

4. Minutes of Discussions

**Minutes of Discussions
on the Basic Design Study
on the Project
for Rehabilitation of the Public Transportation Capacity in Belgrade City
in the Federal Republic of Yugoslavia**


In response to a request from the Government of the Federal Republic of Yugoslavia (hereinafter referred to as "Yugoslavia"), the Government of Japan decided to conduct a Basic Design Study on the Project for Rehabilitation of the Public Transportation Capacity in Belgrade City (hereinafter referred to as "the Project") and entrusted the study to the Japan International Cooperation Agency (hereinafter referred to as "JICA").

JICA dispatched to Yugoslavia the Basic Design Study Team (hereinafter referred to as "the Team"), which is headed by Mr. Satoshi Nakano, Deputy Director of the Third Project Management Division, Grant Aid Management Department, JICA, and is scheduled to stay in the country from November 13 to November 21, 2001.


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

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

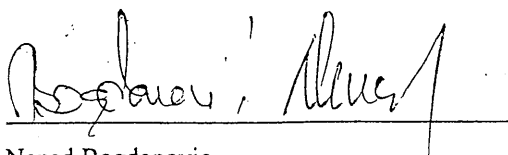
Belgrade, November 21, 2001



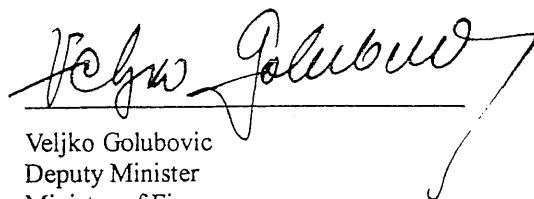
Satoshi NAKANO
Leader
Basic Design Study Team
Japan International Cooperation Agency



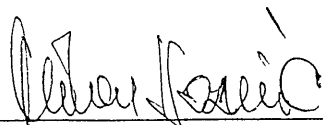
Milisav Pajic
Authorized Minister
Ministry of Foreign Affairs
Federal Republic of Yugoslavia



Nenad Bogdanovic
President
Executive Board
City Assembly of Belgrade



Veljko Golubovic
Deputy Minister
Ministry of Finance
Federal Republic of Yugoslavia



Milan Nozinic
Director General
Public Transport Company "Beograd"



Dobrosav Milovanovic
Deputy Minister
Ministry for International Economic Relations
Republic of Serbia

ATTACHMENT

1. Objective of the Project

The objective of the Project is to assist the rehabilitation of the public transportation capacity in Belgrade city through the procurement of buses and its maintenance equipment.

2. Project Sites

The Project sites are located in Belgrade City as shown in Annex-1.

3. Responsible and Implementing Organizations

The counterpart Ministry to the Government of Japan is the Ministry of Foreign Affairs of the Federal Republic of Yugoslavia.

The responsible organization is the City Assembly of Belgrade.

The implementing agency is the Public Transport Company "Beograd" (GSP Beograd).

The organization chart of the implementing agency is shown in Annex-2.

4. Items requested by the Government of Yugoslavia

After discussions with the Team, the items shown in Annex-3 were requested by the Yugoslavian side.

JICA will assess the appropriateness of the request and will recommend to the Government of Japan for approval.

5. Japan's Grant Aid Scheme

5-1. The Yugoslavian side understands the Japan's Grant Aid scheme explained by the Team, as described in Annex-4.

5-2. The Yugoslavian side will take the necessary measures, as described in Annex-5, for smooth implementation of the Project, as a condition for the Japan's Grant Aid to be implemented.

6. Schedule of the Study

6-1. The consultants will proceed to further studies in Yugoslavia until December 13, 2001.

6-2. JICA will prepare the draft report in English and dispatch a mission to Yugoslavia in order to explain its contents around February, 2002.

6-3. In case that the contents of the report is accepted in principle by the Government of Yugoslavia, JICA will complete the final report and send it to the Government of Yugoslavia by April, 2002.

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7. Other Relevant Issues

7-1. The Yugoslavian side shall submit answers in English to the questionnaire which the Team handed to the Yugoslavian side by November 30, 2001.

7-2. The Yugoslavian side confirmed that the Public Transport Company "Beograd" will not be privatized in the foreseeable future.

