

Project Administration Manual

Project Number: 44239-014

Grant Number: 0295-BHU

May 2016

Kingdom of Bhutan: Air Transport Connectivity Enhancement Project – Additional Financing

ABBREVIATIONS

ADB	=	Asian Development Bank
ADF	=	Asian Development Fund
DMF	=	design and monitoring framework
DOAT	=	Department of Air Transport
DPA	=	Department of Public Accounts
EA	=	Executing Agency
EMP	=	environmental management plan
ICB	=	international competitive bidding
IEE	=	initial environmental examination
MOF	=	Ministry of Finance
MOIC	=	Ministry of Information and Communications
NCB	=	national competitive bidding
PAM	=	project administration manual
PIU	=	project implementation unit
QCBS	=	quality- and cost based selection
RRP	=	report and recommendation of the President to the Board
SOE	=	statement of expenditure
SPS	=	Safeguard Policy Statement

CONTENTS

ABBREVIATIONS

I.	PROJECT DESCRIPTION	1
II.	IMPLEMENTATION PLANS	2
	A. Project Readiness Activities	2
	B. Overall Project Implementation Plan	3
III.	PROJECT MANAGEMENT ARRANGEMENTS	4
	A. Project Implementation Organizations: Roles and Responsibilities	4
	B. Key Persons Involved in Implementation	4
	C. Project Organization Structure	6
IV.	COSTS AND FINANCING	7
	A. Cost Estimates by Expenditure Category	8
	B. Allocation and Withdrawal of Grant Proceeds	9
	C. Detailed Cost Estimates by Financier	10
	D. Detailed Cost Estimates by Outputs	11
	E. Detailed Cost Estimates by Year	12
	F. Contract and Disbursement S-Curve	13
	G. Fund Flow Diagram	14
V.	FINANCIAL MANAGEMENT	15
	A. Financial Management Assessment	15
	B. Disbursement	15
	C. Accounting	16
	D. Auditing and Public Disclosure	16
VI.	PROCUREMENT AND CONSULTING SERVICES	18
	A. Advance Contracting	18
	B. Procurement of Goods, Works, and Consulting Services	18
	C. Procurement Plan	18
	D. Consultant's Terms of Reference	19
VII.	SAFEGUARDS	20
VIII.	GENDER AND SOCIAL DIMENSIONS	21
IX.	PERFORMANCE MONITORING, EVALUATION, REPORTING AND COMMUNICATION	22
	A. Project Design and Monitoring Framework	22
	B. Monitoring	25
	C. Evaluation	25
	D. Reporting	26
	E. Stakeholder Communication Strategy	26
X.	ANTICORRUPTION POLICY	26
XI.	ACCOUNTABILITY MECHANISM	27
XII.	RECORD OF CHANGES TO THE PROJECT ADMINISTRATION MANUAL	27
XIII.	ATTACHMENTS	28
	Attachment A: Procurement Plan	28
	Attachment B: Outline Terms of Reference for Consulting Services	34

Project Administration Manual Purpose and Process

The project administration manual (PAM) describes the essential administrative and management requirements to implement the project on time, within budget, and in accordance with Government and Asian Development Bank (ADB) policies and procedures. The PAM includes references to all available templates and instructions either through linkages to relevant URLs or directly incorporated in the PAM.

The Ministry of Information and Communications and Department of Air Transport are wholly responsible for the implementation of ADB financed projects, as agreed jointly between the Government and ADB, and in accordance with Government and ADB's policies and procedures. ADB staff is responsible to support implementation including compliance by executing and implementing agencies of their obligations and responsibilities for project implementation in accordance with ADB's policies and procedures.

At Grant Negotiations the Government and ADB shall agree to the PAM and ensure consistency with the Grant Agreement. Such agreement shall be reflected in the minutes of the Grant Negotiations. In the event of any discrepancy or contradiction between the PAM and the Grant Agreement, the provisions of the Grant Agreement shall prevail.

After ADB Board approval of the project's report and recommendations of the President (RRP) changes in implementation arrangements are subject to agreement and approval pursuant to relevant Government and ADB administrative procedures (including the Project Administration Instructions) and upon such approval they will be subsequently incorporated in the PAM.

I. PROJECT DESCRIPTION

1. The project, together with the original project, will improve infrastructure for the Bumthang, Gelephu, and Yonphula domestic airports. The additional financing will further strengthen safety and security, and enhance capacity at these airports. The overall project will support the government's plan to develop a safe, reliable, and efficient air transport system connecting urban and rural centers to help overcome the limitations of road transport and improve accessibility, and promote tourism and high-value agriculture in less-developed regions of the country.

2. Bhutan is a mountainous, landlocked country with its socioeconomic development largely depending on safe, reliable, and efficient transport network. The country has an estimated population of 745,000 and a population density of 19 persons per square kilometer, or the smallest population and the lowest population density in South Asia. Bhutan falls within seismic risk zone of moderate-to-high risk level, with formidable weather conditions. This makes the country difficult to achieve economies of scale in service delivery and costly to build and maintain physical infrastructure, particularly the road network. The high external and domestic transport costs, and lack of or limited accessibility have constrained the country's economic and social development.

