

JAPAN'S GRANT AID

The Government of Japan (hereinafter referred to as "the GOJ") is implementing the organizational reforms to improve the quality of ODA operations, and as a part of this realignment, a new JICA law was entered into effect on October 1, 2008. Based on this law and the decision of the GOJ, JICA has become the executing agency of the Grant Aid for General Projects, for Fisheries and for Cultural Cooperation, etc.

The Grant Aid is non-reimbursable fund provided to a recipient country to procure the facilities, equipment and services (engineering services and transportation of the products, etc.) for its economic and social development 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

The Japanese Grant Aid is supplied through following procedures :

- Preparatory Survey
 - The Survey conducted by JICA
- Appraisal & Approval
 - Appraisal by the GOJ and JICA, and Approval by the Japanese Cabinet
- Authority for Determining 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 preparatory Survey is to provide a basic document necessary for the appraisal of the Project made by the GOJ and JICA. The contents of the Survey are as follows:

- Confirmation of the background, objectives, and benefits of the Project and also institutional capacity of relevant agencies 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.



7.7.

- Confirmation of items agreed between both parties concerning the basic concept of the Project.
- Preparation of a outline 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 Outline Design of the Project is confirmed based on the guidelines of the Japan's Grant Aid scheme.

JICA requests the Government of the recipient country to take whatever measures necessary to achieve 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 of the recipient country which actually implements the Project. Therefore, the implementation of the Project is confirmed by all relevant organizations of the recipient country based on the Minutes of Discussions.

(2) Selection of Consultants

For smooth implementation of the Survey, JICA employs (a) registered consulting firm(s). JICA selects (a) firm(s) based on proposals submitted by interested firms.

(3) Result of the Survey

JICA reviews the Report on the results of the Survey and recommends the GOJ to appraise the implementation of the Project after confirming the appropriateness 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 Exchange of Notes(hereinafter referred to as "the E/N") will be signed between the GOJ and the Government of the recipient country to make a pledge 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

In order to maintain technical consistency, the consulting firm(s) which conducted the Survey will be recommended by JICA to the recipient country to continue to work on the Project's implementation after the E/N and G/A.

(3) Eligible source country

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7.7.

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".

(4) Necessity of "Verification"

The Government of the recipient country or its designated authority will conclude contracts denominated in Japanese yen with Japanese nationals. Those contracts shall be verified by JICA. This "Verification" is deemed necessary to fulfill 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 Annex.

(6) "Proper Use"

The Government of the recipient country is required to maintain and use properly and effectively the facilities constructed and the equipment purchased under the Grant Aid, to assign staff necessary for this operation and maintenance and 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 under 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.

