

Appendices 4: MINUTES OF DISCUSSIONS (M/D)

MINUTES OF DISCUSSIONS
PREPARATORY SURVEY II (BASIC DESIGN)
ON THE PROJECT FOR URGENT REHABILITATION OF WATER SUPPLY SYSTEM
IN THE CAPITAL CITY OF PODGORICA
IN MONTENEGRO

Based on the result of the Preparatory Survey, the Government of Japan decided to conduct a Preparatory Survey 2 on the Project for Urgent Rehabilitation of Water Supply System in Podgorica City (hereinafter referred to as "the Project") and entrusted the survey to the Japan International Cooperation Agency (hereinafter referred to as "JICA").

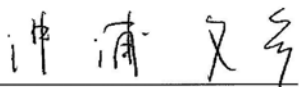
JICA sent to Montenegro the Preparatory Survey 2 Team (hereinafter referred to as "the Team"), which is headed by Mr. Fumihiko Okiura, Director, Water Resources Management 1, Water Resources and Disaster Management Group, Global Environment Department, JICA, and is scheduled to stay in the country from May 18 to June 18, 2009.

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

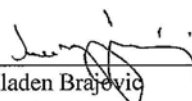
In the course of discussions and field survey, both parties confirmed the main items described in the attached sheets. The Team will proceed to further works and prepare the Basic Design Study Report.

Done in duplicate in English and Montenegrin, each text is equally authentic. In case any divergence of Interpretation, English text shall prevail.

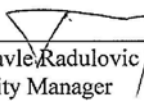
Podgorica, May 21, 2009



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ATTACHMENT

1. Objective of the Project

The objective of the Project is to ensure stable potable water supply in the Capital City of Podgorica by improving water supply facilities.

2. Project site

The site of the Project is the Capital City of Podgorica as shown in **Annex-1**.

3. Responsible and Implementing Agency

3-1. The Responsible Agency is the Capital City of Podgorica.

3-2. The Implementing Agency is the Podgorica Water and Sewerage Corporation (hereinafter referred to as "the Corporation"). The organization chart of the Corporation is shown in **Annex-2**.

4. Items requested by the Government of Montenegro

After discussions with the Montenegrin side and the Team (hereinafter referred to as "the both sides"), the items described in **Annex-3** were finally requested by the Montenegrin side.

The both sides confirmed that the appropriateness of the request would be examined in accordance with the further studies and analysis in Japan and the final components of the Project would be decided by the Japanese side.

5. Japan's Grant Aid Scheme

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

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

6. Schedule of the Survey

6-1 The consultant members of the Team will proceed to further studies in Montenegro until June 18, 2009.

6-2 JICA will prepare the draft basic design report in English and dispatch a mission in order to explain its contents to the Montenegrin side around September 2009.

6-3 In case that the contents of the report are accepted in principle by the Montenegrin side, JICA will finalize the report and send it to the Montenegrin side around December 2009.

6-4 The Montenegrin side understands that execution of the Preparatory Survey 2 (hereinafter referred to as "the Survey") does not necessarily imply the Japanese Government's commitment of the project implementation.



7. Other relevant issues

The following issues were discussed and confirmed by both sides.

7-1. Capacity, Specification, and Installation of Pumps to be Procured

- 1) The capacity of the pumps to be procured shall be equivalent to the existing pump. However, the capacity of motors shall be 400 kW or less, taking into account utilization of the existing power incoming feeder and high tension voltage (6000 V) switchgears for the motors of pumps. They shall be further studied through the Survey.
- 2) The type of pumps shall be of vertical shaft centrifugal pumps as well as the existing pumps, taking into account the installation space and the depth of water in the water reservoir.
- 3) The installation of pumps and connection on main pipeline shall be executed by the firm which will be selected in the Project. They shall be further studied through the Survey.

7-2 Monitoring System (1): Objectives, Priority, and Future Expansion Plan

- 1) The system aims at monitoring the following items;
 - At the pump stations such as two Mareza pumping stations and four well pumping stations
Electrical power consumption of motors, voltage, water level of reservoirs and wells, residual chlorine contents, operation status of pumps, motor coil temperature, pump discharge pressure, pump discharge flow rate, and etc.
 - At the piping network areas
Flow rate, pressure, residual chlorine contents
- 2) The first priority to be monitored under the Project is the pumping stations, and the second is the piping network areas.
- 3) The pump remote control and operation system shall be developed by the Corporation in the future.
- 4) The piping network areas where the monitoring system shall be installed in the Project, shall be limited to the areas able to distinguish inflow and outflow rate. The monitoring system for any other piping network areas shall be developed by the Corporation in the future.

