

MINUTES OF DISCUSSIONS ON OUTLINE DESIGN STUDY
ON "THE PROJECT FOR RURAL WATER SUPPLY IN SANTIAGO ISLAND"
IN THE REPUBLIC OF CAPE VERDE
(EXPLANATION OF DRAFT FINAL REPORT)

In response to a request from the Government of the Republic of Cape Verde (hereinafter referred to as "Cape Verde"), the Government of Japan decided to conduct a Outline Design Study on the Project for Rural Water Supply in Santiago Island (hereinafter referred to as "the Project") and entrusted the study to the Japan International Cooperation Agency (hereinafter referred to as "JICA").


JICA dispatched to Cape Verde the Outline Design Study Team on September 2008 and through discussions, field survey, and technical assessment of the results, JICA prepared a Draft Final Report on this Study.

In order to explain and to consult with Cape Verde on the contents of the Draft Final Report, JICA dispatched Draft Final Report Explanation Team (hereinafter referred to as "the Team") to the Cape Verde, which is headed by Mr. Eizen IREI, Resident Representative of JICA Senegal Office, and is scheduled to stay in the country from January 29 to February 3, 2009.

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

These Minutes of Discussions are prepared both in English and Portuguese and in case where the divergence of understanding occurs, English text shall prevail.

Praia, February 2, 2009



Mr. Eizen IREI
Leader
Outline Design Study Team
(Explanation of Draft Final Report)
Japan International Cooperation Agency (JICA)
Japan



Mr. Antonio Pedro Barbosa Borges
President
Instituto Nacional de Gestao dos
Recursos Hidricos (INGRH)
The Republic of Cape Verde



Mr. Antonio Pedro Alves Lopes
Director General for International Cooperation,
Ministry of Foreign Affairs, Cooperation and
Communities
The Republic of Cape Verde

Attachment

1. Draft Final Report:

The Capeverdean side agreed and accepted in principle, the contents of the Draft Final Report explained by the Team.

2. Contents of the Project:

Both sides confirmed the contents of the Project are as shown in Annex 1 and the Project site is as shown in Annex 2.

Both sides agreed that the contents and the Project Cost (described in 4) are subject to change and/or to be excluded in course of approval procedure (described in 6) and Detail Design Study.

3. Target Year:

Both sides confirmed that the target year of the Project would be 2015 (according to the prediction of the needs).

4. Project Cost Estimation:

Both sides confirmed the Project Cost Estimation borne by both sides as shown in Annex 3.

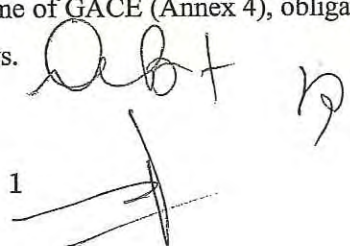
Since these Costs are provisional and would be further examined, they are subject to change.

The Project Cost Estimation as well as the Draft Final Report should be carefully dealt with and never be released or revealed to any third parties before all the relevant contract is concluded since the information affects the Tender process.

5. Scheme of Japan's Community Empowerment Grant Aid:

In case the Project is approved by the Government of Japan, "the Grant Aid for Community Empowerment (hereinafter referred to as "GACE")" scheme will be applied to the Project according to the Minutes of Discussions agreed by both sides on 22nd September 2008 (hereinafter referred to as "the Previous M/D"),

In this context both sides reconfirmed the scheme of GACE (Annex 4), obligations for Japanese Grant Aid (Annex 5) and some important issues as follows.

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5-1) The Capeverdean side will take the necessary measures and allocate necessary budget for smooth implementation of the Project, as the conditions for the Japanese Grant Aid to be implemented. These necessary measures were described in the Annexes of the Previous M/D.

5-2) Measures for some items and matters which are described in "Other Relevant Issues" in this document should also be undertaken timely and properly by the Capeverdean side since these are indispensable for effective implementation of the Project as well as to the whole Project Design.

5-3) Conducting the Outline Design Study does not commit the implementation of the Project since the approval of the Project will be done at the Japanese Cabinet.

5-4) Procurement procedure of necessary services and products for the Project should be done in accordance with the "Procurement Guidelines for Grant Aid for Community Empowerment" (hereinafter referred to as "the Guidelines"), which was attached in the Previous M/D.

Although the Guidelines was supposed to be revised after organizational reform of JICA, which actually occurred in October 2008 as described in the Previous M/D, it has not been revised yet.