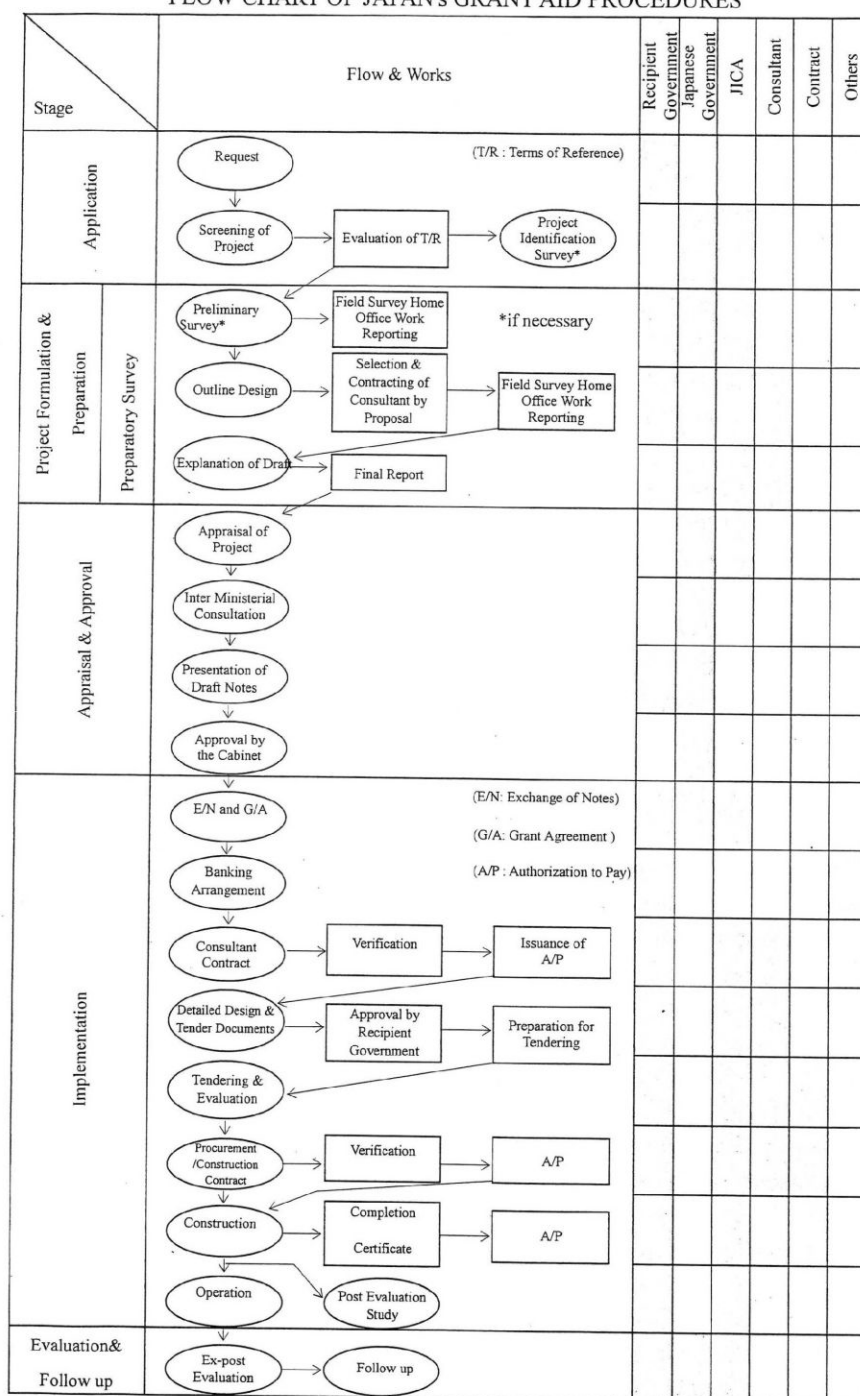
b) The payments will be made when payment requests are presented by the Bank to JICA under an Authorization to Pay (A/P) issued by the Government of the recipient country or its designated authority.

(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 paid to the Bank.



FLOW CHART OF JAPAN's GRANT AID PROCEDURES



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7.7.

Major Undertakings to be taken by Each Government

No.	Items	To be covered by Grant Aid	To be covered by Recipient Side
1	To ensure prompt unloading and customs clearance of the products at ports of disembarkation in the recipient country and to assist internal transportation of the products		
	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	(●)	(●)
2	To ensure that customs duties, internal taxes and other fiscal levies which may be imposed in the recipient country with respect to the purchase of the products and the services		●
3	To accord Japanese nationals whose services may be required in connection with the supply of the products and the services such facilities as may be necessary for their entry into the recipient country and stay therein for the performance of their work		●
4	To ensure that the products be maintained and used properly and effectively for the implementation of the Project		●
5	To bear all the expenses, other than those covered by the Grant, necessary for the implementation of the Project		●
6	To bear the following commissions paid to the Japanese bank for banking services based upon the B/A		
	1) Advising commission of A/P		●
	2) Payment commission		●

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

Or

* Study for Explanation of the Project Formulation Study Outline

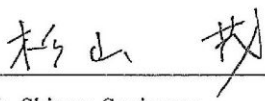
MINUTES OF DISCUSSIONS
ON
THE PREPARATORY SURVEY
ON
THE PROJECT FOR IMPROVEMENT OF ROAD MAINTENANCE EQUIPMENT
IN THE INDEPENDENT STATE OF PAPUA NEW GUINEA

In January 2012, the Japan International Cooperation Agency (hereinafter referred to as "JICA") dispatched the Preparatory Survey Team on the Project for Improvement of Road Maintenance Equipment (hereinafter referred to as "the Project") to the Independent State of Papua New Guinea (hereinafter referred to as "PNG"), and through discussions, field surveys and technical examination of the results of the surveys in Japan, JICA prepared a Draft Final Report of the Outline Design.

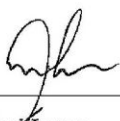
In order to explain and to consult with the concerned officials of the Government of PNG on the component of the Draft Final Report, JICA dispatched PNG the Preparatory Survey Team for Draft Final Report Explanation (hereinafter referred to as "the Team"), which is headed by Mr. Shigeru SUGIYAMA, Director, Grand Aid Project Management Division 1, Financing Facilitation and Procurement Supervision Department of JICA from June 17th to 23th, 2012.