7-3. The Yugoslavian side requested to the Team that bidders who offer domestically manufactured buses should be allowed to participate in the tender on the Project from the viewpoint of the promotion of domestic industry. The Team understood the intention of the request and agreed to evaluate the technical viability from the viewpoint of its quality and production capacity, but also pointed out that the procurement from third countries might be needed in order to secure several bidders and the fairness and competitiveness of the tender.

7-4. The Yugoslavian side shall take all the necessary measures to exempt Japanese juridical and physical nationals engaged in the Project from customs duties, internal taxes including Value Added Taxes, and other physical levies which may be imposed in Yugoslavia regarding the procurement of equipment and materials and services under the verified contracts.

7-5. The Yugoslavian side shall carry out the necessary repair work of the depots which would be used for the maintenance of the new buses to be procured under the Grant Aid, and also secure the parking space in the depots by disposing scrap buses prior to the handover of the new buses.

7-6. The Yugoslavian side shall implement the Environmental Impact Assessment on the Project according to the laws and regulations of Yugoslavia by its own expenses, if necessary.

7-7. The Yugoslavian side shall improve the essential facilities for the proper bus operation, such as terminal stations and bus stops, prior to the handover of the new buses, if necessary.

7-8. The Yugoslavian side shall ensure enough budget and personnel to operate and maintain the equipment after the completion of the Project.

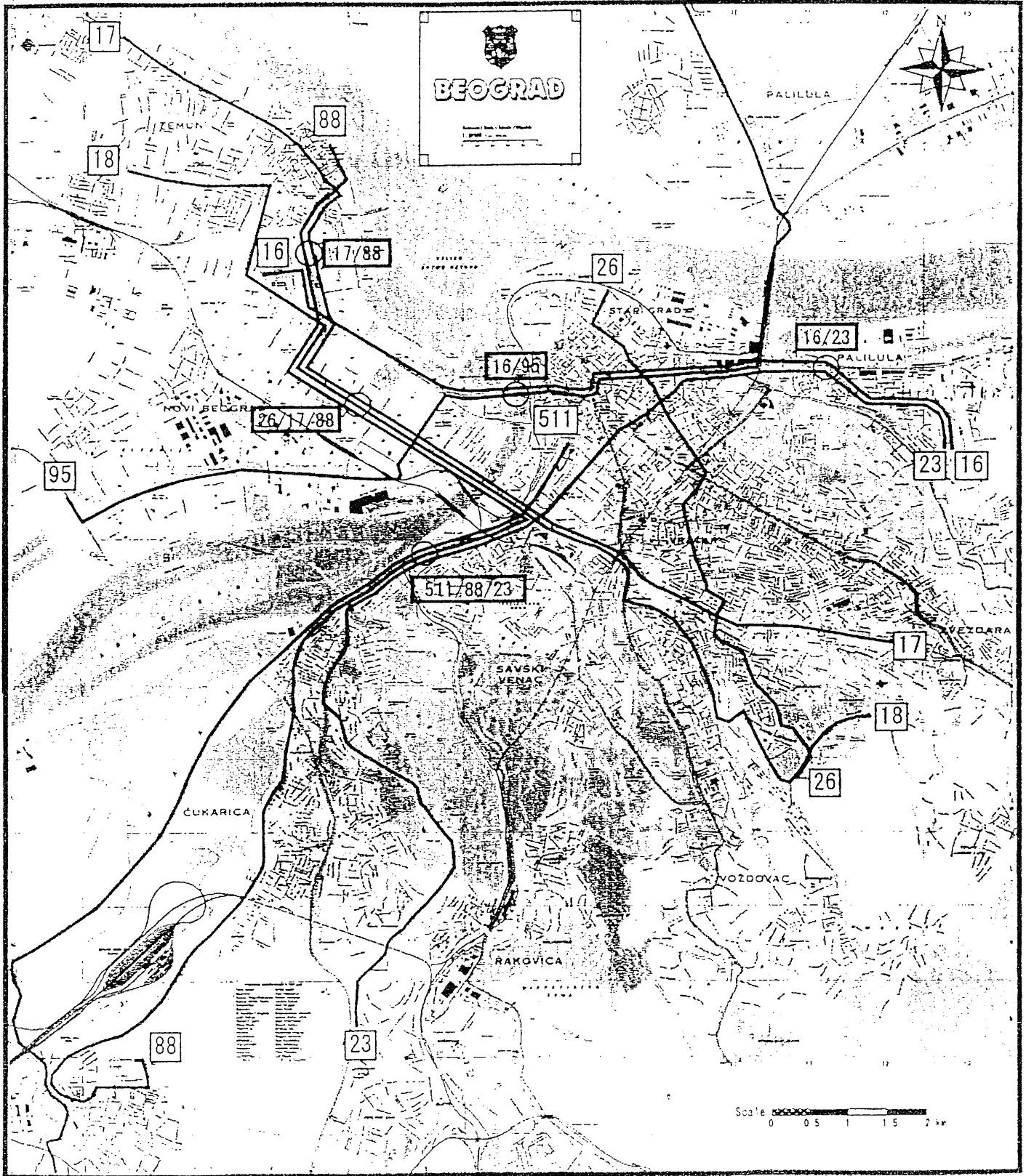
7-9. For the sake of the technology transfer on sustainable operation and maintenance, the Yugoslavian side pointed out the need for technical training of counterpart personnel in Japan. They also understood that another official request on technical cooperation should be submitted through the Embassy of Japan in Yugoslavia.