The Team will send the new Guidelines as soon as it is revised.

5-5) As the result of the organizational reform that took place in October 2008, JICA is responsible for supervision and the fund disbursement of the Project. The role of JICA is as shown in Annex 6 and flow of the fund of the Project in Annex 7.

5-6) Participation for the Tender will not be limited to Japanese firms and the Capeverdean (including peripheral countries) contractors' participation is encouraged under the scheme of GACE. While taking into consideration the Capeverdean regulations, the tender will be implemented based on the Guidelines. The Team requested the Capeverdean side to assist the procurement management agent, Japan International Cooperation System (JICS), and the Japanese Consultant in order for them to prepare proper tender documents reflecting the Capeverdean regulations.

5-7) The conclusion of the Banking Arrangement (B/A) and the Agent Agreement (A/A) without delay constitutes an important factor to expedite the implementation of the Project.

6. Schedule of the Study, Project Approval and Necessary Procedure for Implementation:

6-1) Schedule of the Study:

The Team will complete the final Outline Design Study Report and send it to the Government of Cape Verde in July 2009.

6-2) Project Approval:

Based on the Report and result of discussions by both sides in M/Ds, the Project will be evaluated by the Japanese authorities in February 2009 then final decision will be made by the Japanese Cabinet in March 2009. These schedules are subject to change.

In this process, the contents of the Project are examined as well as the Project itself.

6-3) Necessary Procedures for Implementation:

After the Project is approved by the Japanese Cabinet, both Governments shall proceed to the Exchange of Notes (E/N) and Grant Agreement (G/A). E/N is agreed and concluded between the Government of Cape Verde and the Government of Japan. G/A is agreed and concluded between the Government of Cape Verde and JICA.

The Team requested the Capeverdean side to expedite the arrangement for these conclusions with the Japanese authorities in Senegal in advance in order to launch the Project as earliest as possible.

7. Measures to be taken by the Capeverdean side:

The Team clarifies the necessary measures and budget to be taken care by the Capeverdean side in the Draft Final Report and Final Report in addition to the general measures described in the Previous M/D. The Capeverdean side shall implement and expedite these issues timely and properly after the Project is approved.

Both sides agreed particularly that the items and matters below are indispensable for effective implementation of the Project.

1) Completion of Extension works of electrical power line to sites No. 01, No. 08, No. 30 and No. 33 in Annex 2 as soon as the Project is approved. If the works are not completed before Detail Design Study, these sites might be reconsidered. The Detail Design Study will be implemented after the conclusions of E/N and G/A.

2) Obtaining relevant permission and acquisition of land for construction works if necessity arises.

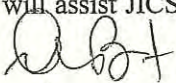

8. Custom Duties, Taxes and Value Added Tax (VAT):

The Capeverdean side shall, in accordance with laws and regulations of Cape Verde, exempt and/or reimburse the Value Added Tax (hereinafter referred to as "VAT"), custom duties and any other taxes and fiscal levy charges in Cape Verde arising from the Project activities.

These exemption and/or reimbursement procedure shall be managed properly and timely by the Capeverdean side in accordance with the implementation schedule.

These exemption and/or reimbursement of these taxes must be applied to Capeverdean contractors, contractors of other countries, procurement in Cape Verde, and import to Cape Verde since contractors are not limited to Japanese firms.

The Capeverdean side will assist JICS and the Japanese Consultant on this issue in order for them to prepare Tender documents.



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9. Responsible and Implementing Agency:

Both sides reconfirmed that there is no change in responsible and implementing agencies which were confirmed in the Previous M/D as follows.

1) Representing Entity of Cape Verde:

The Ministry of Foreign Affairs Cooperation and Community

2) Responsible and Implementation Agency:

Instituto Nacional de Gestao dos Recursos Hidricos (INGRH)

10. Implementation Structure:

As the result of the organizational reform, JICA has become a core member in the Consultative Committee.

According to the change of JICA's Role, the members of Consultative Committee are as follows:

- Representative of the Government of Japan
- Representative of JICA
- Director General for International Cooperation of the Ministry of Foreign Affairs, Cooperation and Communities or its designated personnel
- President of INGRH or its designated personnel
- Representative of Ministry of Finance

Interrelation of the organizations is as shown in Annex 8.