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


Port Moresby, 22nd June 2012.



Mr. Shigeru Sugiyama
Leader
Preparatory Survey Team
Japan International Cooperation Agency



Mr. Joe Luma
Secretary
Department of Works
Independent State of Papua New Guinea



Mr. Reichert Thanda
Officer-In-Charge
Department of National Planning and Monitoring
Independent State of Papua New Guinea

ATTACHMENT

1. Title of the Project

Both sides agreed that the Project title was changed from the agreement of the former mission as follows.

Old: The Project for Improvement of Road Construction and Maintenance Equipment and Workshop Facilities

New: The Project for Improvement of Road Maintenance Equipment

2. Implementing Agency

Both sides agreed that the implementing agency was corrected from the agreement of the former mission as follows.

Old: the Plant and Transport Division (PTD) of Department of Works (DOW)

New: Department of Works (DOW)

The organization chart of DOW is shown in Annex-1.

3. Project Components

After the explanation of the contents of Draft Final Report by the Team, the PNG side agreed in principle to the Project components.

4. Japan's Grant Aid Scheme

The PNG side understood the Japan's Grant Aid scheme and the necessary measures to be taken by the PNG as explained by the Team and described in Annex-3 and Annex-4 of the Minutes of Discussions signed by both sides on January 27th, 2012.

5. Schedule of the Study

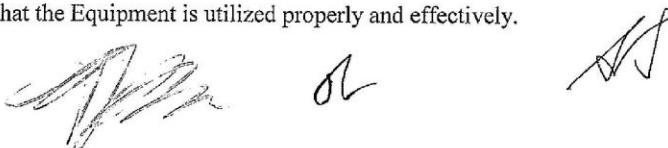
JICA will complete the Final Report and send it to the Government of PNG by the end of October, 2012.

6. Project Cost

The PNG side was informed that the Project cost should not exceed the upper limit of amount agreed on in the E/N and the G/A and understood that the Project Cost Estimates attached as Annex-2 is not final and is subject to change by the result of examination through revision of the Outline Design.

7. Proper Maintenance of the Equipment procured under the Project

The Team explained the necessary cost for operation and maintenance of the equipment procured under the Project as shown in (3), Annex-2. The PNG side agreed the sufficient budget and personnel should be secured so that the Equipment is utilized properly and effectively.



8. Other Relevant Issues

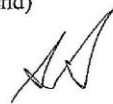
(1) Confidentiality of the Project

Both sides agreed that all information related to the Project such as equipment specifications and the result of cost estimates is confidential and should not be released to any outside party before completion of all contract(s) in order to secure the fair and competitive tender.