7-10. In order to secure fairness and competitiveness of the tendering procedure on the Project, the Yugoslavian side confirmed that the technical details of the Project that were discussed with the Team should be confidential to third parties.

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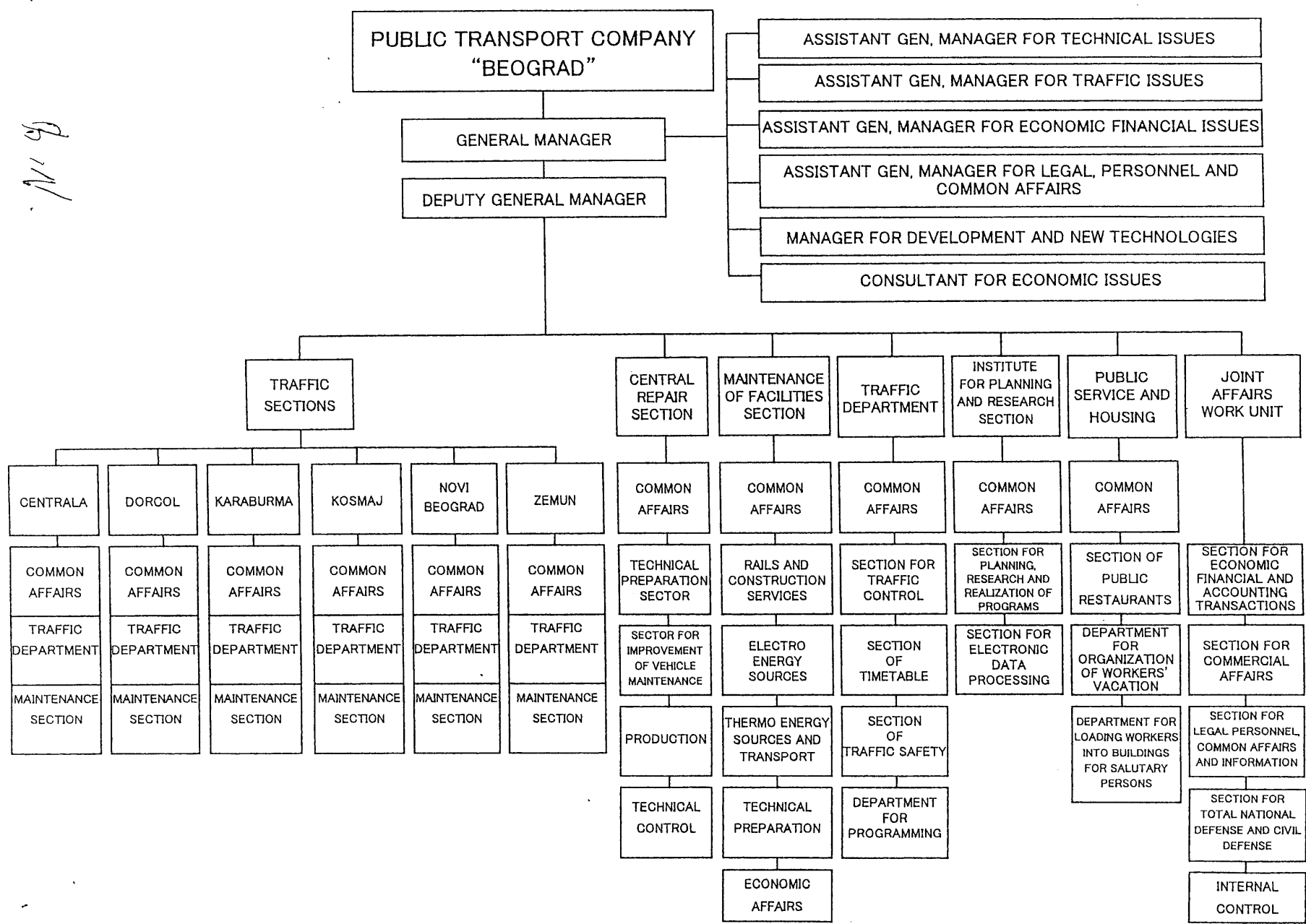