11. Other Relevant Issues:

11-1) Additional Request:

Both sides confirmed that additional requests made by the Capeverdean side in the previous visit are included in the Project Contents. The details of the requests are as follows;

*Jalalo Ramos: Connection with Site No.07 and Rehabilitation of the Existing Reservoir

*Entre Picos de Reda: Connection to the Existing Reservoir within the site

However since the official request has not been formalized yet, the Capeverdean side will submit it through the official channel.

11-2) Environmental Impact Assessment (EIA) or Corresponding Equivalent Procedure:

The Capeverdean side informed that the exemption document has been already signed by the relevant authority and a copy will be sent to JICA shortly.

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11-3) Strengthening of Operation & Maintenance:

The Team requested the Capeverdean side to take necessary measures such as allocation of adequate budget, qualified personnel and stable water revenue for proper, effective and sustainable operation and maintenance of the facilities.

11-4) Proper Management of Borehole:

Since the site No. 07 in Annex 2 which belongs to Santa Catarina and the No. 11 and 15 which belongs to Sao Salvador do Mundo will use same borehole, it is important for both municipalities to consume the water adequately in terms of volume and time in order to prevent from lowering the borehole potential.

The Capeverdean side will issue necessary guidance to these municipalities, Servico Autonomo de Agua e Saneamento (SAAS) and the people in the sites for proper management.

11-5) Technical Assistance:

According to the result and findings of the Study, both sides agreed that the content of the Technical Assistance would be implemented on the subject as follows:

Strengthening "Hygiene and Sanitation Education" by participatory approach

Regarding "Water Quality Management", the Japanese Consultant will implement "On the Job Training" in order to strengthen the coordination between INGRH and SAAS.

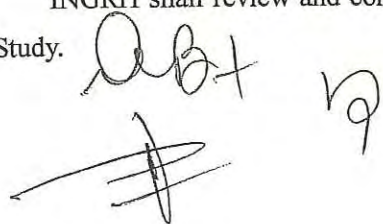
11-6) Borehole with low potential:

Since the potential of borehole No. 27 which was constructed in the previous Project became low, both sides agreed that the borehole would not be used in the Project.

Both sides confirmed that the borehole with low potential would be handed over to the Capeverdean side by signing of this M/D. The Capeverdean side shall bear whole responsibility for its usage.

11-7) Responsibilities to the Tender Documents:

INGRH shall review and complete all the tender documents and drawings prepared as a result of the Study.

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11-8) Coordination with other authorities:

Both sides agreed that the Capeverdean side would facilitate the coordination with relevant Capeverdean agencies for smooth implementation of the Project.

The Team stressed that coordination with and follow-up to municipalities and SAAS are important for effective operation and management of the facilities.

The Team also stressed that the Capeverdean side should coordinate and communicate closely with relevant agencies such as one in charge of EIA and in charge of Tax exemption and/or reimbursement etc for expediting necessary procedures.

11-9) Coordination with other agencies:

The Capeverdean side ensured that there would be no duplication among the Project and the projects of other donors, NGOs and/or those funded by the State Budget.

11-10) Public Relations of the Project:

The Capeverdean side assured to do public relations for the Project not only for citizens in the Project sites but also for entire Capeverdean citizens to understand that the Project is granted by Japanese Official Assistance.

11-11) Safety and Security for the Project:

The Team stressed that security measures for the people and organization engaged in the Project are indispensable for the smooth implementation of the Project.

The Capeverdean side shall take necessary measures to secure the safety of the personnel of the Project.

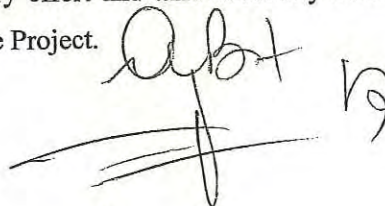
11-12) Changes of Circumstances:

Both sides reconfirmed that there is no major change of circumstances and conditions around for the implementation of the Project such as the priority and arrangement for the Project.

In case whatever major change such as economic situation, security situation, and social circumstances etc. in the Project sites as well as in Cape Verde, the Capeverdean side would inform the Team as soon as the changes are recognized.

The Capeverdean side shall make every effort and take necessary measures to mitigate them if the changes are identified as negative one for the Project.

