

APPENDICIES

1 Member List of the Study Team

2 Survey Itinerary

3 List of Parties Concerned in the Recipient Country

4 Minutes of Discussions

5 Other Relevant Data

Appendix-1
Member List of the Study Team

1 Member List of the Study Team

(1) First Field Survey (Inception Report Explanation and Field Survey: February 19 to March 30, 2006)

Position	Name	Affiliation
(1) Team Leader	Tomoyuki Tada	Senor Assistant to the Director General, Grant Ais management Department, JICA
(2) Chief Consultant/ Water Supply Planner	Nobuyuki Ishii	Japan Techno Co.,Ltd.
(3) Construction Planner	Masaharu Fujishima	Mitsui consultants Co.,Ltd.

(2) The Mission for the Explanation of Draft Final Report (September 3 to September 6, 2006)

Position	Name	Affiliation
(1) Team Leader	Hiroyuki Kinomoto	Team Director, Water Resources Development and Environment Management Team, Project Management Group III, Grant Aid Management Dept., JICA
(2) Chief Consultant/ Water Supply Planner	Nobuyuki Ishii	Japan Techno Co.,Ltd.
(3) Construction Planner	Masaharu Fujishima	Mitsui consultants Co.,Ltd.

(3) Member in charge of study in Japan

Position	Name	Affiliation
(1) Tender document Preparation	Akihiko Uchiyama	Japan Techno Co.,Ltd.
(2) Cost Estimatiior	Koji Miyauchi	Japan Techno Co.,Ltd.
(3) Checking Audit Engineer	Takaaki Suzuki	Japan Techno Co.,Ltd.

Appendix-2
Survey Itinerary

2. Survey Itinerary

(1) First Field Survey (Inception Report Explanation and Field Survey: Feb.19 to Mar.30, 2006)

No	Date		Activities	Station
1	Feb.19	(SUN)	Move (Tokyo – Jakarta)	Jakarta
2	Feb.20	(MON)	Courtesy call on JICA Indonesia Office Discussion on Inception Report with Ministry of Public Works	Jakarta
3	Feb.21	(TUE)	Meeting with JICA Indonesia Office, Courtesy call on Embassy of Japan	Jakarta
4	Feb.22	(WED)	Meeting with Directorate General of Human Settlement Arrangement of Field survey Schedule	Jakarta
5	Feb.23	(THU)	Meeting with Directorate General of Human Settlement Data collection from Indonesian Meteorological Association (BMG)	Jakarta
6	Feb.24	(FRI)	Investigation of Associations concerning Construction in Indonesia Data collection of Statistics by Government and Construction Prices	Jakarta
7	Feb.25	(SAT)	Data arrangement, Preparation of Field survey	Jakarta
8	Feb.26	(SUN)	Move (Jakarta – NTT Kupang)	Kupang
9	Feb.27	(MON)	Meeting with PU-NTT Province and PDAM Kupang District	Kupang
10	Feb.28	(TUE)	Field survey (Tarus) , Meeting with PDAM Kupang District	Kupang
11	Mar.01	(WED)	Meeting with Meteorological office in Kupang (BMG) Data collection of Construction Prices in NTT	Kupang
12	Mar.02	(THU)	Data collection of Unit Prices (Materials Labor Construction) in Kupang Meeting with PDAM Kupang, Fuzisima Move (Kupang – Surabaya)	Kupang/Surabaya
13	Mar.03	(FRI)	Meeting with Health Center in Kupang District Meeting with National Electric Company (PLN Cabang Kupang) Data collection of Unit Prices (Materials Labor Construction) in Surabaya	Kupang/Surabaya
14	Mar.04	(SAT)	Meeting with PU-NTT and PDAM Kupang District Data collection of Unit Prices (Materials Labor Construction) in Surabaya	Kupang/Surabaya
15	Mar.05	(SUN)	Move (Kupang/Surabaya – Jakarta)	Jakarta
16	Mar.06	(MON)	Meeting in Study team and Date arrangement Data collection of Associations concerning Construction in Indonesia	Jakarta
17	Mar.07	(TUE)	Investigation of Market concerning Construction in Indonesia Hearing with Construction Companies, Making Draft of interim Report	Jakarta
18	Mar.08	(WED)	Meeting with Directorate General of Human Settlement Data collection of Associations concerning Construction in Indonesia Data collection of Unit Prices (Materials Labor Construction)	Jakarta
19	Mar.09	(THU)	Making Draft of interim Report, Move (Jakarta – NTB Mataram)	Mataram
20	Mar.10	(FRI)	Field survey in Lombok Barat (Kurang, Selaparang)	Mataram
21	Mar.11	(SAT)	Field survey in Lombok Barat (Duman Upper, Duman Lower)	Mataram
22	Mar.12	(SUN)	Meeting in Study team, Arrangement of Data and Schedule	Mataram
23	Mar.13	(MON)	Courtesy call on PU-NTB Province Joint Meeting with PU-NTB, PDAM West and East Lombok District Data collection and arrangement in Lombok District	Mataram
24	Mar.14	(TUE)	Field survey in Lombok Timur (Bagikpapan, Selaparang)	Mataram

25	Mar.15	(WED)	Meeting with PU-NTB West Lombok District and PDAM Data collection of Unit Prices (Materials Labor Construction) in Lombok	Mataram
26	Mar.16	(THU)	Meeting with PU-NTB East Lombok District and PDAM Meeting with Health Center in East Lombok	Mataram
27	Mar.17	(FRI)	Fuzisima Move (Mataram – Dempasar) Meeting with Health Center in West Lombok and PDAM	Mataram/Denpasar
28	Mar.18	(SAT)	Meeting with PDAM East Lombok, Fuzisima Move (Dempasar –Mataram) Data collection of Unit Prices (Materials Labor Construction) in Lombok	Mataram/Surabaya
29	Mar.19	(SUN)	Ishii Move (Mataram - Jakarta) , Data arrangement Data collection of Unit Prices (Materials Labor Construction) in Surabaya	Jakarta/Surabaya
30	Mar.20	(MON)	Meeting with Directorate General of Human Settlement Data collection of Unit Prices (Materials Labor Construction) in Jakarta	Jakarta/Surabaya
31	Mar.21	(TUE)	Meeting with Directorate General of Human Settlement Fuzisima Move (Surabaya – Jakarta)	Jakarta
32	Mar.22	(WED)	Meeting with Project WSLIC-2 (IBRD) and Project ProAir (GTZ/KfW) Data collection of Statistics by Government and Construction Prices	Jakarta
33	Mar.23	(THU)	Hearing with Construction Companies and Consltants in Indonesia Meeting with Insurance Companies	Jakarta
34	Mar.24	(FRI)	Meeting with Directorate General of Human Settlement Meeting with JICA Indonesia Office	Jakarta
35	Mar.25	(SAT)	Meeting in Study team, Arrangement of Data and Schedule	Jakarta
36	Mar.26	(SUN)	Arrangement of Data and Schedule, Making Draft of interim Report	Jakarta
37	Mar.27	(MON)	Meeting with Directorate General of Human Settlement Meeting in Study team, Making Draft of interim Report	Jakarta
38	Mar.28	(TUE)	Meeting with Directorate General of Human Settlement Data collection and arrangement, Making Draft of interim Report	Jakarta
39	Mar.29	(WED)	Meeting with Ministry of Public Works Report to Embassy of Japan and JICA Indonesia Office Move (Jakarta - Tokyo)	Jakarta
40	Mar.30	(THU)	Arrival at Tokyo	