3. The government's Eleventh Five-Year Plan (2013–2018) highlights the development objectives for the country, focusing on sustainable and equitable socio-economic development. To help achieve the objective, the government decided to develop a safe, reliable, and efficient network of domestic air transport connecting urban and rural centers. In keeping with this strategy, the government started development and improvement of three domestic airports in Bumthang, Gelephu, and Yonphula.

4. Air transport activity in Bhutan is set to increase substantially as a result of the government's continued effort to brand and market tourist attractions in the country. Historical trend for total tourism visitor arrivals to Bhutan has demonstrated strong growth trend, with total visitor arrivals per annum increased from 23,480 in 2009 to 133,480 in 2014, or 41.6% increase per year on average. In view of the anticipated increase in aircraft movements and passenger volume, there is an urgent need to strengthen safety, security, and enhance the capacity of domestic airports.

5. The project impact will be improved air transport connectivity. The immediate outcome will be improved safety, security, and capacity at three domestic airports in Bumthang, Gelephu, and Yonphula.

6. The outputs will be improved infrastructure at the three domestic airports, comprising (i) construction of a passenger terminal building at Bumthang Airport, (ii) construction of aviation security staff quarters at Gelephu Airport, and (iii) installation of low safety barrier around perimeter of apron at Yonphula Airport. The existing passenger terminal in Bumthang has limited capacity which requires expansion. Aviation security staff in Gelephu has no accommodation facility within the airport boundary. In Yonphula, aircraft apron is elevated by one meter from the ground, posing safety risk for passengers. The additional financing will further improve security and service level by providing infrastructure to address the deficiencies.

II. IMPLEMENTATION PLANS

A. Project Readiness Activities

7. The project readiness activities, responsibilities, and estimated timeframe as follows:

Mon Year	Date	Project Processing Milestones	Procurement Activities
			Works and Equipment
Responsibility of:		ADB/Government	MOIC/DOAT
Mar 2016	1	ADB Fact-Finding Mission	
	8	<input type="checkbox"/> MOU/Project Administration Manual <input type="checkbox"/> Wrap-up meeting Government confirm signed MOU	
Apr	15	Staff Review Meeting	
	29	<input type="checkbox"/> Approval for advance contracting <input checked="" type="checkbox"/> Review ADB report & recommendation of the President & draft grant agreement	
May	16	<input checked="" type="checkbox"/> Grant negotiations	
June		<input checked="" type="checkbox"/> ADB Board Consideration/Approval	
July		<input checked="" type="checkbox"/> Grant Signing	
Aug		<input checked="" type="checkbox"/> Government's legal opinion	
Sep		<input checked="" type="checkbox"/> ADB declare grant effective	
Oct			
Nov			
Dec			
Jan 2017			<input checked="" type="checkbox"/> Invitation For Bids
Feb			
Mar			<input checked="" type="checkbox"/> Bid submission
Apr			
May			<input checked="" type="checkbox"/> Bid evaluation report
June			
July			<input checked="" type="checkbox"/> Award contracts
Aug			<input checked="" type="checkbox"/> Sign contracts
Sep			<input checked="" type="checkbox"/> Commence

ADB = Asian Development Bank, DOAT = Department of Air Transport, MOIC = Ministry of Information and Communications.

B. Overall Project Implementation Plan

IMPLEMENTATION SCHEDULE

Item	2016				2017				2018				2019				2020				2021															
	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D
	Year 1				Year 2				Year 3				Year 4																							
A. Project Preparation																																				
Grant Processing and Approval by ADB	■	■	■	■																																
Grant Signing and Effectiveness																																				
B. Consulting Services																																				
1. Design and Procurement																																				
2. Supervision																																				
C. Works and Equipment																																				
1. Procurement																																				
2. Construction and Supply/Installation																																				

■ ■ ■ Defects & Liability Period

ADB = Asian Development Bank
 Source: Asian Development Bank.

III. PROJECT MANAGEMENT ARRANGEMENTS

A. Project Implementation Organizations: Roles and Responsibilities

Project Implementation Organizations	Management Roles and Responsibilities
Executing agency (EA)	Ministry of Information and Communications (MOIC) <ul style="list-style-type: none"> <input type="checkbox"/> overall coordination of project implementation <input type="checkbox"/> interagency coordination
Project Implementation Unit (PIU)	Department of Air Transport (DOAT) <ul style="list-style-type: none"> <input type="checkbox"/> day-to-day project management <input type="checkbox"/> consultant recruitment and procurement of works <input type="checkbox"/> project accounts management – maintain second generation imprest account, preparing withdrawal applications and supporting documentation, including procedures for State-of-Expenditure, and submitting through DPA/MOF.
Department of Public Accounts (DPA), MOF	<ul style="list-style-type: none"> <input type="checkbox"/> project progress reports <input type="checkbox"/> establish and maintain first generation imprest account, and forward DOAT's withdrawal applications and supporting documentation to ADB <input type="checkbox"/> establish second generation imprest account
ADB	<ul style="list-style-type: none"> <input type="checkbox"/> Monitor and review overall implementation of the project in consultation with the EA/PIU including: the project implementation schedule; actions required in terms of poverty reduction, environmental impacts, and resettlement plans if applicable; timeliness of budgetary allocations and counterpart funding; project expenditures; progress with procurement and disbursement; statement of expenditure when applicable; compliance with particular grant covenants; and the likelihood of attaining the project's immediate development objectives.