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ANNEX:

1: Contents of the Project

2: Project sites

3: Project Cost Estimation

3.1 Cost borne by the Japanese Government

3.2 Necessary Budget to be covered by the Capeverdean side

4: Japan's Grant Aid for Community Empowerment

5: Major Undertakings to be taken by Each Government

6: Role of JICA and Implementation Structure of the Project

7: Flow Chart of Funds for GACE

8: Inter-Relation of Consultative Committee

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Annex-1 Contents of the Project

F A C I L I T I E S	P u m p i n g E q u i p m e n t	Facilities		Construction target(Previous project)	Executed quantity	Present Project (including additional request)
		1. Water source	1) Borehole		11 borehole	11 completed
2) Test drilling			3 boreholes (test done)	—	3 nos. to be Completed (including 1 re-drilling).	
3) Existing borehole			1 borehole	1 completed	—	
4) Spring			1 no.	—	1 no.	
5) Existing system			3 systems	—	3 systems	
2. Pump			22 units	—	18 units	
3. Generator			16 sets	—	13 units	
4. Electricity	Public electricity		3 sites	—	4 sites	
Machinery House	1) Machinery House		19 sets	1 completed	18 sets (including 8 rehabilitation)	
	2) Chlorinator		27 sets	2 completed	27 sets (including 2 rehabilitation)	
Pipe line	Pumping main, distribution		51.6 km	4.1km completed	53.7km	
Reservoir	1) New		11 nos.	1 completed	14 nos. (including 3 nos. to re-build)	
	2) Rehabilitation of Existing		29 sets	2 completed	31 sets (additional 2 sets and including 5 sets rehabilitation)	
Public Faucet	1) New		31 sets	2 sets completed	33 sets (including 4 attached to reconstruction reservoir and 2 rehabilitation)	
	2) Rehabilitation of Existing		28 sets	2 sets completed	24 sets (+ 2 sets counted as new)	
Equipment Procurement	Vehicle, laboratory equipment, groundwater survey equipment		1 set	Completed	—	
Technical Support	-Capacity building of SAAS -Water Quality Management (INGRH and SAAS) -Hygiene Education				-Water Quality Management (through OJT by the Consultant) -Hygiene Education	

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Annex-2 Project Sites

Municipality	Site Name	Remarks
Tarrafal	01 Curral Velho	
São Miguel	03 Chã de Ponta	
Santa Catarina	07 Boa Entradinha	
	08 Bombardeiro	
	10 Entre Picos de Reda	
	13 Ribeira da Barca	
São Salvador do Mundo	11/15/35 Pata Brava/Covão Grande/ Jalalo Ramos	(This system will be connected with site No. 7 -Boa Entradinha)
	17 Leitãozinho	
Santa Cruz	18 Ribeirão Almaço	
São Lourenço dos Órgãos	19/21 Achada Costa/Levada	
São Domingos	24/27 Achada Mitra/Fontes Almeida	The borehole will be from No. 24 Achada Mitra
	25/28 Banana/Mato Afonso	
	26 Dacábalaio	
	29 Pó de Saco	
	30 Rui Vaz	
Ribeira Grande de Santiago	32 Belém	
	33 Santana	
	34 Tronco	
Praia	31 São Tomé	
TOTAL	24 sites, 18 Water Supply System	

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Annex-3 Project Cost Estimation

3.1 Cost borne by the Japanese Government

Total Project Cost Estimate **Approx. 907.6 million JPY**
(Approx. 8.47 million US\$)

Construction Cost: 24 sites (18 water supply system)

Items		Cost Estimate (million JPY)	
Facilities	Lot-1: 4 sites Construction of borehole	26.4	687.8
	Lot-2 : 8 sites (7 systems) Construction and rehabilitation of Machinery house, Reservoir, Public Faucet and pipeline.	303.0	
	Lot-3: 5 sites (5 systems) Construction and rehabilitation of Machinery house, Reservoir, Public Faucet and pipeline.	156.3	
	Lot-4 : 11 sites (6 systems) Construction and rehabilitation of Machinery house, Reservoir, Public Faucet and pipeline.	202.1	
Procurement Agent		85.2	
Detailed Design, Construction Supervision		127.2	
Software Component Programme Activities		7.1	
Juridical Service Cost		0.3	

Cost Estimate(Total) **Approx. 907.6 million JPY**
(Approx. 8.47 million US\$)
 1US\$=107.12 JPY

Note:

- 1) This Cost Estimation is provisional and would be further examined by the Government of Japan for the approval of the Grant Aid.
- 2) The exchange rate applied hereto is the average of rates between April 2008 and September 2008.
- 3) Since updating average exchange rates would be applied to the Estimation again in course of the approval procedure and Detail Design Study, the Estimation is subject to change.