7-3 Monitoring System (2): Installation of Equipment and Devices

- 1) The installation of equipment and devices at pumping stations and piping network areas shall be executed by the Montenegrin side. They shall be further studied through the Survey.
- 2) The installation of equipment and devices at the main monitoring center shall be executed in the Project. They shall be further studied through the Survey.

7-4 Monitoring System (3): Communication System

- 1) The communication system shall be selected from the wireless system (GPRS, UHF/VHF, etc.) or wired system (Public Telephone Line, CATV, the Corporation's Dedicated Line, etc.) taking into account the following criteria;



- Necessity, Easiness, and Cost for Communication License Acquisition
- Communication Speed and Reliability of System
- Security of System (Necessity of Installing Fire Wall, Priority of Emergency, and etc.)
- Cost for Initial and Expansion Investment, Running, and Maintenance of System

2) In case that the application and acquisition of communication license is necessary, they shall be conducted by the Corporation.

3) Antennas and towers shall be built by the Corporation, if UHF/VHF is selected.

7-5 Monitoring System (4): Operation and Maintenance

The Corporation shall allocate necessary budget and staffs for operation and maintenance to utilize the monitoring system successfully and stably.

7-6 Technical Assistance

1) On-the-Job-Training program for operation and maintenance of the pumps to be procured in the Project, would be prepared for the Corporation staffs before commencement of start-up operation.

2) The consultant services for the optimum water distribution control by use of data collected by the monitoring system shall be considered through the Survey.

7-7 Eligible Country for Procurement

1) The eligible country for procurement shall be Japan, Montenegro, Serbia, and countries belonging to Organization for Economic Cooperation and Development (OECD).

2) The products of Japanese manufacturers made in overseas factories shall be acceptable.

7-8 Tax exemption

The tax exemption including Value Added Tax (VAT), custom duty, and any other taxes and fiscal levies in Montenegro which is to be arisen from the Project activities will be ensured by the Capital City of Podgorica. The Capital City of Podgorica will take any procedures necessary for tax exemption with the Ministry of Finance at its responsibility.

7-9 Overlapping with other projects

The Project would not be overlapped with any other project supported by other donor agencies, NGO, and Montenegrin official organization(s).

7-10 Visibility of the Project

The Montenegrin side affirmed the following measures to be taken in order to enhance publicity of the Project:

