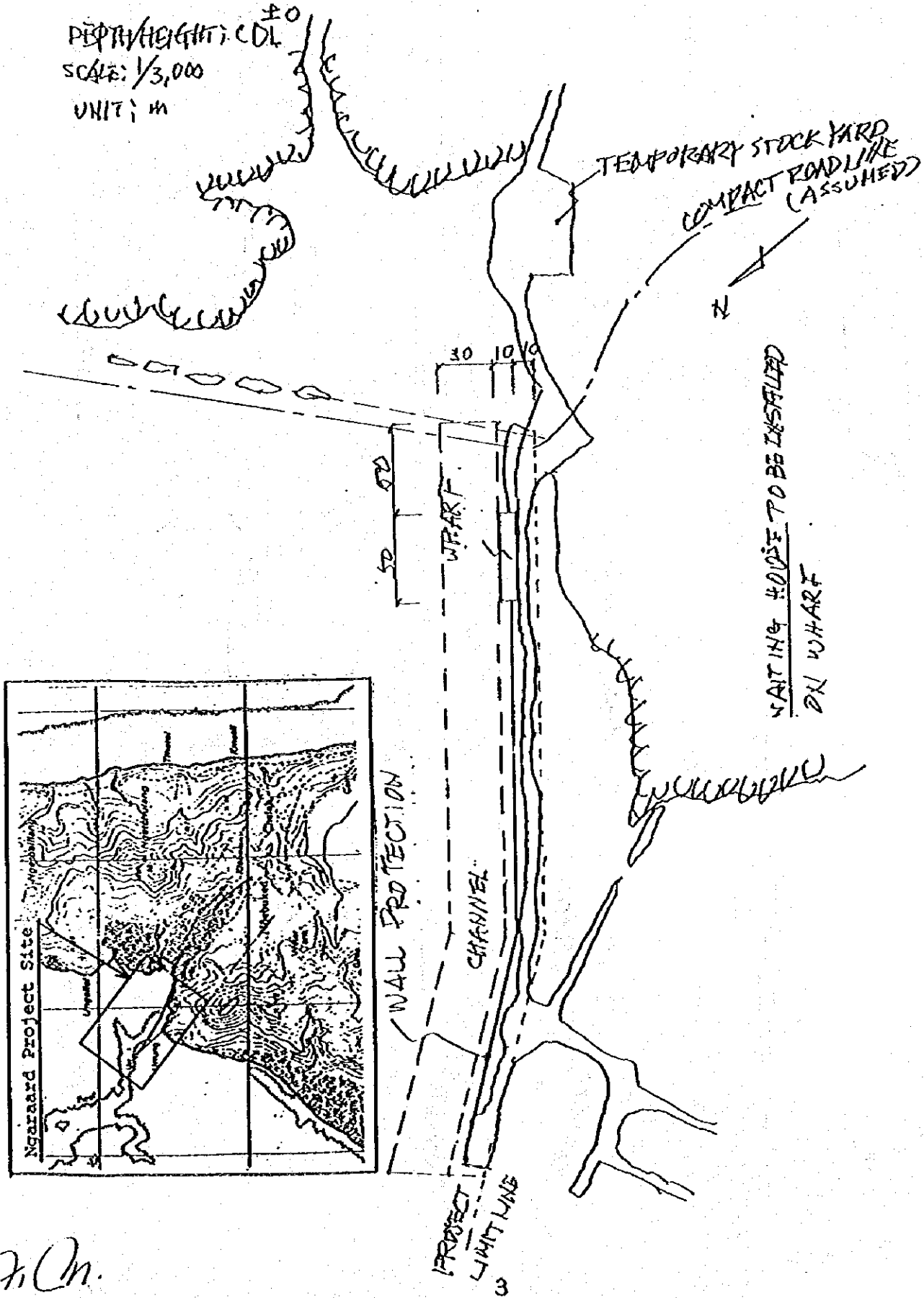
8. Further Schedule of the Study

- 1) The consultants will proceed to further studies in Palau until November 26, 1996.
- 2) Based on the Minutes of Discussions and technical examination of the study results, JICA will complete the Basic Design Study Report and send it to the Government of the Republic of Palau by March, 1997.