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3.2 Necessary budget to be covered by the Capeverdean side

Cost item	Amount	Remarks
Personnel Expenses during site explanation for tender and site transfers	CVE12,800	INGRH staff during the site explanation for tender and site transfer
Personnel expenses during Supervision work	CVE160,000	INGRH staff in the inspection and hand-over of the facilities
Personnel expenses for the software component activity	CVE80,000	To accompany and supervise during the software component activities
Preparation of access and leveling of the land for the construction of reservoir and machinery houses	CVE360,000	Site No.07, 17, 27, 31, 32, 34
Extension of power line to the site	CVE1,963,393	Site No. 01, 08, 30, 33
Payment commission to the bank	Approx. CVE305,000	
Total	CVE2,881,193 (Approx. JPY4.29 million)	Total for 3 years period (2009-2011)



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〈Gist for the scheme〉

- As from FY2006, Japanese Government has introduced a new grant aid scheme called, "Grant Aid for Community Empowerment". It aims toward development of certain communities or regions in recipient country by empowering capability of the community as a whole to overcome various threats such as hunger, poverty, epidemics, etc. Multiple different components (construction of schools, roads, wells, or training, etc.) can be combined effectively to formulate one project. Single component projects, for example, constructions of school classrooms in certain region by utilizing local resources are also possible. Contractors, suppliers or consultants are not confined to Japanese companies only, and construction can be done in line with local specification, which leads to cost reduction.

The new scheme has a number of important features which are different from those of Grant Aid for General Projects, Main features of the new scheme are as follows :

- Contractors, suppliers or consultants are not tied to Japanese companies only, and construction can be done in line with local specification,
- Multiple different components can be combined to formulate one project,
- Procurement Management Agent (Japan International Cooperation System (JICS)) is assigned to undertake overall management of the grant (including fund management) on behalf of the recipient countries,
- A project has simpler procedures and is commenced earlier than in the case of General Grant Aid type,
- Local resources, such as suppliers, contractors, consultants, materials, work force, etc. may be utilized where necessary,
- Local specification may be applied to construction,
- Japan International Cooperation Agency (JICA) is assigned to undertake outline design studies, supervision of project implementation and disbursement of funds.

One important feature and principle of the scheme is adoption cost effectiveness. If contractors with reasonable technical standard available in the recipient or nearby countries, they can participate bidding for construction. (Standard of quality will be supervised by technical advice of consultants selected by Japanese side.)

The new grant scheme, by empowering the community, thus seeks to enhance human security, an important vision for Japanese Official Development Assistance (ODA).