(2) The Mission for the Explanation of Draft Final Report (Sep.03 to Sep.06, 2006)

No	Date		Activities	Station
1	Sep.03	(SUN)	Move (Tokyo - Jakarta)	Jakarta
2	Sep.04	(MON)	Meeting with JICA Indonesia Office Explanation of Draft of Report to Ministry of Public Works Signing of Minutes of Discussion	Jakarta
3	Sep.05	(TUE)	Meeting with Ministry of Public Works Report to Embassy of Japan and JICA Indonesia Office Move (Jakarta – Tokyo)	Jakarta
4	Sep.06	(WED)	Arrival at Tokyo	

Appendix-3

List of Parties Concerned in the Recipient Country

3. List of Parties Concerned in the Recipient Country

Departemen Pekerjaan Umum, Direktorat Cipta Karya, Direktorat Pengembangan Air Minum

(Ministry of Public Works, Directorate General Cipta Karya, Directorate of Water Supply Development)

➤ Ir. Agoes Wijanakp, MURP	Director General of Cipta Karya Ministry of Public Works
➤ Ir. Poedjastanto Soemardono	Director of Water Supply Development
➤ Ir. Tamin M.Zakaria Amin	Chef of Sub-Directorate Area II Section (Eastern Indonesia) May 2006
➤ Ir. Sardjono, MM	Chef of Sub-Directorate Area II Section (Eastern Indonesia) September 2006
➤ Neman Suharta, BE, SE	Staff of Area II Section (Eastern Indonesia)

Dinas Permukiman dan Prasarana Wilayah Propinsi Nusa Tenggara Timur

(Dinas Settlement & Regional Infrastructure of NTT)

➤ Ir. Pieter Djami Rebo, MSi	Director of Dinas Settlement & Regional Infrastructure of NTT
➤ Ir. Andreas Wellem Koreh	Chef of Settlement & Spatial Plan Sub-Dinas & Regional Infrastructure of NTT
➤ Ir. Fransiskus Pangalinan	Chef of Water Management Performance Development Temporary Working Unit
➤ Yosef Rasi, S. Sos.	Chef of Employee Affairs Sub-Section
➤ Laurents	Chef of Administration Section
➤ Waluyo	Technical Staff, Water Management Performance Development Temporary Working Unit

Pemerintah Daerah Kabupaten Kupang (The Government of Kupang District / PDAM Kupang)

➤ Drs. Ibrahim A. Medah	Governor District Kupang
➤ Ir. M. Syahrin Nurawi	Chef of Water Resources Development Dinas District Kupang
➤ F. Pandie	Chef of Water Supply and Drainage, Water Resources Development Dinas District Kupang
➤ Marthen Bekuliu,SH	Chef of Administration Section, Public Works Dinas District Kupang
➤ Drs. Masya Djonu	Director General of PDAM (District owned Water Supply Enterprise) District Kupang
➤ Geon Gregorius	Chef of Design & Supervision Section, PDAM District Kupang
➤ M.G. Achyari	Chef of Technical Supervision Sub-Section, PDAM District Kupang
➤ Dr. Ari Wijana,Sp	Chef of Tarus Community Health Center
➤ P.C. Didit H.S.	Deputy of Design Manager, PLN (State owned Electricity Enterprise) Kupang Branch

Dinas Kimpraswil Propinsi Nusa Tenggara Barat (Dinas Settlement & Regional Infrastructure of NTB)

➤ Ir. Lalu Darmawan	Sub Director of Dinas Settlement & Regional Infrastructure of NTB
➤ Ir. Made Drestanegara	Chef of Settlement & Urban Development Sub-Dinas
➤ Rrs. Rivai M, ST	Chef of Working Unit of Water Supply and Waste Water Management
➤ Ir. Wayan Sukendra	Administration Assistant

➤ Laurents	Chef of Administration Section
➤ Nasiruddin	Chef of Personal Sub-section

Dinas Pekerjaan Umum (PU) Kabupaten Lombok Barat

(The Government of West Lombok District) / PDAM Lombok Barat

➤ Moh Athar	Chief of Cipta Karya, Sub-Dinas West Lombok District
➤ Srijiono	Chef of Environmental Sanitation Section, Sub-Dinas West Lombok District
➤ Syahrul SA	Staff of Cipta Karya, Sub-Dinas West Lombok District
➤ Drs. Lalu Tasrin Maladi	President Director PDAM West Lombok District
➤ Faesal, BE	Chef of Technical Section, PDAM West Lombok Distric

Dinas Pekerjaan Umum (PU) Kabupaten Lombok Timur

(The Government of East Lombok District) / PDAM Lombok Timur

➤ Moh Jamaludin	Chief of Cipta Karya, Sub-Dinas East Lombok District
➤ Ir. Mohammad Isra, MBA	President Director PDAM East Lombok District
➤ Jarno, ST	Chef of Technical Section, PDAM East Lombok Distric
➤ Lalu Muh. Jauhari, S. Sos	Chef of Finance Section, PDAM East Lombok Distric

Project WSLIC-2 (IBRD) & Project PrpAir (GTZ-KfW)

➤ Ir. Supriyanto	Head of Sub-directorate Medical and industrial Waste
➤ Ir. Imam	Chief of monitoring and Evaluation WSLIC-2 (IBRD)
➤ Ir. Donal Simanjuntak	Staff of water and sanitation from ProAir (GTZ-KfW)
➤ Ellie	Staff of water and sanitation from ProAir (GTZ-KfW)

Embassy of Japan in Indonesia and JICA Indonesia Office

➤ Satoshi Doi	Embassy of Japan, First Secretary
➤ Koshin Kiyohara	Embassy of Japan, Second Secretary
➤ Nobuhiko Hanazato	JICA Indonesia Office, Deputy Resident Representative
➤ Katsuhiko Ohara	JICA Indonesia Office, Assistant Resident Representative
➤ Nobuo Iwai	JICA Indonesia Office, Assistant Resident Representative
➤ Toshiaki Shimazaki	JICA Expert on Water Supply Management
➤ Seiken Higa	JICA Expert on Water Supply Management

Appendix-4
Minutes of Discussions

**MINUTES OF DISCUSSIONS
ON THE IMPLEMENTATION REVIEW STUDY
ON THE PROJECT FOR RURAL WATER SUPPLY
IN NUSA TENGGARA BARAT AND NUSA TENGGARA TIMUR
IN THE REPUBLIC OF INDONESIA**

Based on the results of the Basic Design Study in 2003, the notes on the grant aid for the Project for Rural Water Supply in Nusa Tenggara Barat and Nusa Tenggara Timur (hereinafter referred to as "the Project") were exchanged on July 26, 2004, between the Government of the Republic of Indonesia (hereinafter referred to as "Indonesia") and the Government of Japan. However, due to the unsuccessful tendering process the Project could not enter into the construction stage.