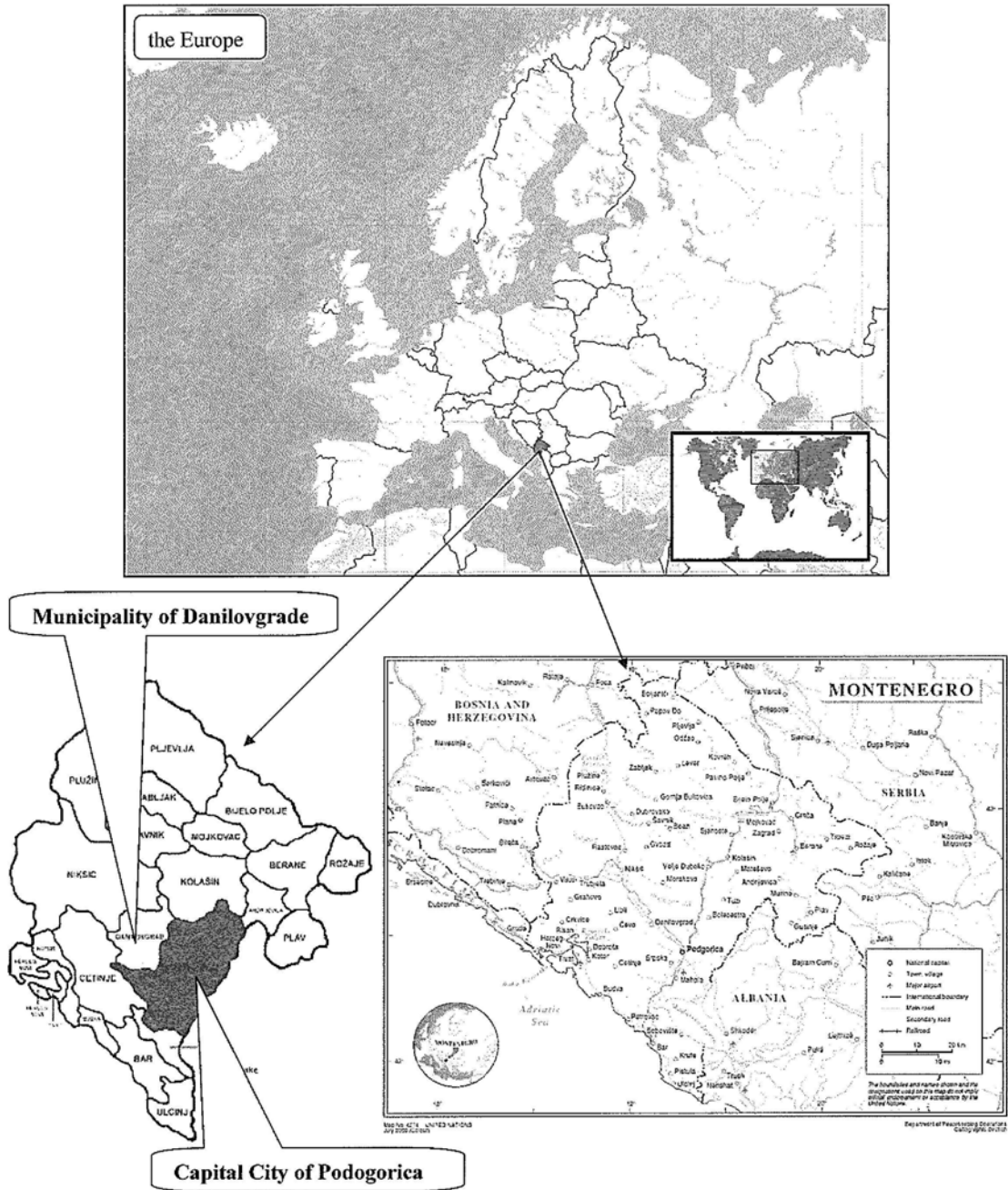
- (1) Mass media sources.
- (2) Brochures
- (3) Commemoration panels

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- Annex-1 Project Sites Map
- Annex-2 Organization Charts
(Capital City of Podgorica and Podgorica Water and Sewerage Corporation)
- Annex-3 Items Requested by the Montenegrin Side
- Annex-4 Japan's Grant Aid Scheme
- Annex-5 Major Undertakings to be taken by Each Government

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Annex-1: Project Sites Map



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Annex-2: Organization Charts
(the Capital City of Podgorica and Podgorica Water and Sewerage Corporation)