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Annex-5

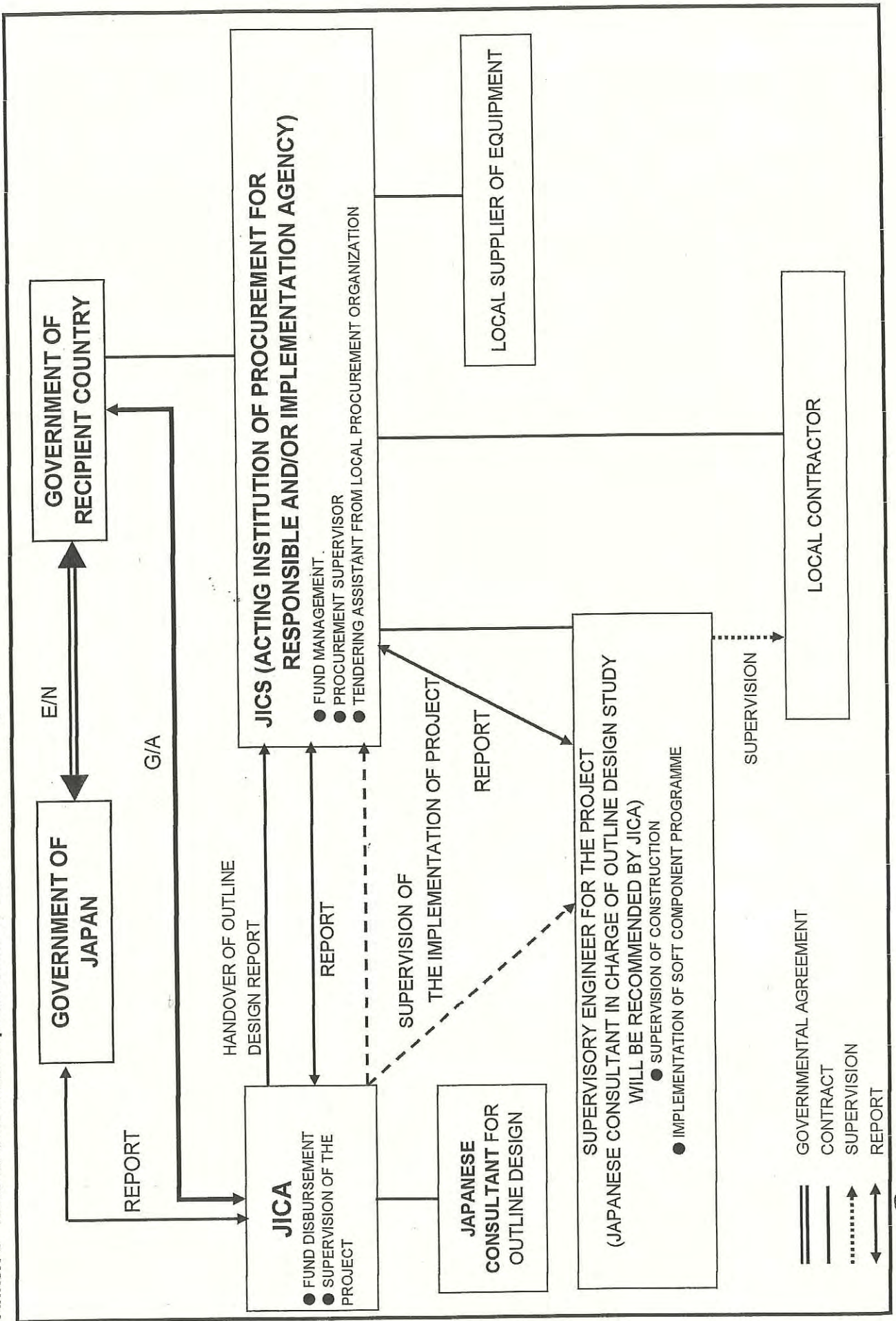
Major Undertakings to be taken by Each Government

No.	Items	To be covered by Grant Aid	To be covered by Recipient side
1	To 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 construct the building	•	
7	To provide facilities for the distribution of electricity, water supply, drainage and other incidental facilities		
	1) Electricity		
	a. The distribution line to the site		•
	b. The drop wiring and internal wiring within the site	•	
	c. The main circuit breaker and transformer	•	
	2) Water Supply		-
	a. The city water distribution main to the site		-
	b. The supply system within the site(receiving and/or elevated tanks)	•	
	3) Drainage		
	a. The city drainage main (for storm, sewer and others) to the site		-
	b. The drainage system (for toilet sewer, ordinary waste, storm drainage and others) within the site	-	
	4) Gas supply		
	a. The city gas main to the site		-
	b. The gas supply system within the site	-	
	5) Telephone system		
	a. The telephone trunk line to the main distribution frame/panel(MDF) of the building		-
	b. The MDF and the extension after the frame/panel	-	
	6) Furniture and Equipment		
	a. General Furniture		•
	b. Project equipment	•	
8	To bear the following commissions to a bank of Japan for the banking services based upon the B/A		-
	Payment commission		•
9	To ensure prompt unloading and customs clearance at the port of disembarkation in the recipient country		
	1) Marine(Air) transportation of the products from Japan to the recipient country	•	
	2) Tax exemption and customs clearance of the products at the port of disembarkation		•
	3) Internal transportation from the port of disembarkation to the project site	•	-
10	To accord Japanese nationals and nationals of the third countries whose services maybe required in connection with the supply of the products and the services under the verified contract such facilities as maybe necessary for their entry in the recipient country and stay therein for the performance of their work		•
11	To exempt Japanese nationals and nationals of the third countries from customs duties, internal taxes and other fiscal levies which maybe imposed in the recipient country with respect to the supply of the products and services under the verified contract		•
12	To exempt goods and services procured by the procurement management agent customs duties, internal taxes and other fiscal levies which maybe imposed in the recipient country		•
13	To bear damage and losses caused by default of necessary undertakings of recipient country listed above		•
14	To maintain and use properly and effectively the facilities constructed and equipment provided under the Grant Aid		•
15	To bear all the expenses, other than those to be borne by the Grant Aid, necessary for construction of the facilities as well as for the transportation and installation of the equipment		•