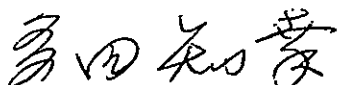
In order to promote the realization of the Project, the Government of Japan decided to conduct an Implementation Review Study (hereinafter referred to as "Study") on the Project and entrusted the Study to the Japan International Cooperation Agency (hereinafter referred to as "JICA").

JICA sent to Indonesia the Implementation Review Study Team (hereinafter referred to as "the Team"), which is headed by Mr. Tomoyuki Tada, Senior Assistant to the Director General, Grant Aid Management Department, JICA, and is scheduled to stay in the country from February 19 to March 29, 2006.

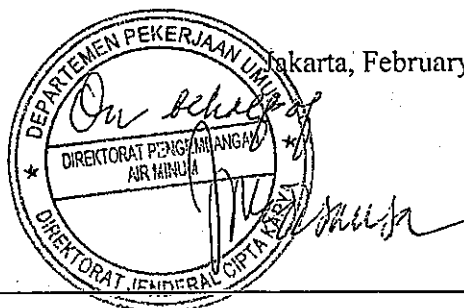
The Team held discussions with the officials concerned of the Government of Indonesia.

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

Jakarta, February 21, 2006



Mr. Tomoyuki Tada
Leader
Implementation Review Study Team
Japan International Cooperation Agency
Japan



Mr. Agoes Widjanarko
Directorate General of Human Settlements
Ministry of Public Works
Republic of Indonesia

ATTACHMENT

1. Background of the Study

The Team explained the background of the Study as below:

- (1) Following competitive tenders were conducted based on the Notes exchanged on July 26, 2004, but they ended up in failure:
 - (a) The first competitive tendering (Public Announcement: Oct. 20, 2004, Tender Opening: Jan. 12, 2005)
 - (b) The second competitive tendering (Public Announcement: Feb. 8, 2005, Tender Opening: Not executed)
 - (c) The third competitive tendering (Public Announcement: Mar. 1, 2005, Tender Opening: Not executed)
- (2) Negotiation for direct contracting was made with one company selected from the companies which had expressed interest, but unsuccessful. (Mar. 11 – Apr. 19, 2005)
- (3) Presumed reasons of the unsuccessful tenders are as follows:
 - (a) The tenderers estimated more risks against ensuring given construction schedule and quality than the estimated ceiling price included.
 - (b) The size of the Project was rather small so that the tenderers thought overhead was not enough to cover the potential risks.
- (4) The Japanese side has decided to continue an effort to realize the Project, and to take following response:
 - (a) To apply Construction Management to avoid another unsuccessful tendering, and
 - (b) To conduct an Implementation Review Study to prepare for the new Exchange of Notes.

2. Objective of the Project

The objective of the Project is to construct rural water supply systems in Nusa Tenggara Barat (hereinafter referred to as "NTB") and Nusa Tenggara Timur (hereinafter referred to as "NTT"), to provide sufficient and safe water and to improve the living standards of the inhabitants.

3. Project sites

The Project sites are seven (7) water supply systems in the six (6) villages located in NTB and NTT as shown in the map on Annex-1.

4. Responsible and Implementing Agency

The responsible organization is the Ministry of Public Works and the implementing agencies are the Provincial Government of NTB and the Provincial Government of NTT.

5. Items requested by the Government of Indonesia

The Study will be conducted based on the requested items described in the Basic Design Report and Annex-2. JICA will assess the request, and make recommendation to the Government of Japan for approval.

6. Japan's Grant Aid Scheme

6-1. The Indonesian side understands the Japan's Grant Aid Scheme explained by the Team, as

described in Annex-3.

6-2. The Indonesian side will take the necessary measures for smooth implementation of the Project, as a condition for the Japanese Grant Aid to be implemented.

7. Schedule of the Study

- 7-1 The consultants will proceed with further studies in Indonesia until 29th March, 2006 for the field survey.
- 7-2 JICA will prepare the draft report in English and dispatch a mission to Indonesia in order to explain its contents around June 2006.
- 7-3 In case that the contents of the report are accepted in principle by the Government of Indonesia, JICA will complete the final report and send it to the Government of Indonesia by August 2006.

8. Other relevant issues

8-1. Scope of the Project

Since the Basic Design Study Report for the Project was prepared by JICA and submitted to the Government of Indonesia in December 2003, and the detailed design was also completed in 2004, the Team will conduct the Study basically in line with the scope of the Project set by the previous basic design and the detailed design.

However, the Team explained that the scope might be changed, if necessary, considering following factors:

- (1) There may be changes of water supply conditions, water sources and socio-economic situations of the project sites (villages) over time;
- (2) The implementing schedule and cost estimation inevitably need to be revised; and
- (3) The Project should go through the approval process of the Government of Japan again, which retains the possibility of modification due to government's policies and financial situation.

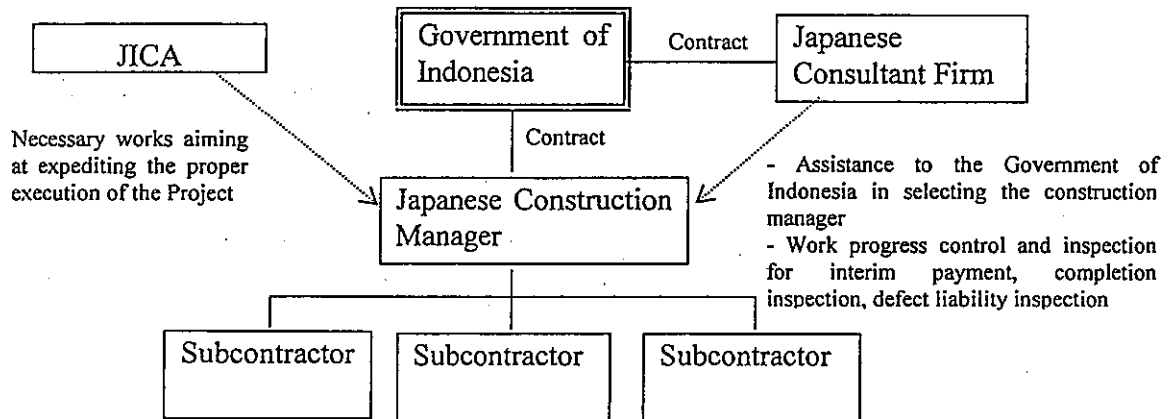
8-2. Construction Management

Construction Management is a project delivery system that uses a construction manager to facilitate the design and construction of a project by organizing and directing human resources, materials, and equipment to accomplish the project. The construction manager should provide a professional service that applies effective management techniques to the planning, design, and construction of a project from inception to completion for the purpose of controlling time, cost and quality.