B. Key Persons Involved in Implementation

Executing Agency

Ministry of Information and Communications

Mr. Kinley Dorji
Secretary
Ministry of Information and Communications
Thimphu, Bhutan
Telephone: (975) 2 329223
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Email: secretary@moic.gov.bt

Mr. Karma Wangchuk
Director
Department of Air Transport
Ministry of Information and Communications
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Asian Development Bank

Transport and Communications
Division of South Asia Regional
Department (SATC)

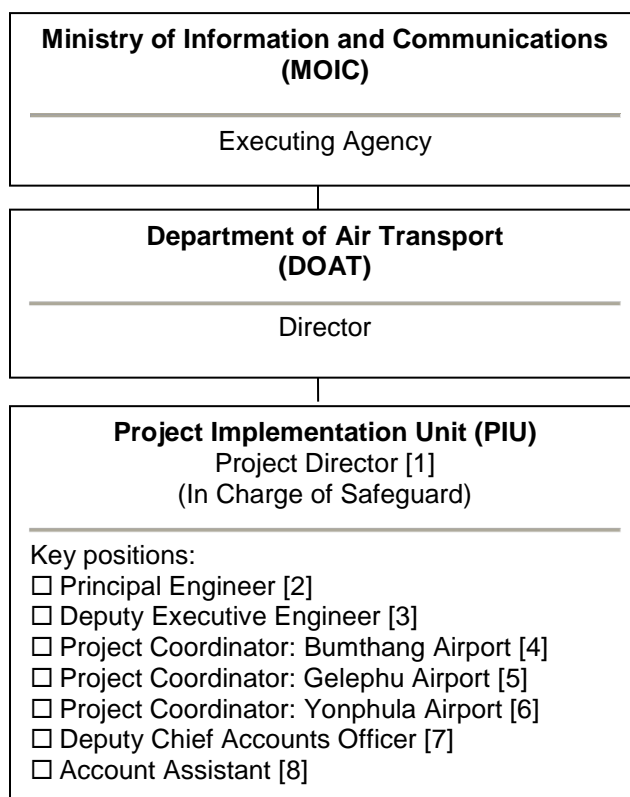
Mr. Hiroaki Yamaguchi
Director, SATC
Telephone: (63) 2 632 6794
Email address: hyamaguchi@adb.org

Mission Leader

Mr. Tomoaki Kawabata
Transport Specialist, SATC
Telephone No.: (63) 2 632 4832
Email address: tkawabata@adb.org

C. Project Organization Structure

8. The flow chart below shows the reporting lines essential internal structures of key organizations involved in implementation, including the executing agencies, project implementation units, and their staffing assignments.



Staffing Assignment and Recruitment Plan

Serial No.	Position	Name	Status
1	[1] Project Director	Mr. Karma Wangchuck	<input checked="" type="checkbox"/> appointed
2	[2] Principal Engineer	Mr. Ugyen Dorji	<input checked="" type="checkbox"/> appointed
3	[3] Deputy Executive Engineer	Mr. Jamyang T Dorji	<input checked="" type="checkbox"/> appointed
4	[4] Project Coordinator: Bumthang Airport	Ms. Tashi Lhamo	<input checked="" type="checkbox"/> appointed
5	[5] Project Coordinator: Gelephu Airport	Mr. Sonam Phuntsho	<input checked="" type="checkbox"/> appointed
6	[6] Project Coordinator: Yonphula Airport	Ms. Dawa Dem	<input checked="" type="checkbox"/> appointed
7	[7] Deputy Chief Accounts Officer	Ms. Bhagi Maya	<input checked="" type="checkbox"/> appointed
8	[8] Account Assistant	Mr. Hari Prasad Sinchuri	<input checked="" type="checkbox"/> appointed

IV. COSTS AND FINANCING

9. The overall project is estimated to cost \$12.02 million (Table 1).

Table 1: Project Investment Plan
(\$ million)

Item	Current Amount ^a	Additional Financing ^b	Total
A. Base Cost^c			
1. Works and equipment	5.13	3.23	8.36
Passenger terminal building at Bumthang		2.80	
Aviation security staff quarter at Gelephu		0.42	
Low safety barrier at Yonphula		0.01	
2. Consulting services for design and supervision	0.77	0.20	0.97
3. Taxes and duties	0.60	0.34	0.94
Subtotal (A)	6.50	3.77	10.27
B. Recurrent Costs	0.10	0.10	0.20
C. Contingencies^d	1.00	0.55	1.55
Total (A+B+C)	7.60	4.42	12.02

^a Refers to the original amount. Includes taxes and duties of \$0.60 million financed from government resources.

^b Includes taxes and duties of \$0.34 million to be financed from government resources. The Asian Development Bank will finance taxes and duties for small expenditures which may not be tax-exempted. The amount of taxes and duties is determined on the grounds that (i) the amount will not present an excessive share of the project investment plan, (ii) the taxes and duties apply only to ADB finance expenditures, and (iii) the financing of taxes and duties is relevant to the success of the project.