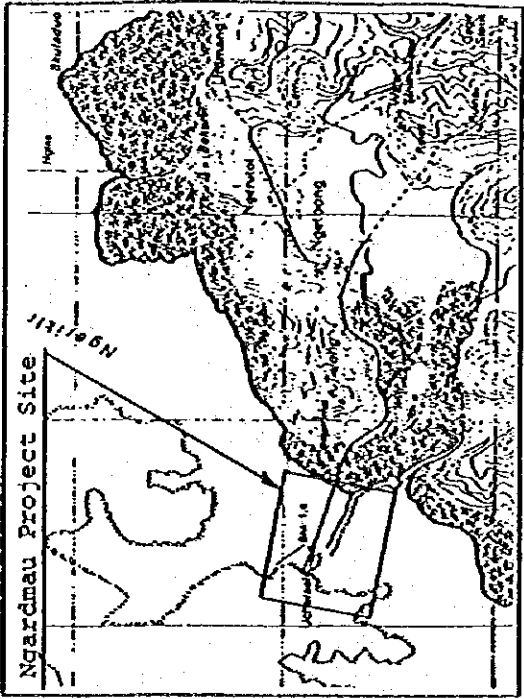
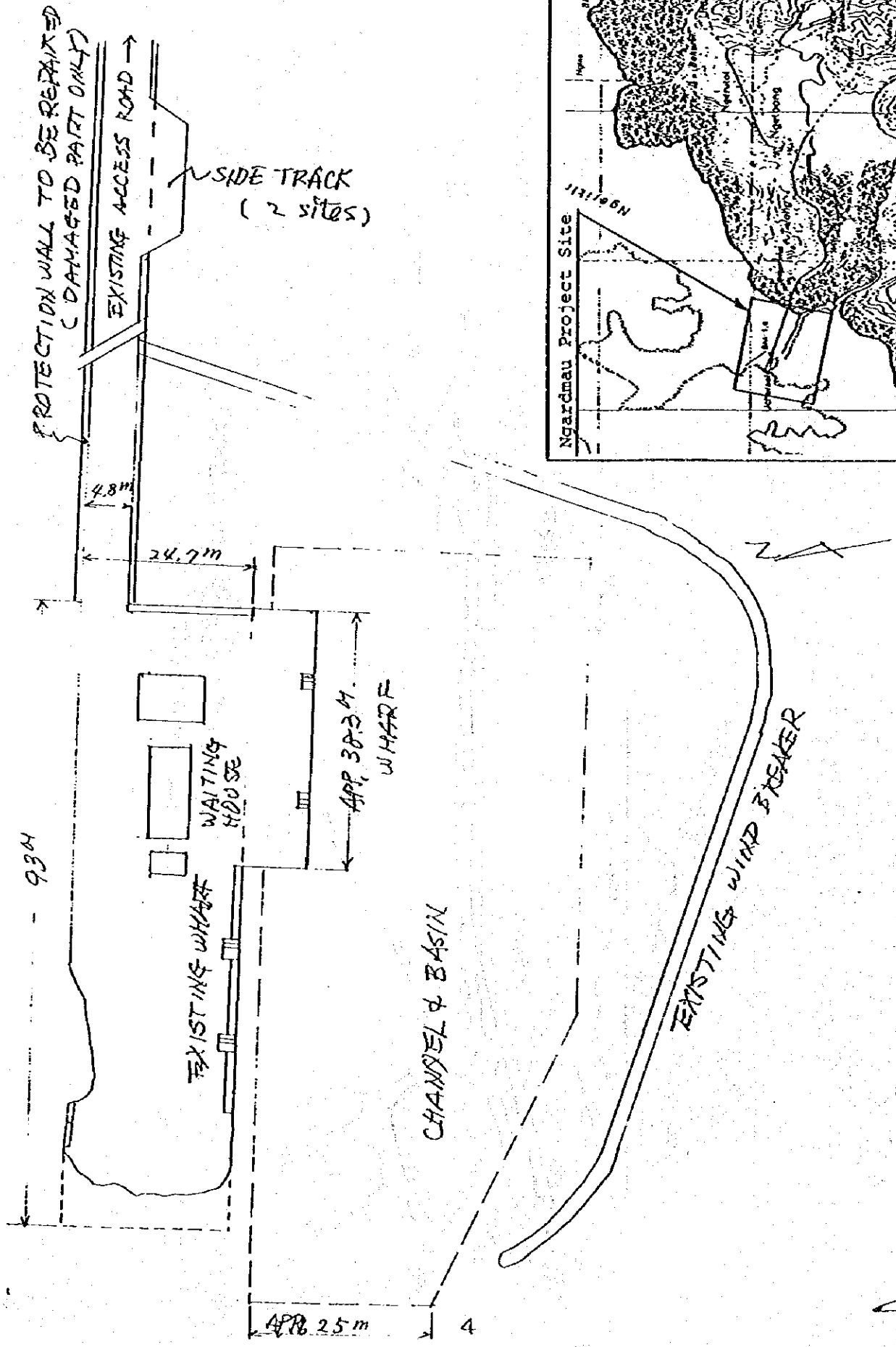
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ANNEX III: ITEMS REQUESTED BY THE GOVERNMENT OF THE REPUBLIC OF PALAU