Expected merits of Construction Management are described below:

- (a) The previous tenders invited only Japanese general construction contractors. However, by using Construction Management, a Japanese construction manager can be selected from wider choices including not only general construction contractors, but also consultants and other types of firms. It will expand the possibility to realize the Project.
- (b) A construction manager is a firm or business organization with the expertise and resources to manage the design, contracting, and construction aspects of project delivery. It usually does not construct by itself, but uses and manages several subcontractors. It will give more opportunity for Indonesian local firms to participate in the Project.

Presumed implementation structure of the Project is as the following figure.

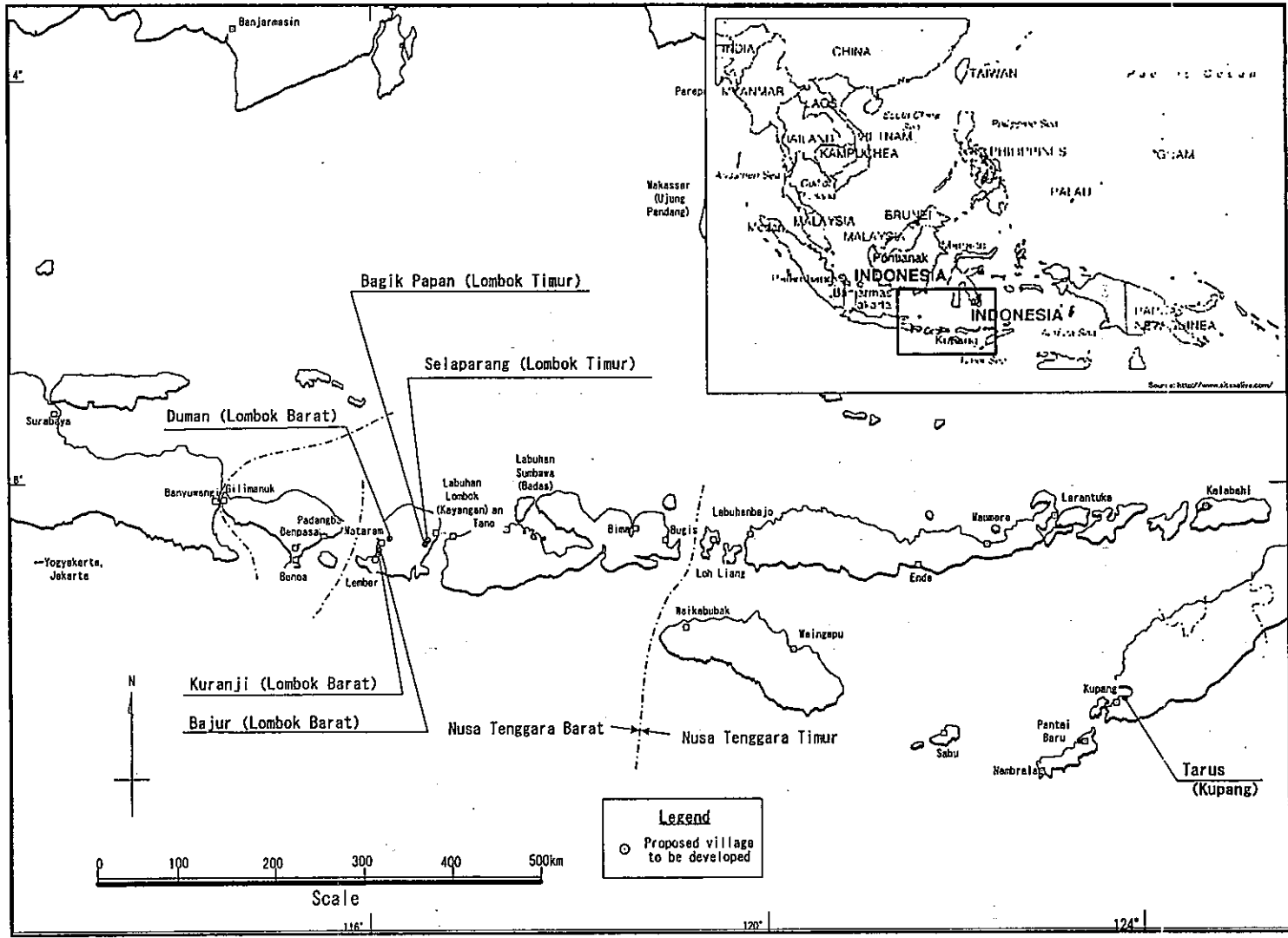


A construction manager takes responsibility to complete the construction works at its own risk. It shall be a Japanese national in accordance with the Exchange of Notes. Several local subcontractors are employed and controlled by the construction manager.

A consultant firm is appointed to assist the Government of Indonesia in selecting the construction manager and supervise it by short-term dispatch basis for work progress control and inspection.

8-3. Scope of the Study

The Indonesian side understood the scope of the Study explained by the Team based on the Inception Report.



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ANNEX-2 : Items requested by the Government of Indonesia

1) Facilities

- a) Construction of water supply facilities except house connections
- b) Supply of materials for house connections before water meter

2) Soft component

Support for people's education and sensitization on operation and maintenance of water supply facilities to staff in each district Public Works (PU)

3) Villages and schemes

Province	District	Village (scheme)	Note		
			Water Source	System	O&M
NTB	Lombok Barat	Kuranji	PDAM pipeline	Gravity flow	PDAM
		Bajur	PDAM pipeline	Gravity flow	PDAM
		Doman(upper)	Spring	Gravity flow	WUA
		Doman(lower)	PDAM pipeline	Gravity flow	PDAM
	Lombok Timur	Bagik Papan	Spring	Gravity flow	WUA
		Selaparang	Spring	Gravity flow	PDAM
NTT	Kupang	Tarus	Spring	Pump	PDAM

PDAM: Regional Drinking Water Enterprise

WUA: Water User's Association

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ANNEX-3 : JAPAN'S GRANT AID SCHEME

1. Grant Aid Procedure (Attachment 1)

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

Application (Request made by a recipient country)

Study (Basic Design Study / Implementation Review Study conducted by JICA)

Appraisal & Approval (Appraisal by the Government of Japan and 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. If necessary, JICA send a Preliminary Study Team to the recipient country to confirm the contents of the request.