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(Annex-3)

Items Requested by the Yugoslavian Side

Bus Line No.	Items	Priority
511	- 10 units of articulated buses	8
95	- 11 units of articulated buses	5
88	- 14 units of articulated buses	6
26	- 18 units of standard buses	7
23	- 7 units of articulated buses	4
18	- 11 units of articulated buses	3
17	- 9 units of articulated buses	2
16	- 13 units of articulated buses	1
Total	93 units	
Common	- Spare parts for the above-mentioned buses	-
Common	- Maintenance equipment and tools for the Novi Beograd Depot and the Karaburma Depot	-

Remarks:

1) Concerning maintenance equipment and tools for the Karaburma Depot, it is also proposed in the EBRD's loan project. It needs clear demarcation with the EBRD's loan project in order to avoid duplication.

2) Draft of detailed specifications of the buses and others will be prepared by the consultants in consultation with the Yugoslavian side.

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JAPAN'S GRANT AID SCHEME

The Grant Aid scheme 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. The Grant Aid is not supplied through the donation of materials as such.

1. Grant Aid Procedures

Japan's Grant Aid scheme 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 and Approval by the Cabinet)
Determination of Implementation	(The Notes exchanged between the Governments of Japan and the recipient country)

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 the Grant Aid. If the request is deemed appropriate, the Government of Japan assigns JICA (the Japan International Cooperation Agency) 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 scheme, 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 (E/N) signed by the Governments of Japan and the recipient country.

Finally, for the smooth 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 a 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:

- 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.
- Evaluation of the appropriateness of the Project to be implemented under the Grant Aid scheme from a technical, social and economic point of view.
- Confirmation of items agreed upon by both parties concerning the basic concept of the

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- Project.
- Preparation of a Basic Design of the Project.
 - Estimation of cost 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 though 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 smooth implementation of the Study, JICA uses registered consulting firms. JICA selects firms based on proposals submitted by interested firms. The firms selected carry out a Basic Design Study and write a report, based upon terms of reference set by JICA.

The consulting firms used for the Study are recommended by JICA to the recipient country to also work on the Project's implementation after the Exchange of Notes, in order to maintain technical consistency.

3. Japan's Grant Aid Scheme

1) 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.

2) "The period of the Grant Aid" means the one fiscal year which the Cabinet approves the project for. Within the fiscal year, all procedures 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 natural disaster, 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.

3) Under the Grant Aid, 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, constructing 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.)

4) 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 to Japanese taxpayers.

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5) Undertakings required to the Government of the recipient country

In the implementation of the Grant Aid Project, the recipient country is required to undertake such necessary measures as the following:

- a) To secure land necessary for the sites of the Project and to clear, level and reclaim the land prior to commencement of the construction,
- b) To provide facilities for the distribution of electricity, water supply and drainage and other incidental facilities in and around the sites,
- c) To secure buildings prior to the procurement in case the installation of the equipment,
- d) To ensure all the expenses and prompt execution for unloading, customs clearance at the port of disembarkation and internal transportation of the products purchased under the Grant Aid,
- e) To exempt Japanese nationals from customs duties, internal taxes and other fiscal levies which will be imposed in the recipient country with respect to the supply of the products and services under the verified Contracts,
- f) To accord Japanese nationals, whose services may be required in connection with supply of the products and services under the verified contracts, such facilities as may be necessary for their entry into the recipient country and stay therein for the performance of their work.