1. Ngaraard State

- 1) Docking Facility Improvement
- 2) Boat Access Channel Dredging
- 3) Loading/Unloading Equipment
- 4) Shoreline Protection Wall and causeway
- 5) Waiting House

2. Ngardmau State

- 1) Docking Facility
- 2) Boat Access Channel Dredging
- 3) Loading/Unloading Equipment
- 4) Waiting House
- 5) Access Road Improvement

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ANNEX IV: JAPAN'S GRANT AID SCHEME

1. Grant Aid Procedure

1) Japan's Grant Aid Program is executed through the following procedures.

Application	(Request made by a recipient country)
Study	(Basic Design Study conducted by JICA)
Appraisal & Approval	(Appraisal by the Government of Japan & Approval by Cabinet)
Determination of Implementation	(The Notes exchanged between the Governments of Japan and the recipient country)

2) Firstly, the application or request for a Grant Aid project submitted by a recipient country is examined by the Government of Japan (the Ministry of Foreign Affairs) to determine whether or not it is eligible for Grant Aid. If the request is deemed appropriate, the Government of Japan assigns JICA to conduct a study on the request.

Secondly, JICA conducts the study (Basic Design Study), using Japanese consulting firms.

Thirdly, the Government of Japan appraises the project to see whether or not it is suitable for Japan's Grant Aid Program, based on the Basic Design Study report prepared by JICA and the results are then submitted to the Cabinet for approval.

Fourthly, the project, once approved by the Cabinet, becomes official with the Exchange of Notes signed by the Government of Japan and the recipient country.

Finally, for the implementation of the project, JICA assists the recipient country in such matters as preparing tenders, contracts and so on.

2. Basic Design Study

1) Contents of the Study

The aim of the Basic Design Study (hereinafter referred to as "the Study"), conducted by JICA on the requested project (hereinafter referred to as "the Project"), is to provide a basic document necessary for the appraisal of the Project by the Government of Japan. The contents of the Study are as follows:

- a) confirmation of the background, objectives and benefits of the requested project and also institutional capacity of agencies concerned of the recipient country necessary for the project's implementation;
- b) evaluation of the appropriateness of the project to be implemented under the Grant Aid Scheme from the technical, social and economic points of view;

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- c) confirmation of items agreed on by both parties concerning the basic concept of the Project;
- d) preparation of a basic design of the Project; and
- e) estimation of costs of the Project.

The contents of the original request are not necessarily approved in their initial form as the contents of the Grant Aid project. The Basic Design of the Project is confirmed considering the guidelines of Japan's Grant Aid Scheme.

The Government of Japan requests the Government of the recipient country to take whatever measures are necessary to ensure its self-reliance in the implementation of the Project. Such measures must be guaranteed even through they may fall outside of the jurisdiction of the organization in the recipient country actually implementing the Project. Therefore, the Implementation of the Project is confirmed by all relevant organizations of the recipient country through the Minutes of Discussions.

2) Selection of Consultants

For the smooth Implementation of the Study, JICA uses a consulting firm selected through its own procedure (competitive proposal). The selected firm participate the Study and prepare a report based upon the terms of reference set by JICA.

At the beginning of implementation after the Exchange of Notes, for the services of the Detailed Design and Construction Supervision of the Project, JICA recommends the same consulting firm which participated in the Study to the recipient country, in order to maintain the technical consistency between the Basic Design and Detailed Design as well as to avoid any undue delay caused by the selection of a new consulting firm.