Secondly, JICA conducts the study (Basic Design Study and/or Implementation Review 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 Programme, based on the Basic Design Study report and/or Implementation Review 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 Governments 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 / Implementation Review Study

1) Contents of the Study

The aim of the Basic Design Study / Implementation Review 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:

- a) confirmation of 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) evaluation of the appropriateness of the Project to be implemented under the Grant Aid Scheme from the technical, social and economic points of view;
- 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 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 the smooth implementation of the Study, JICA uses a consulting firm selected through its own procedure (competitive proposal). The selected firm participates the Study and prepares 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 Tendering 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 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 (Attachment 2)

- 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 Aid be maintained and used properly and effectively for the Project; and
- g) to bear all the expenses, other than those covered by the Grant Aid, 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 (A/P) issued by the Government of recipient country or its designated authority.

FLOW CHART OF JAPAN'S GRANT AID PROCEDURES

Stage	Flow & Works	Recipient Government	Japanese Government	JICA	Consultant	Contractor	Others
Application	<p>(T/R : Terms of Reference)</p> <p>Request → Screening of Project → Evaluation of T/R → Project Identification Survey</p>						
Project Formulation & Preparation	<p>Preliminary Survey → Field Survey Home Office Work Reporting</p> <p>Basic Design / Implementation Review Study → Selection & Contracting of Consultant by Proposal → Field Survey Home Office Work Reporting</p> <p>Explanation of Draft Final Report → Final Report</p>						
Appraisal & Approval	<p>Appraisal of Project → Inter Ministerial Consultation → Presentation of Draft Notes → Approval by the Cabinet</p>						
Implementation	<p>(E/N : Exchange of Notes)</p> <p>E/N → Banking Arrangement → Consultant Contract → Verification → Issuance of A/P</p> <p>Detailed Design & Tender Documents → Approval by Recipient Government → Preparation for Tendering</p> <p>Tendering & Evaluation → Procurement / Construction Contract → Verification → A/P</p> <p>Construction → Completion Certificate by Recipient Government → A/P</p> <p>Operation → Post Evaluation Study (A/P : Authorization to Pay)</p>						
Evaluation & Follow up	<p>Ex-post Evaluation → Follow up</p>						

Major Undertakings to be taken by Each Government

No.	Items	To be covered by Grant Aid	To be covered by Recipient Side
1	To secure land		•
2	To clear, level and reclaim the site when needed		•
3	To construct gates and fences in and around the site		•
4	To construct the parking lot		•
5	To construct roads		
	1) Within the site		•
	2) Outside the site		•
6	To procure pipes, materials and equipment for the project	•	
7	To construct intake, transmission/distribution mains, storage tanks and public hydrants	•	
8	To construct house connections		•
9	To provide facilities for the distribution of electricity, water supply, drainage and other incidental facilities		
	1) Electricity		
	a. The distributing line to the site		•
	b. The drop wiring and internal wiring within the site	•	
	c. The main circuit breaker and transformer		•
10	To bear the following commissions to the Japanese foreign exchange bank for the banking services based upon the B/A		
	1) Advising commission of A/P		•
	2) Payment commission		•
11	To ensure unloading and customs clearance at port of disembarkation in recipient country		
	1) Marine (Air) transportation of the products from Japan to the recipient country	•	
	2) Tax exemption and custom clearance of the products at the port of disembarkation		•
	3) Internal transportation from the port of disembarkation to the project site		•

12	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.		•
13	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 contracts.		•
14	To maintain and use properly and effectively the facilities constructed and equipment provided under the Grant.		•
15	To bear all the expenses, other than those to be borne by the Grant, necessary for construction of the facilities as well as for the transportation and installation of the equipment.		•

(B/A: Banking Arrangement, A/P: Authorization to Pay)

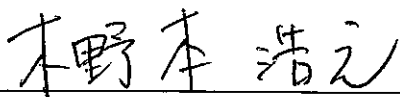
MINUTES OF DISCUSSIONS
ON THE IMPLEMENTATION REVIEW STUDY
ON THE PROJECT FOR RURAL WATER SUPPLY
IN NUSA TENGGARA BARAT AND NUSA TENGGARA TIMUR
IN THE REPUBLIC OF INDONESIA
(EXPLANATION ON DRAFT FINAL REPORT)

In March 2006, the Japan International Cooperation Agency (hereinafter referred to as "JICA") dispatched the Implementation Review Study Team on the Project for Rural Water Supply in Nusa Tenggara Barat and Nusa Tenggara Timur (hereinafter referred to as "the Project") to the Government of the Republic of Indonesia (hereinafter referred to as "Indonesia"), and through discussion, 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 with the Government of Indonesia on the components of the draft report, JICA sent to Indonesia the Draft Final Report Explanation Team (hereinafter referred to as "the Team"), which is headed by Mr.Hiroyuki Kinomoto, Team Director, Water Resources Development and Environmental Management Team, Project Management Group III, Grant Aid Management Dept., JICA, from September 3 to 5, 2006.


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

Jakarta, September 5 , 2006



Mr. Hiroyuki KINOMOTO
Leader
Implementation Review Study Team
Japan International Cooperation Agency
Japan



 **Mr. Agoes Widjanarko**
Directorate General of Human Settlements
Ministry of Public Works
Republic of Indonesia

ATTACHMENT

1. Components of the Draft Report

The Government of Indonesia agreed and accepted in principle the contents of the draft report explained by the Team.

2. Japan's Grant Aid Scheme

The Indonesian side understands the Japan's Grant Aid Scheme and the necessary measures to be taken by the Government of Indonesia as explained by the Team and described in Annex-3.

3. Schedule of the Study

JICA will complete the final report in accordance with the confirmed items and send it to the government of Indonesia by November, 2006.

4. Other relevant issues

4-1) Components of the Project

Both sides confirmed that the Project would be composed of the items listed in Annex-1 in case the Japanese Government would finally decide to implement the Project.

4-2) Components for Upper and Lower Duman

The residents in Duman constructed a combined water supply facilities for both Upper and Lower Duman using a spring source through their efforts. So, the Japanese side proposed about Duman that only transmission pipeline construction from water source (connection with PDAM branch line) for Lower Duman should be implemented under the Project and other components for Duman should be excluded.