^c In end-2015 prices. Exchange rate used is 66.9 BTN = 1.0 USD.

^d Physical contingencies are computed at 10% for civil works and consulting services contract values. Price contingencies are computed at 1.5% on foreign exchange costs and 5% on local currency costs, including provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

Sources: Asian Development Bank estimates.

10. The government has requested a grant not exceeding \$4.00 million from ADB's Special Funds resources to help finance the project, including works and equipment, consulting services, and recurrent costs for project management.¹ The government's financing will cover recurrent costs for office accommodation in kind, and taxes and duties in form of an exemption.

11. The financing plan is in Table 2.

Table 2: Financing Plan

Source	Current ^a		Additional Financing		Total	
	Amount (\$ million)	Share of Total (%)	Amount (\$ million)	Share of Total (%)	Amount (\$ million)	Share of Total (%)
Asian Development Bank	6.92	91.05	4.00	90.50	10.92	90.85
Special Funds Resources (grant)						
Government	0.68	8.95	0.42	9.50	1.10	9.15
Total	7.60	100.00	4.42	100.00	12.02	100.00

^a Refers to the original amount.

Source: Asian Development Bank estimates.

¹ A country's eligibility for ADF grants under the revised grant framework is determined by its risk of debt distress. The latest debt sustainability analysis determined that Bhutan had a moderate risk of debt distress and was therefore eligible to receive 50% of its ADF allocation as grants.

A. Cost Estimates by Expenditure Category

12. The detailed cost estimates by expenditure category and detailed cost estimates by financier are presented below.

Detailed Cost Estimates and Financing Plan

(\$ million)

Item	Original Financing			Additional Financing			Total Financing			ADB (%)	Government (%)	% of Total Cost
	Total	ADB	Government	Total	ADB	Government	Total	ADB	Government			
A. Investment Costs [a]												
1. Civil Works												
a. Airport Improvements	2.96	2.96	0.00	3.22	3.22	0.00	6.18	6.18	0.00	51.41	0.00	51.41
2. Equipment												
a. Airport Equipment	2.17	2.17	0.00	0.01	0.01	0.00	2.18	2.18	0.00	18.14	0.00	18.14
3. Consultants												
a. Design and Supervision	0.77	0.77	0.00	0.20	0.20	0.00	0.97	0.97	0.00	8.07	0.00	8.07
4. Taxes and Duties [b]	0.60	0.00	0.60	0.34	0.00	0.34	0.94	0.00	0.94	0.00	7.82	7.82
Subtotal (A)	6.50	5.90	0.60	3.77	3.43	0.34	10.27	9.33	0.94	77.62	7.82	85.44
B. Recurrent Costs												
1. Project Management [c]	0.02	0.02	0.00	0.02	0.02	0.00	0.04	0.04	0.00	0.33	0.00	0.33
2. Office Accommodation	0.08	0.00	0.08	0.08	0.00	0.08	0.16	0.00	0.16	0.00	1.33	1.33
Subtotal (B)	0.10	0.02	0.08	0.10	0.02	0.08	0.20	0.04	0.16	0.33	1.33	1.66
C. Contingencies												
1. Physical Contingency [d]	0.68	0.68	0.00	0.38	0.38	0.00	1.06	1.06	0.00	8.82	0.00	8.82
2. Price Contingency [e]	0.32	0.32	0.00	0.17	0.17	0.00	0.49	0.49	0.00	4.08	0.00	4.08
Subtotal (C)	1.00	1.00	0.00	0.55	0.55	0.00	1.55	1.55	0.00	12.90	0.00	12.90
Total Project Cost (A+B+C)	7.60	6.92	0.68	4.42	4.00	0.42	12.02	10.92	1.10	90.85	9.15	100.00

[a] In mid-2015 prices based on feasibility design.

[b] Local taxes and duties computed at 10% for civil works contract values, consultant services, and equipment.

[c] Incremental administrative expenditures, including bank charges related to imprest accounts.

[d] Computed at 10.0% for civil works and equipment, and consulting services contract values.

[e] Computed at 5.0% for foreign currency costs, and 5.0% for local currency costs.

B. Allocation and Withdrawal of Grant Proceeds

13. The following table should be read in conjunction with the narrative paragraphs contained in the grant agreement – schedule entitled “Allocation and Withdrawal of Grant Proceeds”.

ADB Grant (Special Funds) GXXXX-BHU
Table of Allocation and Withdrawal of Grant Proceeds

ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS (Air Transport Connectivity Enhancement Project – Additional Financing)			
CATEGORY			ADB FINANCING BASIS
Number	Item	Total Amount Allocated for ADB Financing (\$) Category	Percentage and Basis for Withdrawal from the Grant Account
1	Project Costs	4,000,000	100 percent of total expenditure claimed
	Total	4,000,000	