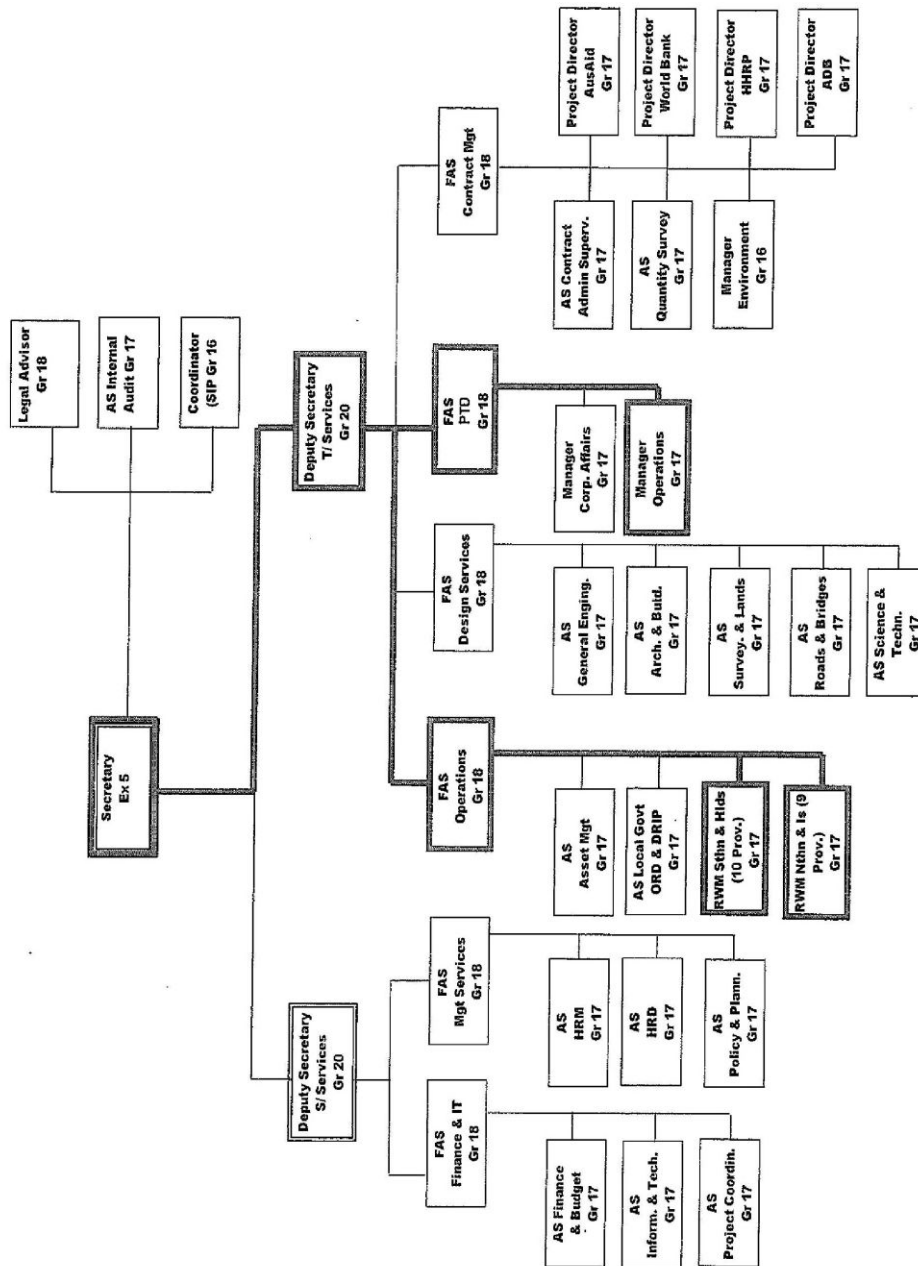
(2) The PNG side agreed that the following undertakings should be taken by the PNG side.

- 1) To bear the commissions to the Japanese bank for banking services based upon the B/A.
- 2) To prepare for exemption of tariffs and import taxes on the equipment to be procured under the Project.
- 3) To accord Japanese nationals, whose service may be required in connection with the supply of the products and the services under the verified contract(s), such facilities as may be necessary for their entry into PNG 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 PNG with respect to the supply of the products and services under the verified contract(s).
- 5) To maintain and use properly and effectively equipment provided under the Project.
- 6) To bear all the expenses, other than those to be borne by the Project, necessary for the transportation and installation of the equipment.
- 7) To ensure the safety of the Japanese nationals during the implementation stage of the Project, if and when required.
- 8) To ensure the security measure of the equipment procured under the Project.

(end)



Organization Chart of Department of Works (DOW)



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Appendix 5 References

No.	Document name
1	2009 ANNUAL REPORT – PTD MOROBE
2	2011 ANNUAL REPORT – DOW WEWAK, ESP
3	DOW PTD PLANT STOCKTAKE SHEET LAE
4	DOW PTD PLANT STOCKTAKE SHEET MOUNT HAGEN
5	DOW PTD PLANT STOCKTAKE SHEET Western Highlands
6	DOW PTD PLANT STOCKTAKE SHEET LAE KIMBE
7	DOW NRC LAE TOOLS & EQUIPMENT STOCKTAKE SHEET
8	MEDIUM TERM DEVELOPMENT PLAN 2011-2015
9	NATIONAL OCCUPATIONAL COMPETENCY SKILL STANDARDS HEAVY EQUIPMENT FITTER
10	NATIONAL TRANSPORT DEVELOPMENT PLAN 2006-2010 VOLUME 1, 2
11	NRA Annual Report 2010
12	Papua New Guinea DEVELOPMENT STRATEGIC PLAN 2010-2030
13	Papua New Guinea Post-Courier February 24, 2012 NRA ROAD MAINTENANCE PROJECT COMMITMENTS-2012
14	Papua New Guinea VISION 2050
15	Priority Road In PNG 2010
16	PTD HIRE RATE
17	PNG Road Statistics 2010
18	REVIEW OF NATIONAL TRANSPORT DEVELOPMENT PLAN 2001-2010 VOLUME 1, 2