3. Japan's Grant Aid Scheme

1) What is Grant Aid?

The Grant Aid Program provides a recipient country with non-reimbursable funds to procure the facilities, equipment and services (engineering services and transportation of the products, etc.) for economic and social development of the country under principles in accordance with the relevant laws and regulations of Japan. Grant Aid is not supplied through the donation of materials as such.

2) Exchange of Notes (E/N)

Japan's Grant Aid is extended in accordance with the Notes exchanged by the two Governments concerned, in which the objectives of the project, period of execution, conditions and amount of the Grant Aid, etc., are confirmed.



- 3) "The period of the Grant" means the one fiscal year which the Cabinet approves the project for. Within the fiscal year, all procedure such as exchanging of the Notes, concluding contracts with consulting firms and contractors and final payment to them must be completed.

However, in case of delays in delivery, installation or construction due to unforeseen factors such as weather, the period of the Grant Aid can be further extended for a maximum of one fiscal year at most by mutual agreement between the two Governments.

- 4) Under the Grant, in principle, Japanese products and services including transport or those of the recipient country are to be purchased.

When the two Governments deem it necessary, the Grant Aid may be used for the purchase of the products or services of a third country.

However, the prime contractors, namely consulting, contracting and procurement firms, are limited to "Japanese nationals". (The term "Japanese nationals" means persons of Japanese nationality or Japanese corporations controlled by persons of Japanese nationality.)

- 5) Necessity of "Verification"

The Government of the recipient country or its designated authority will conclude contracts denominated in Japanese yen with Japanese nationals. Those contracts shall be verified by the Government of Japan. This "Verification" is deemed necessary to secure accountability of Japanese taxpayers.

- 6) Undertakings required to the Government of the recipient country

- a) to secure a lot of land necessary for the construction of the Project and to clear the site;
- b) to provide facilities for distribution of electricity, water supply and drainage and other incidental facilities outside the site;
- c) to ensure prompt unloading and customs clearance at ports of disembarkation in the recipient country and internal transportation therein of the products purchased under the Grant Aid.
- d) to exempt Japanese nationals from customs duties, internal taxes and fiscal levies which may be imposed in the recipient country with respect to the supply of the products and services under the verified contracts.
- e) to accord Japanese nationals whose services may be required in connection with the supply of the products and services under the verified contracts such as facilities as may be necessary for their entry into the recipient country and stay therein for the performance of their work.

- f) to ensure that the facilities constructed and products purchased under the Grant be maintained and used properly and effectively for the Project, and
- g) to bear all the expenses other than those covered by the Grant, necessary for the Project.

7) **"Proper Use"**

The recipient country is required to maintain and use the facilities constructed and equipment purchased under the Grant Aid properly and effectively and to assign the necessary staff for operation and maintenance of them as well as to bear all the expenses other than those covered by the Grant Aid.

8) **"Re-export"**

The products purchased under the Grant Aid shall not be re-exported from the recipient country.

9) **Banking Arrangement (B/A)**

- a) The Government of the recipient country or its designated authority should open an account in the name of the Government of the recipient country in an authorized foreign exchange bank in Japan (hereinafter referred to as "the Bank". The Government of Japan will execute the Grant Aid by making payments in Japanese yen to cover the obligations incurred by the Government of the recipient country or its designated authority under the verified contracts.
- b) The payments will be made when payment requests are presented by the Bank to the Government of Japan under an authorization to pay issued by the Government of recipient country or its designated authority.