C. Detailed Cost Estimates by Financier

	Description	Total	ADB	% of Total	Government	% of Total	% of Total
		\$	ADB	ADB	Government	Government	Base Cost
A. Investment Costs	1. Civil Works	3,220,000	3,220,000	100%	0	0%	72.9%
	New domestic terminal - Bumthang Airport	2,800,000	2,800,000	100%	0	0%	63.3%
	Aviation security staff quarters - Gelephu Airport	420,000	420,000	100%	0	0%	9.5%
	2. Equipment	10,000	10,000	100%	0	0%	0.2%
	Low safety barrier - Yonphula Airport	10,000	10,000	100%	0	0%	0.2%
	3. Consultants	200,000	200,000	100%	0	0%	4.5%
	Supervision (new selection)	200,000	200,000	100%	0	0%	4.5%
	(1+2+3) =	3,430,000	3,430,000	100%	0	0%	77.6%
	4. Taxes and Duties	340,000	0	0%	340,000	100%	7.7%
	Subtotal (A)	3,770,000	3,430,000	91%	340,000	9%	85.3%
B. Recurrent Costs	1. Project Management	20,000	20,000	100%	0	0%	0.5%
	2. Office Accommodation	80,000	0	0%	80,000	100%	1.8%
	Subtotal (B)	100,000	20,000	20%	80,000	80%	2.3%
C. Contingencies	1. Physical Contingency	380,000	380,000	100%	0	0%	8.6%
	2. Price Contingency	170,000	170,000	100%	0	0%	3.8%
	Subtotal (C)	550,000	550,000	100%	0	0%	12.4%
	Total Project Cost (A+B+C)	4,420,000	4,000,000	90%	420,000	10%	100.0%

D. Detailed Cost Estimates by Outputs

	Description	Total	Output: Infrastructure at three domestic airports in Bumthang, Gelephu, and Yonphula improved	
		\$	\$	%
A. Investment Costs	1. Civil Works	3,220,000	3,220,000	72.9%
	New domestic terminal - Bumthang Airport	2,800,000	2,800,000	63.3%
	Aviation security staff quarters - Gelephu Airport	420,000	420,000	9.5%
	2. Equipment	10,000	10,000	0.2%
	Low safety barrier - Yonphula Airport	10,000	10,000	0.2%
	3. Consultants	200,000	200,000	4.5%
	Supervision (new selection)	200,000	200,000	4.5%
	(1+2+3) =	3,430,000	3,430,000	77.6%
	4. Taxes and Duties	340,000	340,000	7.7%
	Subtotal (A)	3,770,000	3,770,000	85.3%
B. Recurrent Costs	1. Project Management	20,000	20,000	0.5%
	2. Office Accommodation	80,000	80,000	1.8%
	Subtotal (B)	100,000	100,000	2.3%
C. Contingencies	1. Physical Contingency	380,000	380,000	8.6%
	2. Price Contingency	170,000	170,000	3.8%
	Subtotal (C)	550,000	550,000	12.4%
	Total Project Cost (A+B+C)	4,420,000	4,420,000	100.0%