6) "Proper Use"

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

7) "Re-export"

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

8) 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 a 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 (A/P) issued by the Government of recipient country or its designated authority.

9) Authorization to Pay (A/P)

The Government of the recipient country should bear an advising commission of an Authorization to Pay and payment commissions to the Bank.

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Major Undertakings to be taken by Each Government

NO	Items	To be covered by Grant Aid	To be covered by Recipient side
1	To bear the following commissions to a bank of Japan for the banking services based upon the B/A		
	a) Advising Commission of A/P		●
	b) Payment commission		●
2	To ensure prompt unloading and customs clearance at the port of disembarkation in recipient country		
	a) Marine (Air) transportation of the products from Japan to the recipient country	●	
	b) Tax exemption and customs clearance of the products at the port of disembarkation		●
	c) Internal transportation from the port of disembarkation to the project site	●	
3	To accord Japanese nationals, whose services may be required in connection with the supply of the products and the services under the verified contract, such facilities as may be necessary for their entry into the recipient country and stay therein for the performance of their work		●
4	To exempt Japanese nationals from customs duties, internal taxes and other fiscal levies which may be imposed in the recipient country with respect to the supply of the products and services under the verified contract		●
5	To maintain and use properly and effectively the facilities constructed and equipment provided under the Grant Aid		●
6	To bear all the expense, other than those to be borne by the Grant Aid, necessary for construction of the facilities		●

B/A : Banking Arrangement

A/P : Authorization to Pay

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**Minutes of Discussions
on the Basic Design Study
on the Project
for Rehabilitation of the Public Transportation Capacity in Belgrade City
in the Federal Republic of Yugoslavia
(Explanation on Draft Final Report)**

In November 2001, the Japan International Cooperation Agency (hereinafter referred to as "JICA") dispatched the Basic Design Study Team on the Project for Rehabilitation of the Public Transportation Capacity in Belgrade City (hereinafter referred to as "the Project") to the Federal Republic of Yugoslavia (hereinafter referred to as "Yugoslavia"), and through discussions, field survey, and technical examination of the results in Japan, JICA prepared a draft final report of the study.

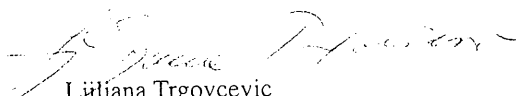
In order to explain and to consult the Government of Yugoslavia on the components of the draft report, JICA sent to Yugoslavia the Draft Report Explanation Team (hereinafter referred to as "the Team"), which is headed by Mr. Satoshi Nakano, Deputy Director of the Third Project Management Division, the Grant Aid Management Department, JICA, from February 14 to 26, 2002.

As a result of discussions, both sides confirmed the main items described on the attached sheets.

Belgrade, February 22, 2002

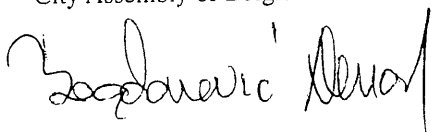


Satoshi Nakano
Leader
Basic Design Study Team
Japan International Cooperation Agency

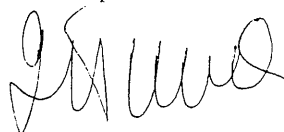


Ljiljana Trgovcevic
Head of the Department of Bilateral Cooperation
with Developed Countries
Federal Ministry of International Economic Relations
Federal Republic of Yugoslavia

Nenad Bogdanovic
President
Executive Board
City Assembly of Belgrade



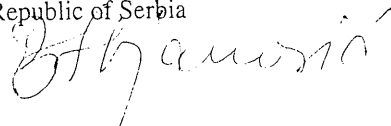
Dobrica Pantovic
Head of the Customs System Sector
Federal Ministry of Finance
Federal Republic of Yugoslavia



Milan Nozinic
Director General
Public Transport Company "Beograd"



Blazenka Stojanovic
Secretary General
Ministry for International Economic Relations
Republic of Serbia



ATTACHMENT

1. Components of the Draft Final Report

The Government of Yugoslavia agreed and accepted the components of the draft final report explained by the Team. The Yugoslavian side also confirmed that there were no duplication with other Projects on the bus lines.