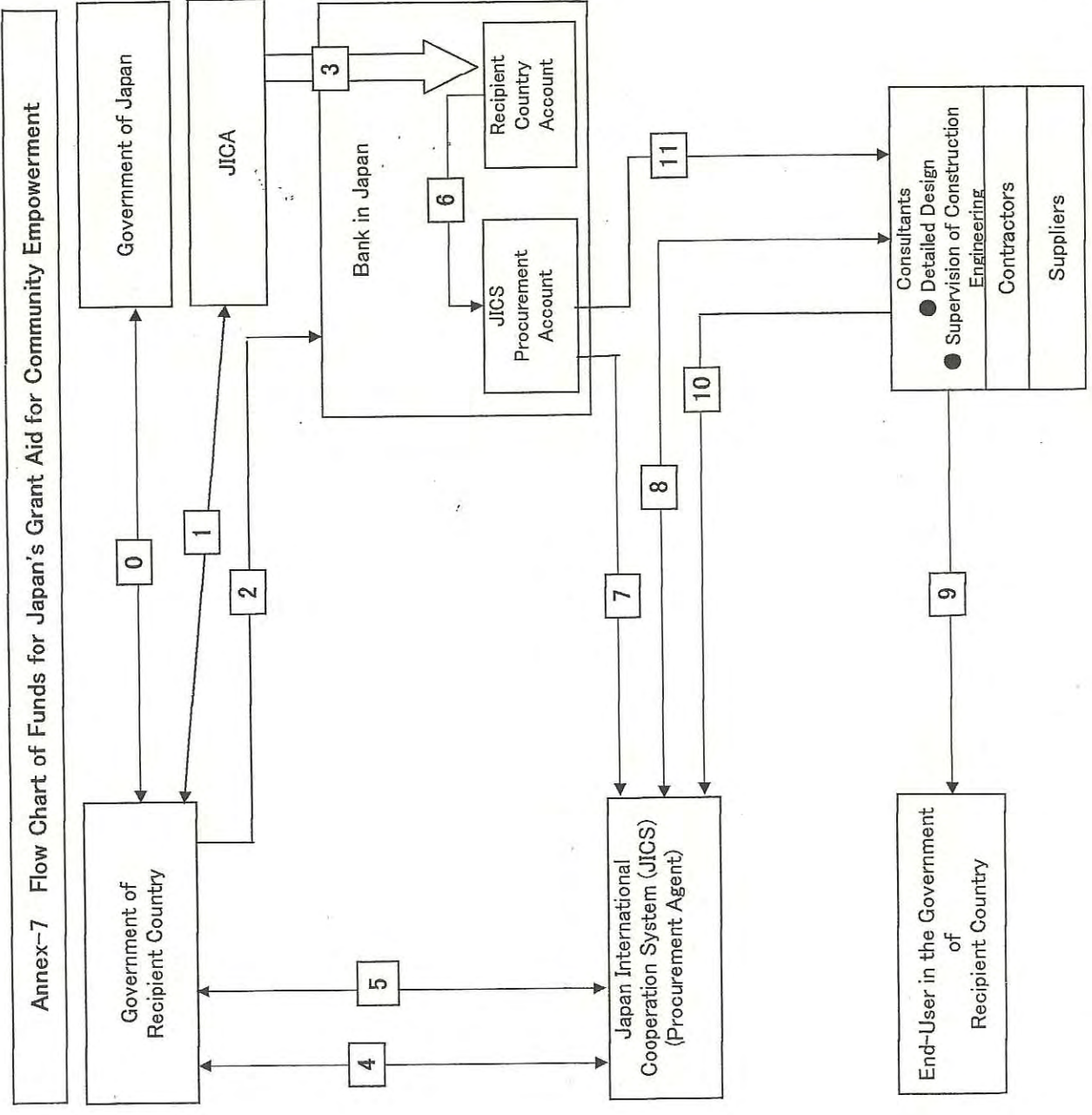
B/A: Banking Arrangement

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Annex-6 Role of JICA and Implementation Structure of the Project