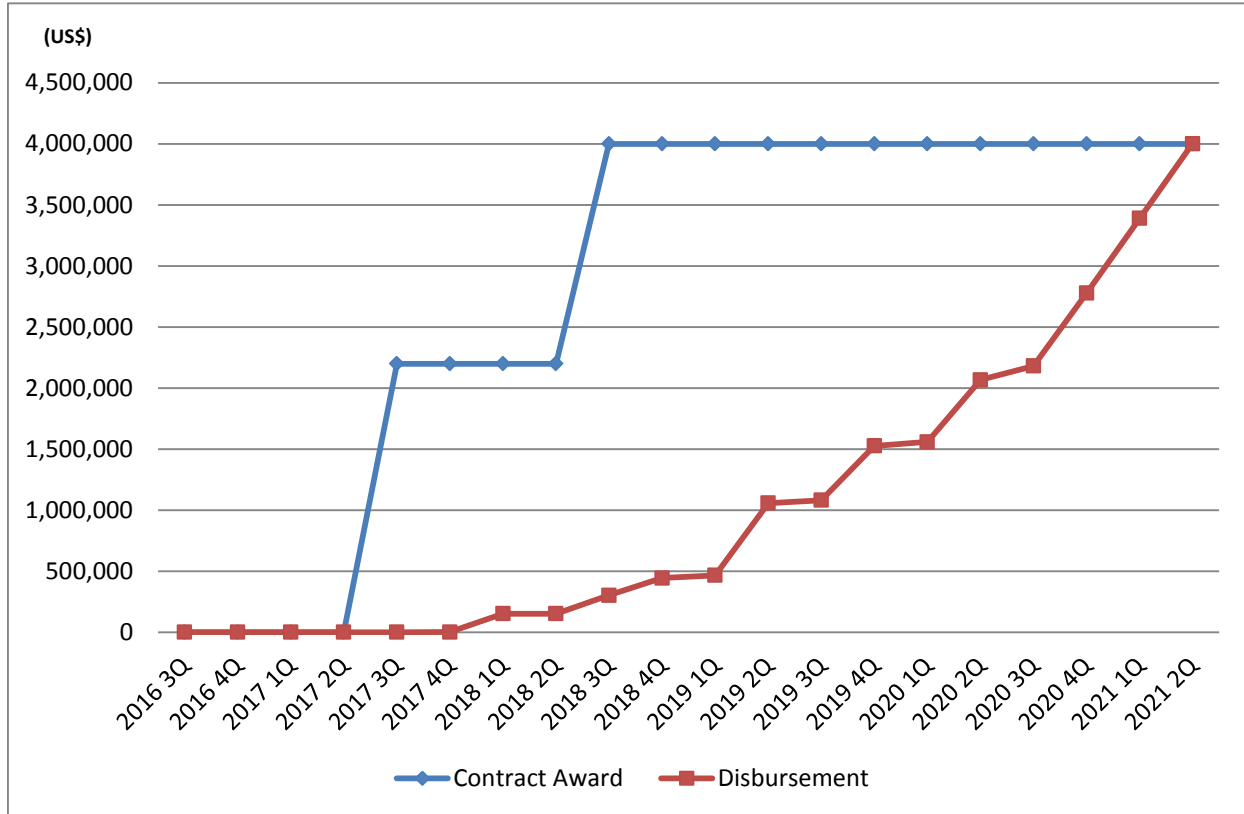
E. Detailed Cost Estimates by Year

14. The detailed cost estimates by year are presented below.

	Total Cost	Year 1 2016	Year 2 2017	Year 3 2018	Year 4 2019	Year 5 2020
A. Investment Costs						
1 Civil Works	3,220,000	161,000	322,000	322,000	966,000	1,449,000
New domestic terminal - Bumthang Airport		161,000	322,000	197,000	788,000	1,332,000
Aviation security staff quarters - Gelephu Airport		0	0	125,000	178,000	117,000
2 Equipment	10,000	0	0	0	6,000	4,000
Low safety barrier - Yonphula Airport		0	0	0	6,000	4,000
3 Consultants	200,000	30,000	30,000	40,000	40,000	60,000
4 Taxes and Duties	340,000	0	34,000	34,000	170,000	102,000
Subtotal (A)	3,770,000	191,000	386,000	396,000	1,182,000	1,615,000
B. Recurrent Costs						
1 Project Management	20,000	2,000	2,000	4,000	6,000	6,000
2 Office Accommodation	80,000	8,000	8,000	16,000	24,000	24,000
Subtotal (B)	100,000	10,000	10,000	20,000	30,000	30,000
C. Contingencies						
1 Physical Contingency	380,000	0	38,000	76,000	114,000	152,000
2 Price Contingency	170,000	0	17,000	34,000	51,000	68,000
Subtotal (C)	550,000	0	55,000	110,000	165,000	220,000
Total Project Cost (A+B+C)	4,420,000	201,000	451,000	526,000	1,377,000	1,865,000
% Total Project Cost	100.00%	4.55%	10.20%	11.90%	31.15%	42.19%

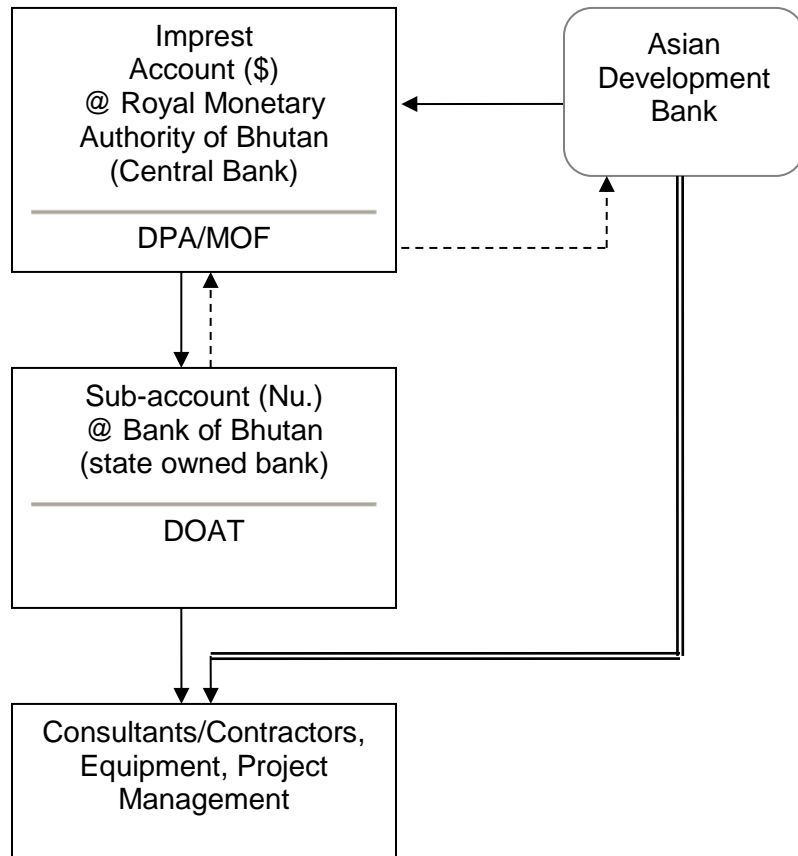
F. Contract and Disbursement S-Curve

15. The contract and disbursement S-Curve is presented below.



G. Fund Flow Diagram

16. The following diagram shows how the funds will flow from ADB and the Government to implement project activities.



Note:
 —————> Cash flow
 - - - - -> Reports for reconciliation and replenishment (with copy to Ministry of Finance)
 = = = = => Direct payment procedure (withdrawal application/payment) to be utilized for all payments in dollar

Notes on funds flow:

From ADB to the Imprest Accounts. Grant proceeds will be channeled through imprest account opened at the Royal Monetary Authority (the Central Bank of Bhutan) to sub-account at commercial bank acceptable to the government and ADB. DOAT will process all other disbursement requests to ADB through the Department of Public Accounts (DPA) of the Ministry of Finance, including direct payment to consultants. The imprest account will be replenished according to the ADB's *Loan Disbursement Handbook*.