2. Japan's Grant Aid Scheme

The Yugoslavian side understands the Japan's Grant Aid scheme and the necessary measures to be taken by the Government of Yugoslavia as explained by the Team and described in Annex-4 and Annex-5 of the Minutes of Discussions signed by both sides on November 21, 2001.

3. Schedule of the Study

JICA will complete the final report in accordance with the items confirmed by both sides and send it to the Government of Yugoslavia by May, 2002.

4. Other Relevant Issues

4-1. The Yugoslavian side confirmed that the counterpart Ministry on the Project to the Government of Japan had changed from the Federal Ministry of Foreign Affairs of the Federal Republic of Yugoslavia to the Federal Ministry of International Economic Relations of the Federal Republic of Yugoslavia.

4-2. The Yugoslavian side shall undertake the works which were described in the articles 5 and 7 of the Minutes of Discussions signed by both sides on November 21, 2001.

4-3. The Yugoslavian side shall allocate necessary budget and personnel to carry out the Yugoslavian side's undertakings which are described in the chapter 3 of the draft final report of the Project.

4-4. Both sides agreed that, as eligible source countries for articulated and standard buses, OECD member countries in addition to Yugoslavia and Japan should be taken into consideration in order to maintain the competitiveness of the tendering and to ensure the delivery of the equipment within the limited period of the Project.

4-5. The Yugoslavian side shall improve the facilities at bus stops and terminals along the bus lines of the Project, such as timetable and information boards, windshields, benches, as proposed by the Team in order to improve the service for passengers.

4-6. Both sides agreed that the draft final report and the draft detailed specifications which were prepared by the Team should be confidential to third parties in order to secure the fairness of the tender of the Project.

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5. Cost Estimation Borne by the Recipient Country

Cost Estimation borne by the Recipient Country

The Recipient Country shall be executed following works by their own expense.

- 1) Installation of repair equipment to be procured under the Project at the Novi Beograd Depot and Karabruma Depot.

①	Novi Beograd Depot	
	- Electrical installation 1 lot	12,400.00 DM
	- Machine installation 1 lot	51,500.00 DM
②	Karabruma Depot	
	- Electrical installation 1 lot	600.00 DM
	- Machine installation 1 lot	2,100.00 DM
		Total = 66,600.00 DM

- 2) Improvement of Bus Stops for 210 places

①	Type-A	180,000.00 DM (60 places)
②	Type-B	62,600.00 DM (150 places)
		Total = 242,600.00 DM

- 3) Registration of bus

①	Articulated bus	76,500 DM (75 units)
②	Standard bus	15,200 DM (18 units)
		Total = 91,700 DM

Total of cost of recipient country

1)	Installation cost of repair equipment	:	66,600 DM
2)	Improvement cost of bus stop	:	242,600 DM
3)	Registration cost of buses	:	91,700 DM
	Total		400,900 DM

6. References

Basic Study on the Project for Rehabilitation of the Public Transportation Capacity in Belgrade City in the Federal Republic of Yugoslavia

No.	Title	Type	Original or Copy	Organization	Year
1	BELGRADE PUBLIC TRANSPORT PROJECT	Report	Original	NEA:EBRD Consultant	2001
2	EBRD Loan: Tender Documents for Procurement of City Buses	Report	Copy	NEA:EBRD Consultant	2001
3	NEA Company Profile	Brouchar	Original	NEA:EBRD Consultant	2001
4	IKARBUS Company Profile	Brouchar	Original	IKARBUS	2000
5	GSP Company Profile	Brouchar	Original	GSP "Belgrade"	2000
6	City Map of Belgrade	Map	Original	Geo Center	1989
7	Road Map of YUGOSLAVIA	Map	Original	Geo Karta	2000
8	BEOGRAD New PLAN GRADA	Map	Original	Geo Karta	2001
9	2001Beograd	Map	Original	Geo Karta	2001
10	Guide of Belgrade	Brouchar	Copy	Embassy of Japan in Yugoslavia	2001
11	Circumstances of Federal Republic of Yugoslavia	Brouchar	Copy	Embassy of Japan in Yugoslavia	2001
12	EBRD Loan: Required Specification of Equipment and Tools	Report	Copy	GSP "Belgrade"	2001