The Japanese side explained about construction for Upper and Lower Duman as follows:

- a) The Japanese construction portion under the Project should be clearly separated from the community-constructed facilities to avoid any problems with the community-constructed facilities.
- b) It is difficult for the Japanese side to construct facilities in duplication with already constructed facilities.
- c) "Transmission pipeline construction from water source for Lower Duman" was originally planned in the Basic design Study, but not constructed by the community residents and clearly separated from the community-constructed facilities. It involves construction of intake from PDAM branch line, pressure-release tank and transmission pipeline($\phi 75, L \approx 1.8\text{km}$) .
- d) By installing a gate valve in the transmission line from Upper Duman (Installation just before the supply line to Lower Duman by the Indonesian side), Upper Duman and Lower Duman can be separated as different systems. Therefore, this can contribute to increase the water supply not only to Lower Duman but also to Upper Duman through the community-constructed water supply facilities in Upper Duman.

The Indonesian side agreed on it and both sides confirmed that piping route in Lower Duman should be as described in Annex-2 in case the Japanese Government would finally decide to implement the Project.

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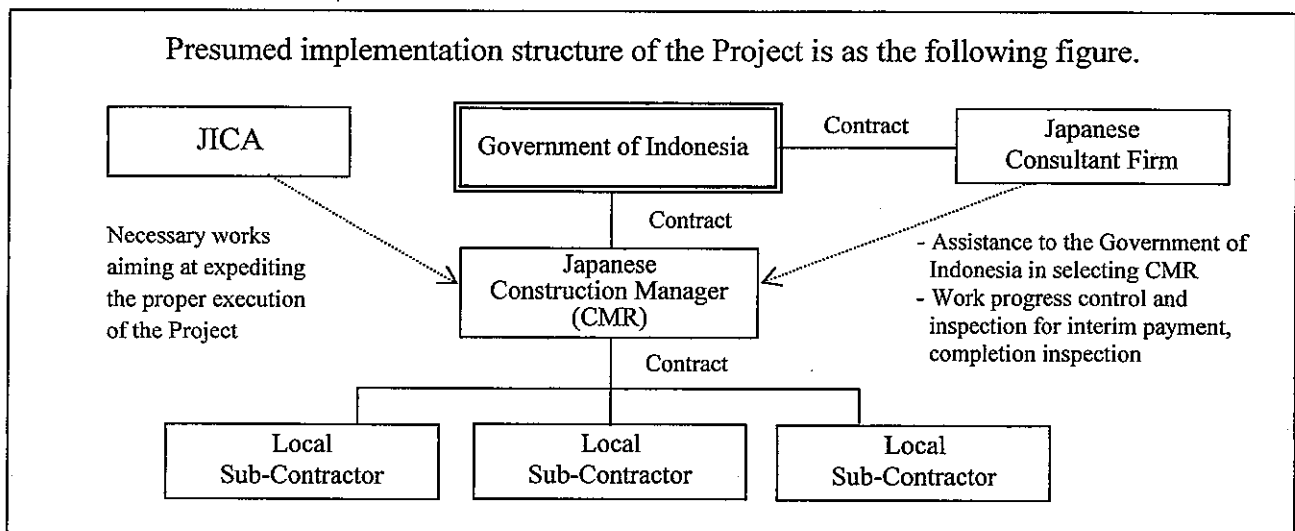
4-3) Construction Management At-Risk

a) Construction Manager (CMR)

Construction Management is a project delivery system that uses a construction manager (CMR) to facilitate the design and construction of a project by organizing and directing human resources, materials, and equipment to accomplish the project. The construction manager should provide a professional service that applies effective management techniques to construction of a project for the purpose of controlling time and quality.

Expected merits of Construction Management are described below:

- The previous tenders invited only Japanese general construction contractors. However, by using Construction Management, a Japanese construction manager can be selected from wider choices including not only general construction contractors, but also consultants and other types of firms. It will expand the possibility to realize the Project.
- A construction manager is a firm or business organization with the expertise and resources to manage contracting and construction aspects of project delivery. It usually does not construct by itself, but uses and manages several subcontractors. It will give more opportunities for Indonesian local firms to participate in the Project.



A construction manager takes responsibility to complete the construction works at its own risk. It shall be a Japanese national in accordance with the Exchange of Notes. Several local subcontractors are employed and controlled by the construction manager.

b) Local Sub-Contractors

Construction of water supply facilities in this project will be carried out by local sub-contractors selected and controlled by the CMR, and the local sub-contractors will be selected through the following procedure.

- 1) The consultant will prepare a short list of local sub-contractors in which all the companies duly registered under LPJK affiliated 3 groups (AKI, GAPENSI and AKAINDO) are listed. The consultant will attach this short list in the tender documents of the CMR along with technical specifications for local sub-contractors.
- 2) The CMR will select the local sub-contractors from this short list under the full responsibility of the CMR, using technical specifications attached in the tender documents of the CMR.

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- 3) The CMR shall make a report about local sub-contractor selection in which only company names of sub-contractors shall be written and the certificates of the selected sub-contractors about registration in a LPJK affiliated group shall be attached. The report shall be submitted to the client, the consultant and JICA.

The client cannot make any comments about the results of sub-contractors selections in case the CMR properly selects them from the short list and selected sub-contractors are duly registered in a LPJK affiliated group, because the CMR takes full responsibility of the local sub-contractor selection.

c) Scope of Work of CMR and Consultant

One of the major objectives of adopting the CM method is “simplification of construction organizational structure”. To achieve this, of the construction supervision to be carried out by the consultant under the ordinary general grant aid procedures, some assignments are transferred to the CMR.

The scope of work to be assigned to the CMR is shown below.

Scope of Work of CMR

Time	Main Supervision Items	Role of CMR
Pre-Construction	➤ Selection of local sub-contractor	Selection of local sub-contractors. Report the results to the client, the consultant and JICA
	➤ Handling of implementation plan prepared by sub-contractors	Confirmation of design drawings and site conditions. Prepare construction plans. Submission of the construction plans to the client and the consultant, if necessary
	➤ Schedule management, quality control, work progress supervision, safety/ sanitation management, cost management	Compile work assignments into construction supervision manual. Submission of the construction supervision manual to the client and the consultant, if necessary
	➤ Site transfer	Confirmation of site transfers and the sites.
Construction	➤ Site supervision	Coordinate/handle sub-contractors. Confirm/coordinate construction plan for each work Confirm/coordinate progress of construction /payment
	➤ Preparation and submission of monthly progress reports	Prepare monthly reports and submit to client, the consultant and JICA
	➤ Handling of modifications	Arrange for request letter by the client for modifications Studying of requested modifications (necessity and appropriateness) Instruct modifications to sub-contractors after approval by JICA.
	➤ Implementation progress survey by grant aid supervisory expert	Make necessary arrangements and support the survey
	➤ Intermediate inspections	Conduct intermediate inspections and prepare reports
Completion	➤ Completion inspection	Conduct completion inspection and prepare report
Post-Completion	➤ Handover ceremony	Prepare ceremony
	➤ Defect inspection	Conduct defect inspection and repair the found defects.