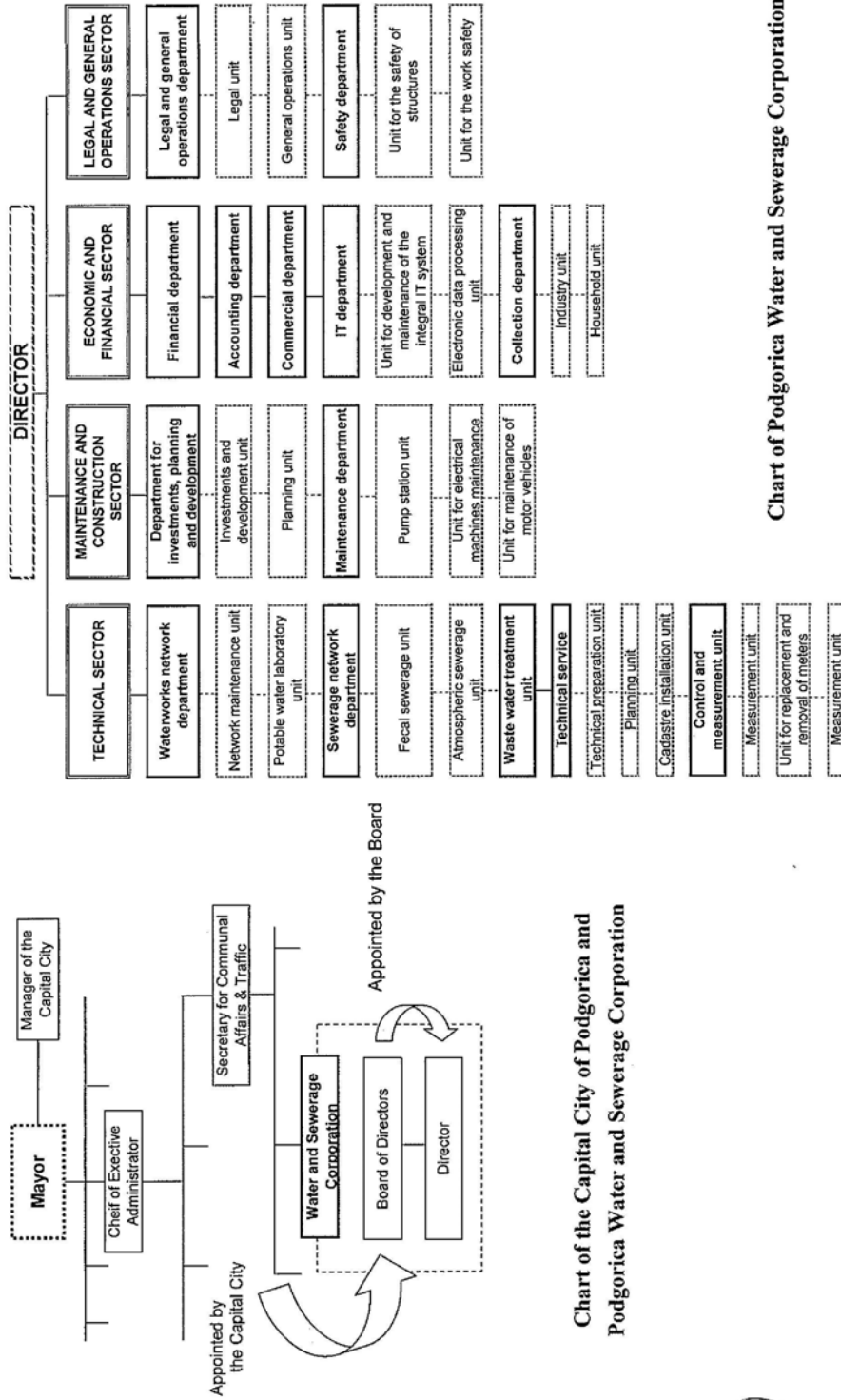


Chart of the Capital City of Podgorica and Podgorica Water and Sewerage Corporation

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Annex-3: Items Requested by the Montenegrin Side

1. Rehabilitation of the New Pumping Station (Mareza 2) (First Priority)

- (1) Replacement of 4 vertical pumps and motors which supply 320 l/s water respectively to the Capital City of Podgorica, if necessary
- (2) Replacement of pump control panels and other relevant accessories
- (3) Modification work to avoid the vibration

2. Monitoring system (Second Priority)

- (1) Equipments to measure items listed as below:

Purpose of the system	Monitoring and data acquisition
Facilities to be monitored and its priority	(1) Pumping stations (Mareza spring and other 5 well pumping stations) (2) Distribution mains
Items to be monitored	(1) Pumping stations a) Pressure b) Flow c) Chlorine d) Power consumption e) Tension f) Temperature of motor g) Groundwater level or water level of pump suction well (2) Distribution mains a) Flow b) Pressure c) Chlorine

- (2) Equipment for telecommunication

Annex-4: JAPAN'S GRANT AID SCHEME

The Government of Japan (hereinafter referred to as "the GOJ") is implementing the organizational reforms to improve the quality of ODA operations, and as part of this realignment, JICA was reborn on October 1, 2008. After the reborn of JICA, following the decision of the Government of Japan (hereinafter referred to as "the GOJ"), Grant Aid for General Project is extended by JICA.

Grant Aid is non-reimbursable fund to a recipient country 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 (Attachment 1)

Japanese Grant Aid is conducted as follows-

- Preparatory Survey (hereinafter referred to as "the Survey")
 - the Survey conducted by JICA
- Appraisal & Approval
 - Appraisal by The GOJ and JICA, and Approval by the Japanese Cabinet
- Determination of Implementation
 - The Notes exchanged between the GOJ and a recipient country
- Grant Agreement (hereinafter referred to as "the G/A")
 - Agreement concluded between JICA and a recipient country
- Implementation
 - Implementation of the Project on the basis of the G/A

2. Preparatory Survey

(1) Contents of the Survey

The aim of the Survey is to provide a basic document necessary for the appraisal of the Project by JICA and the GOJ. The contents of the Survey are as follows:

- Confirmation of the background, objectives, and benefits of the Project and also institutional capacity of agencies concerned of the recipient country necessary for the implementation of the Project.
- Evaluation of the appropriateness of the Project to be implemented under the Grant Aid Scheme from a technical, financial, social and economic point of view.
- Confirmation of items agreed on by both parties concerning the basic concept of the Project.
- Preparation of a basic design of the Project.
- Estimation of costs of the Project.