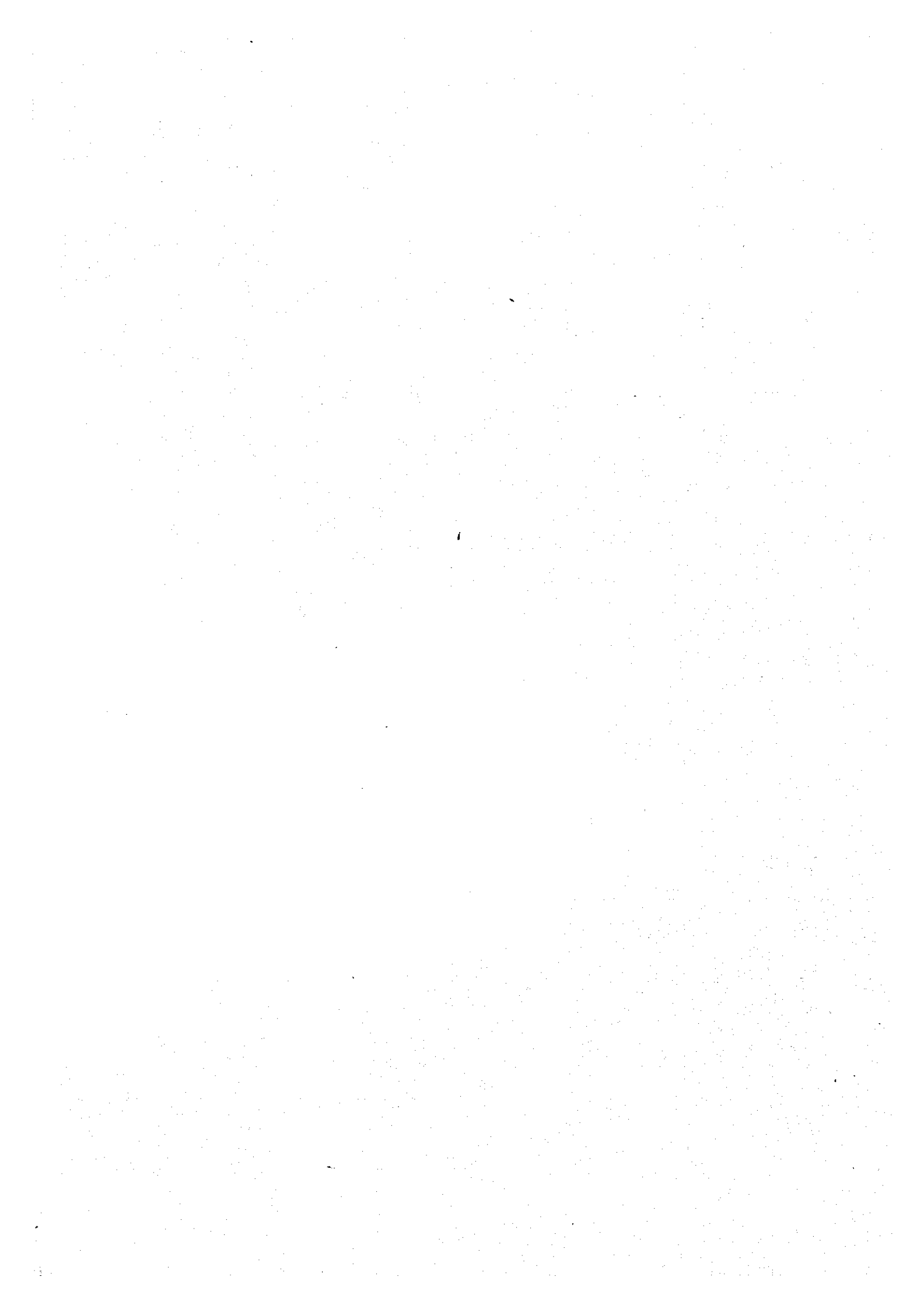
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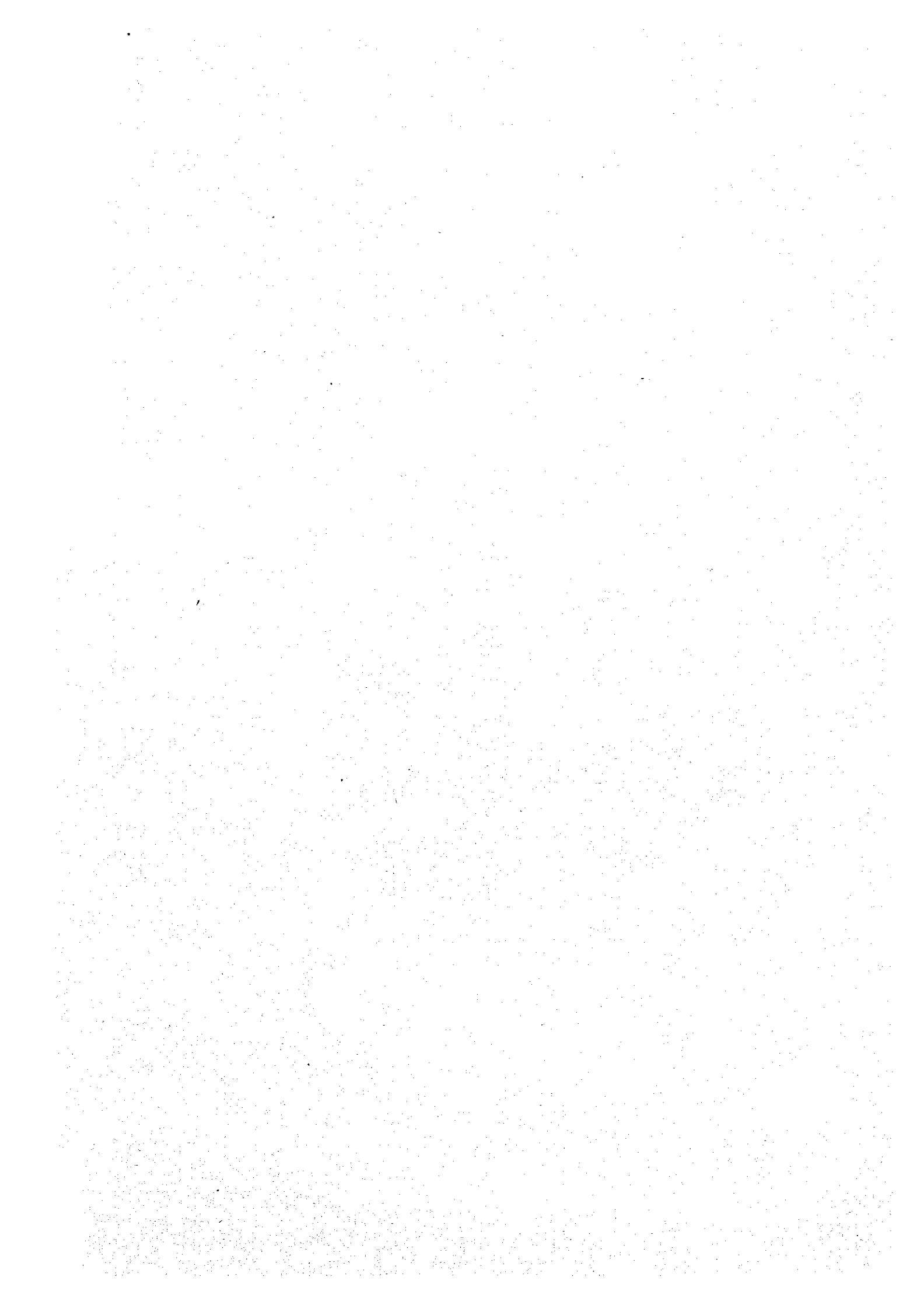
**ANNEX V: UNDERTAKINGS BY THE GOVERNMENT OF THE REPUBLIC OF
PALAU**