The supervision responsibilities of the consultant are the spot supervisions as listed below.

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Spot Supervision by the Consultant

Time	Main Supervision Items	Role of Consultant	Spot Frequency
Pre-Construction	1) Site transfer	Confirmation of site transfer.	Once
Construction Stage	2) Intermediate inspections /payment supervision	Intermediate progress (50% and 85%) inspections and confirmation of payment.	Twice
Completion	3) Completion inspection /payment supervision	Inspection at 100% completion confirmation of payment.	Once
Post-Completion	4) Defect inspection	Conduct defect inspection and prepare reports	Once
Total Spot Supervisions (Frequency of Trips)			5 times

Monthly progress reports will be prepared by the CMR which include same contents as the usual general grant aid projects, and the reports will be submitted to the client, the consultant and JICA by the CMR.

Modifications of the Project will be requested by the client and the CMR will study necessity and appropriateness of the modifications and prepare the application of modifications. The application will be handed to the consultant, and necessity and appropriateness of the requested modification including cost evaluation of the modification will be further studied by the consultant.

4-4) Undertakings of the Indonesian side

Both sides confirmed the undertakings by the Indonesian side as follows;

- 1) Procurement of the construction materials and water meters for the house connections,
- 2) Construction of house connection systems from distribution pipe to faucet,
- 3) Provision of facilities for the distribution line to the pump house at Tarus, and install the main circuit breaker and transformer,
- 4) Provision of storage of materials for house connections provided under the Grant-Aid.
- 5) Monitoring of operation and maintenance for the water supply facilities to be constructed
- 6) Provision of counterpart personnel for execution of the soft component plan.

4-5) Monitoring

The Indonesian side promised to implement periodical survey during the implementation period and monitoring after the completion of the Project, and prepare a monitoring report twice each year for five years. The central government will submit reports from NTB and NTT provinces to JICA.

4-6) The Team handed copies of the draft engineering design of the facilities to the Indonesian side. Both sides agreed that this draft design is confidential and should not be duplicated or released to any outside parties.

4-7) Both sides confirmed that the Indonesian side shall be responsible for the results of the execution of the Project on the basis of all documents and drawings prepared as a result of the Study.

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ANNEX-1 : Components of the Project

1) Facilities

- a) Construction of water supply facilities except house connections
- b) Supply of materials for house connections before water meter

2) Soft component

Support for people's education and sensitization on operation and maintenance of water supply facilities to staff in each district Public Works (PU)

3) Villages and schemes

Province	District	Village(scheme)	Note		
			Water Source	System	O&M
NTB	Lombok Barat	Kuranji	PDAM pipeline	Gravity flow	PDAM
		Bajur	PDAM pipeline	Gravity flow	PDAM
		Duman(lower)	PDAM pipeline	Gravity flow	PDAM
	Lombok Timur	Bagik Papan	Spring	Gravity flow	WUA
		Selaparang	Spring	Gravity flow	PDAM
NTT	Kupang	Tarus	Spring	Pump	PDAM

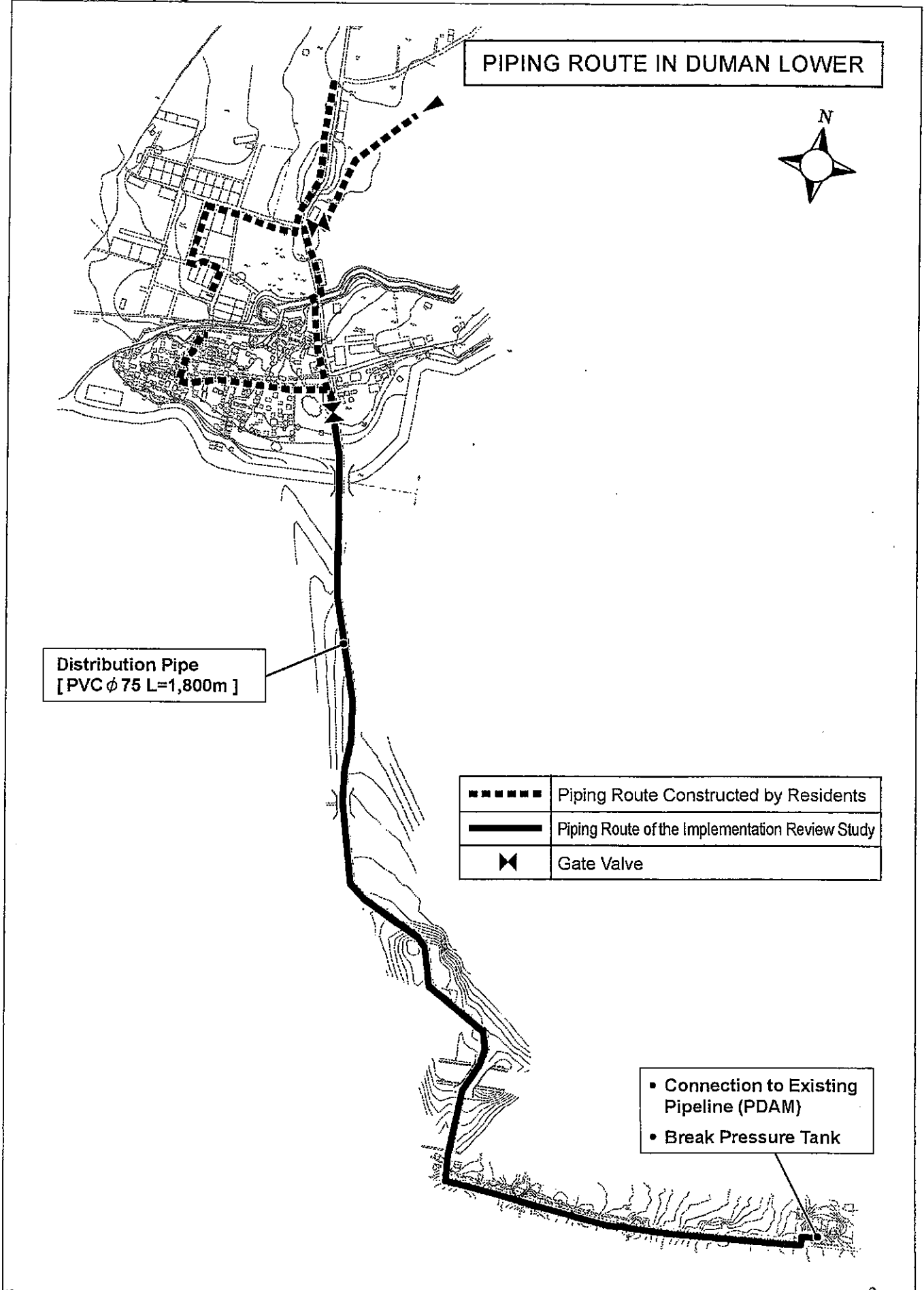
PDAM: Regional Drinking Water Enterprise

WUA: Water User's Association

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ANNEX-2 : Piping Route in Duman Lower



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ANNEX-3 : JAPAN'S GRANT AID SCHEME

1. Grant Aid Procedure (Attachment 1)

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

Application (Request made by a recipient country)

Study (Basic Design Study / Implementation Review Study conducted by JICA)

Appraisal & Approval (Appraisal by the Government of Japan and 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. If necessary, JICA send a Preliminary Study Team to the recipient country to confirm the contents of the request.

