

## Japan's Grant Aid Scheme

### 1. Japan's Grant Aid Procedures

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

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

country)

(2) Firstly, the application or a 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 Japan's Grant Aid. If the request is deemed appropriate, the Government of Japan assigns JICA to conduct a study (Basic Design Study) on the request.

Secondly, JICA conducts the study using (a) Japanese consulting firm(s).

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 Government 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 conducted by JICA is to provide a basic document necessary for appraisal of the project. The contents of the Study are as follows:

- a) To confirm the background, objectives, and benefits of the project and also institutional capacity of agencies concerned of the recipient country necessary for the project's implementation,

- b) To evaluate the appropriateness of the Project from technical, social and economical point of view,
- c) To confirm items agreed on by both parties concerning the basic concept of the project,
- d) To prepare a basic design of the project,
- e) To estimate the 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 is 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 (a) Consulting Firm (s)

For smooth implementation of the study, JICA uses (a) registered consultant firm(s). JICA selects (a) firm(s) through proposals submitted by interested firms. The selected firm(s) carry (ies) out a Basic Design Study and formulate(s) report, based upon terms of reference set by JICA.

The consulting firm(s), which conducted the study, is (are) recommended by JICA to the recipient country to also work on the project's implementation after Exchange of Notes, in order to maintain technical consistency.

### 3. Japan's Grant Aid Scheme

(1) Exchange of Notes (E/N)

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

- (2) "The period of the Grant Aid" means the only one Japanese fiscal year, which the Cabinet approves the project for. Within the fiscal year, all procedure such as Exchange of Notes, concluding contracts with (a) consulting firm (s) and (a) contractor (s) 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 may be used for the purchase of the products or services of a third country.

However the prime contractors, namely, consulting, contractor 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 the "Verification"

The Government of 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.

(5) Undertakings required of 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 work,
- 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 installation work in case the Project is providing equipment,
- d) To ensure all the expenses and prompt execution for unloading, customs clearance at 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 the 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 their operation and maintenance as well as to bear all expenses other than those to be borne 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 the 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.

(B)

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