1. to secure a lot of land, in the respective sites, necessary for the Project;
2. to clear, level and reclaim the respective sites prior to the commencement of the construction;
3. to provide facilities for distribution of electricity, water supply and other incidental facilities to and in the respective sites, if necessary;
4. to ensure prompt unloading and customs clearance at ports of disembarkation in Palau and internal transportation therein of the products purchased under the Grant;
5. to exempt Japanese nationals from customs duties, internal taxes and fiscal levies which may be imposed in the Palau with respect to the supply of the products and services under the verified contracts;
6. to accord Japanese nationals whose services may be required in connection with the supply of the products and services under the verified contracts such as facilities as may be necessary for their entry into Palau and stay therein for the performance of their work;
7. to bear commissions, namely advising commissions of an Authorization to Pay (A/P) and payment commissions, to the Japanese foreign exchange bank for the banking services based upon the Banking Arrangement (B/A);
8. to provide necessary permissions, licences, and other authorization for implementing the Project, if necessary;
9. to ensure that the facilities and equipment under the Grant be maintained and used properly and effectively for the Project;
10. to bear all the expenses other than those covered by the Grant, necessary for the Project; and
11. to coordinate and solve any matters which may arise with third parties during the implementation of the Project.

5. Estimate of cost borne by Recipient country

Beglibe





JICA