Secondly, JICA conducts the study (Basic Design Study and/or Implementation Review 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 Programme, based on the Basic Design Study report and/or Implementation Review 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 Governments 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 / Implementation Review Study

1) Contents of the Study

The aim of the Basic Design Study / Implementation Review 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:

- a) confirmation of 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) evaluation of the appropriateness of the Project to be implemented under the Grant Aid Scheme from the technical, social and economic points of view;
- 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

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- 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 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 the smooth implementation of the Study, JICA uses a consulting firm selected through its own procedure (competitive proposal). The selected firm participates the Study and prepares 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 Tendering 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 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.

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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 (Attachment 2)

- 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 Aid be maintained and used properly and effectively for the Project; and
- g) to bear all the expenses, other than those covered by the Grant Aid, 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.

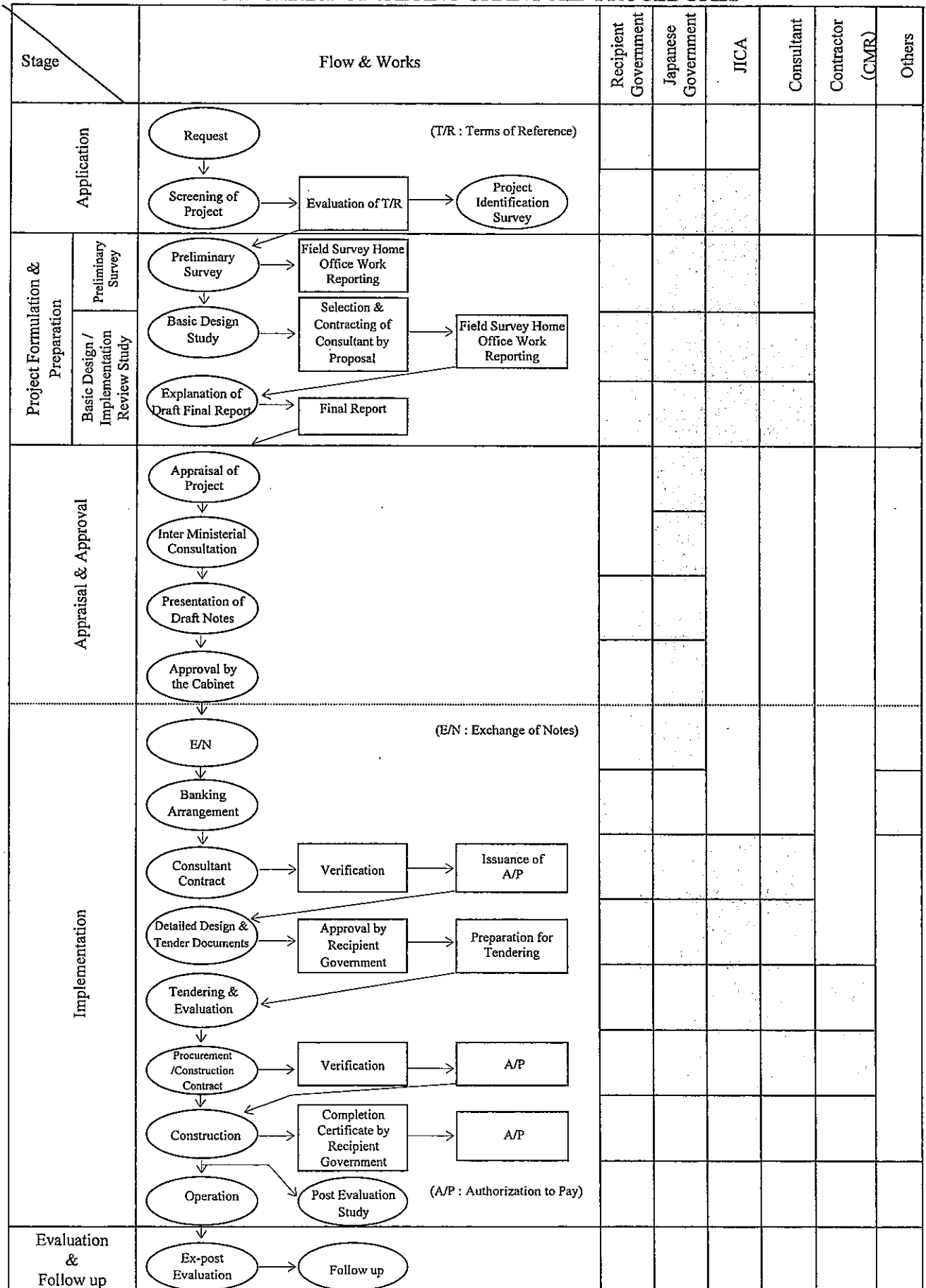
9) Banking Arrangement (B/A)

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

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FLOW CHART OF JAPAN'S GRANT AID PROCEDURES



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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 secure land		•
2	To clear, level and reclaim the site when needed		•
3	To construct gates and fences in and around the site		•
4	To construct the parking lot		•
5	To construct roads		
	1) Within the site		•
	2) Outside the site		•
6	To procure pipes, materials and equipment for the project	•	
7	To construct intake, transmission/distribution mains, storage tanks and public hydrants	•	
8	To construct house connections		•
9	To provide facilities for the distribution of electricity, water supply, drainage and other incidental facilities		
	1) Electricity		
	a. The distributing line to the site		•
	b. The drop wiring and internal wiring within the site	•	
	c. The main circuit breaker and transformer		•
10	To bear the following commissions to the Japanese foreign exchange bank for the banking services based upon the B/A		
	1) Advising commission of A/P		•
	2) Payment commission		•
11	To ensure unloading and customs clearance at port of disembarkation in recipient country		
	1) Marine (Air) transportation of the products from Japan to the recipient country	•	
	2) Tax exemption and custom clearance of the products at the port of disembarkation		•
	3) Internal transportation from the port of disembarkation to the project site		•
12	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.		•
13	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 contracts.		•
14	To maintain and use properly and effectively the facilities constructed and equipment provided under the Grant.		•
15	To bear all the expenses, other than those to be borne by the Grant, necessary for construction of the facilities as well as for the transportation and installation of the equipment.		•

(B/A: Banking Arrangement, A/P: Authorization to Pay)

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