From ADB to contractors/consultants. Payments for foreign contractors, and international consultant fees contracted by DOAT, will be paid directly by ADB, which requires DOAT's submission of approved invoices and documentation to ADB through DPA in accordance with ADB's *Loan Disbursement Handbook*.

V. FINANCIAL MANAGEMENT

A. Financial Management Assessment

17. The financial management assessment was conducted in March 2016 in accordance with ADB's Guidelines for the Financial Management and Analysis of Projects and the Financial Due Diligence: A Methodology Note. The assessment considered the capacity of DOAT of MOIC, including funds-flow arrangements, staffing, accounting and financial reporting systems, financial information systems, and internal and external auditing arrangements. Based on the assessment, within the PIU, DOAT will include a suitably qualified accountant officer. It is concluded that the overall premitigation financial management risk of DOAT is moderate. The Department of Public Accounts (DPA) of Ministry of Finance (MOF) and MOIC through DOAT have agreed to include a suitably qualified accountant officer within the PIU.

B. Disbursement

1. Disbursement Arrangements for ADB Funds

18. The grant proceeds will be disbursed in accordance with ADB's *Loan Disbursement Handbook* (2015, as amended from time to time), and detailed arrangements agreed upon between the government and ADB. Online training for project staff on disbursement policies and procedures is available.² Project staff are encouraged to avail of this training to help ensure efficient disbursement and fiduciary control.

19. Direct payment procedure by ADB will be utilized for progress payments on civil works and consultant's fees. Reimbursement and or the imprest fund procedure will be utilized for progress payments on civil works, procurement of goods, and recurrent costs (project management).

20. DOAT will be responsible for (i) preparing disbursement projections, (ii) requesting budgetary allocations for counterpart funds, (iii) collecting supporting documents, and (iv) preparing and sending withdrawal applications, through Department of Public Accounts (DPA)/MOF, to ADB.

21. **Imprest fund procedure.** Imprest fund procedure will be used. One (1) imprest account is established at the Royal Monetary Authority in the name of DPA/MOF. The currency of the imprest account is the US dollar. The imprest account is to be used exclusively for ADB's share of eligible expenditures. The government who established the imprest account in its name is accountable and responsible for proper use of advances to the imprest account including advances to the subaccounts.

22. The total outstanding advance to the imprest account should not exceed the estimate of ADB's share of expenditures to be paid through the imprest account for the forthcoming 6 months. The DOAT through DPA of MOF may request for initial and additional advances to the imprest account based on an Estimate of Expenditure Sheet³ setting out the estimated expenditures to be financed through the account for the forthcoming six months. Supporting documents should be submitted to ADB or retained by the borrower in accordance with ADB's

² Disbursement eLearning. http://wpqr4.adb.org/disbursement_elearning

³ ADB. 2015. *Loan Disbursement Handbook*. Appendix 10B.

Loan Disbursement Handbook (2015, as amended from time to time) when liquidating or replenishing the imprest account.

23. One (1) sub-account is established at Bank of Bhutan in the name of DOAT. The currency of the sub-account is the Bhutanese Ngultrum. The sub-account is to be used exclusively for ADB's share of eligible expenditures. The borrower should ensure that every liquidation and replenishment of each sub-account is supported by sufficient documentation in accordance with ADB's *Loan Disbursement Handbook* (2015, as amended from time to time).

24. **Statement of expenditure procedure.**⁴ The SOE procedure may be used for reimbursement of eligible expenditures or liquidation of advances to the imprest account. Supporting documents and records for the expenditures claimed under the SOE should be maintained and made readily available for review by ADB's disbursement and review missions, upon ADB's request for submission of supporting documents on a sampling basis, and for independent audit.

25. Before the submission of the first withdrawal application, the borrower should submit to ADB sufficient evidence of the authority of the person(s) who will sign the withdrawal applications on behalf of the government, together with the authenticated specimen signatures of each authorized person. The minimum value per withdrawal application is set in accordance with the *Loan Disbursement Handbook*. Individual payments below this amount should be paid (i) by the DPA of MOF and/or MOIC through DOAT and subsequently claimed to ADB through reimbursement, or (ii) through the imprest fund procedure, unless otherwise accepted by ADB.

2. Disbursement Arrangements for Counterpart Fund

26. Government counterpart funds will be provided to PIU under DOAT from DPA, and will be kept in project account of PIU.

C. Accounting

27. The DPA of MOF and MOIC through DOAT will maintain, or cause to be maintained, separate books and records by funding source for all expenditures incurred on the project following cash-based accounting system following the government's financial regulations. The DPA of MOF and MOIC through DOAT will prepare project financial statements in accordance with the government's accounting laws and regulations which are consistent with international accounting principles and practices.