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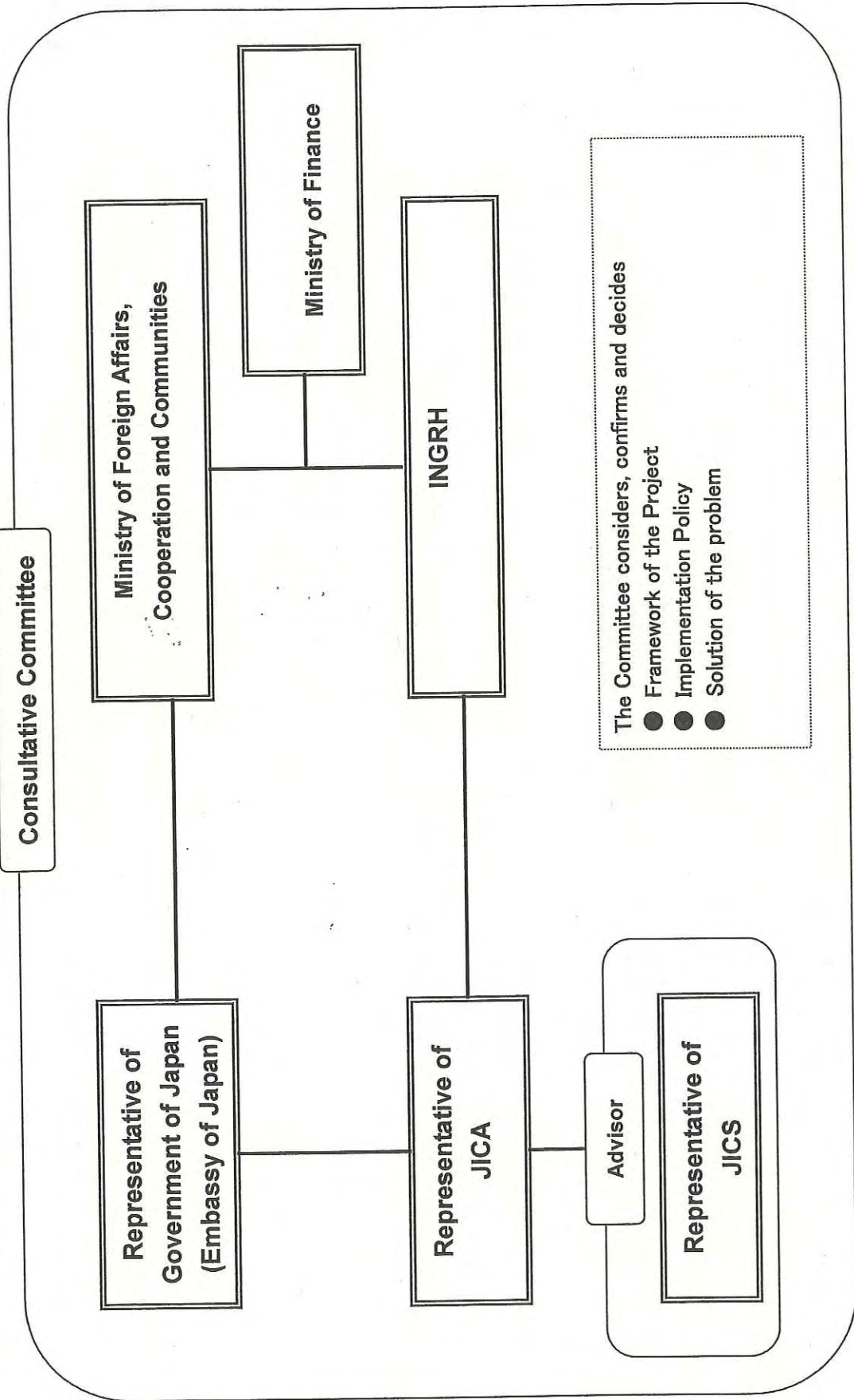
- 0 Conclusion of Exchange of Notes (E/N)
- 1 Conclusion of Grant Agreement (G/A)
- 2 Conclusion of Banking Arrangement (B/A)
- 3 Disbursement of Funds
- 4 Conclusion of Agent Agreement (A/A)
- 5 Decision of Goods and Services to be procured
- 6 Transfer of the Grant Funds
- 7 Payment of Agent's Fee
- 8 Conclusion of Contract
- 9 Construction and/or Delivery of Goods
- 10 Payment Request
- 11 Payment

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Inter-Relation of Consultative Committee

Annex-8



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