The contents of the original request by the recipient country 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 the Japan's Grant Aid scheme.

JICA 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

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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 Survey, JICA uses (a) registered consulting firm(s). JICA selects (a) firm(s) based on proposals submitted by interested firms.

(3) Result of the Survey

The Report on the Survey is reviewed by JICA, and after the appropriateness of the Project is confirmed, JICA recommends the GOJ to appraise the implementation of the Project.

3. Japan's Grant Aid Scheme

(1) The E/N and the G/A

After the Project is approved by the Cabinet of Japan, the E/N will be signed between the GOJ and the Government of the recipient country to make a plea for assistance, which is followed by the conclusion of the G/A between JICA and the Government of the recipient country to define the necessary articles to implement the Project, such as payment conditions, responsibilities of the Government of the recipient country, and procurement conditions.

(2) Selection of Consultants

The consultant firm(s) used for the Survey will be recommended by JICA to the recipient country to also work on the Project's implementation after the E/N and the G/A, in order to maintain technical consistency.

(3) Eligible source country

Under the Japanese Grant Aid, in principle, Japanese products and services including transport or those of the recipient country are to be purchased. When JICA and the Government of the recipient country or its designated authority 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, constructing and procurement firms, and the prime consulting firm 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 recipient country or its designated authority will conclude contracts denominated in Japanese yen with Japanese nationals. Those contracts shall be verified by JICA. This "Verification" is deemed necessary to secure accountability to Japanese taxpayers.

(5) Major undertakings to be taken by 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 Attachment 1.



(6) Proper Use

The Government of recipient country is required to maintain and use the facilities constructed and the 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) Export and Re-export

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

(8) Banking Arrangements (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"). JICA 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 JICA 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.

(10) Social and Environmental Considerations

A recipient country must ensure the social and environmental considerations for the Project and must follow the environmental regulation of the recipient country and JICA socio-environmental guideline.

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FLOW CHART OF JAPAN'S GRANT AID PROCEDURES

Stage	Flow & Works	Recipient Government	Japanese Government	JICA	Consultant	Contractor	Others
Application	Request (T/R : Terms of Reference)	✓					
	Screening of Project → Evaluation of T/R → Project Identification Survey		✓	✓			
Project Formulation & Preparatory Survey	Preparatory Survey → Field Survey Home Office Work Reporting	✓	✓	✓			
	Preparatory Survey 2 (Basic Design) → Selection & Contracting of Consultant by Proposal → Field Survey Home Office Work Reporting	✓	✓	✓	✓		
	Explanation of Draft Final Report → Final Report	✓	✓	✓	✓		
Appraisal & Approval	Appraisal of Project		✓				
	Inter Ministerial Consultation		✓				
	Presentation of Draft Notes	✓	✓				
	Approval by the Cabinet		✓				
Implementation	E/N & G/A (E/N : Exchange of Notes, G/A : Grant Agreement)	✓	✓	✓			
	Banking Arrangement	✓					✓
	Consultant Contract → Verification → Issuance of A/P	✓		✓	✓		
	Detailed Design & Tender Documents → Approval by Recipient Government → Preparation for Tendering	✓		✓	✓		
	Tendering & Evaluation	✓		✓	✓	✓	
	Procurement /Construction Contract → Verification → A/P	✓		✓	✓	✓	
	Construction → Completion Certificate by Recipient Government → A/P	✓		✓	✓	✓	
	Operation → Post Evaluation Study (A/P : Authorization to Pay)	✓		✓			
	Ex-post Evaluation	✓		✓			
	Follow up						

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Annex-5: 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		
	1) Advising commission of A/P		•
	2) Payment commission		•
2	To ensure prompt unloading and customs clearance at the 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	(•)	(•)
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 expenses, other than those to be borne by the Grant Aid, necessary for the transportation and installation of the equipment		•

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

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