D. Auditing and Public Disclosure

28. The DPA of MOF and MOIC through DOAT will cause the detailed project financial statements to be audited in accordance with International Standards on Auditing and the Government's audit regulations, by an independent auditor acceptable to ADB. The audited project financial statements together with the auditor's opinion will be presented in the English language to ADB within six months from the end of the fiscal year by the executing agency.

29. The audit report for the project financial statements will include a management letter and auditor's opinions, which cover (i) whether the project financial statements present an accurate

⁴ SOE forms are available in Appendix 9B and 9C of ADB's *Loan Disbursement Handbook* (2015, as amended from time to time).

and fair view or are presented fairly, in all material respects, in accordance with the applicable financial reporting standards; (ii) whether the proceeds of the grant were used only for the purpose(s) of the project; and (iii) whether the Government or executing agency was in compliance with the financial covenants contained in the legal agreements (where applicable).

30. Compliance with financial reporting and auditing requirements will be monitored by review missions and during normal program supervision, and followed up regularly with all concerned, including the external auditor.

31. The government, executing agency and implementing agency have been made aware of ADB's approach to delayed submission, and the requirements for satisfactory and acceptable quality of the audited project financial statements.⁵ ADB reserves the right to require a change in the auditor (in a manner consistent with the constitution of the borrower), or for additional support to be provided to the auditor, if the audits required are not conducted in a manner satisfactory to ADB, or if the audits are substantially delayed. ADB reserves the right to verify the project's financial accounts to confirm that the share of ADB's financing is used in accordance with ADB's policies and procedures.

32. Public disclosure of the audited project financial statements, including the auditor's opinion on the project financial statements, will be guided by ADB's Public Communications Policy 2011.⁶ After the review, ADB will disclose the audited project financial statements and the opinion of the auditors on the project financial statements no later than 14 days of ADB's confirmation of their acceptability by posting them on ADB's website. The management letter, additional auditor's opinions, and audited entity financial statements will not be disclosed.⁷

⁵ ADB's approach and procedures regarding delayed submission of audited project financial statements:

- (i) When audited project financial statements are not received by the due date, ADB will write to the executing agency advising that (a) the audit documents are overdue; and (b) if they are not received within the next 6 months, requests for new contract awards and disbursement such as new replenishment of imprest accounts, processing of new reimbursement, and issuance of new commitment letters will not be processed.
- (ii) When audited project financial statements are not received within 6 months after the due date, ADB will withhold processing of requests for new contract awards and disbursement such as new replenishment of imprest accounts, processing of new reimbursement, and issuance of new commitment letters. ADB will (a) inform the executing agency of ADB's actions; and (b) advise that the loan may be suspended if the audit documents are not received within the next 6 months.
- (iii) When audited project financial statements are not received within 12 months after the due date, ADB may suspend the loan.

⁶ Public Communications Policy: <http://www.adb.org/documents/pcp-2011?ref=site/disclosure/publications>

⁷ This type of information would generally fall under public communications policy exceptions to disclosure. ADB. 2011. *Public Communications Policy*. Paragraph 97(iv) and/or 97(v).

VI. PROCUREMENT AND CONSULTING SERVICES

A. Advance Contracting

33. All advance contracting will be undertaken in conformity with ADB's *Procurement Guidelines* (2015, as amended from time to time) (ADB's *Procurement Guidelines*)⁸ and ADB's *Guidelines on the Use of Consultants* (2013, as amended from time to time) (ADB's *Guidelines on the Use of Consultants*).⁹ The issuance of invitations to bid under advance contracting will be subject to ADB approval. The government, MOIC, and DOAT have been advised that approval of advance contracting does not commit ADB to finance the ensuing Project.

34. Advance contracting will be utilized for procurement of goods, works, and consulting services; and the steps to be concluded in advance – (i) preparation for procuring goods and works of low value, and (ii) recruitment of consultants.

B. Procurement of Goods, Works, and Consulting Services

35. All procurement of goods and works will be undertaken in accordance with ADB's *Procurement Guidelines*.

36. International competitive bidding (ICB) procedures will be used for works contracts valued above \$3 million and goods valued above \$1 million; National competitive bidding (NCB) for works and goods beneath that stated for ICB. Shopping will be used for contracts for procurement of works and equipment worth less than \$100,000.

37. When and if any NCB is proposed, the use of Bhutan's Procurement Rules & Regulations 2009, issued by the Royal Government of Bhutan, Ministry of Finance, together with ADB-issued Bhutan NCB Annex shall be used.

38. An 18-month procurement plan indicating threshold and review procedures, goods, works, and consulting service contract packages and national competitive bidding guidelines is in Section C.

39. All consultants will be recruited according to ADB's *Guidelines on the Use of Consultants*.¹⁰ The terms of reference for all consulting services are detailed in Section D.

40. A firm of local consultants will be recruited to carry out the role of the "Engineer" for supervision works and equipment installation. A consulting firm will be engaged using the quality- and cost-based selection (QCBS) method with a weighting of 90% technical and 10% financial as the nature of the assignment related to civil aviation requires priority consideration for quality.

C. Procurement Plan

41. The procurement plan, prepared in accordance with the country specific template, is in Attachment A, describing all procurement of good and works to be undertaken for the Project.

⁸ Available at: <http://www.adb.org/Documents/Guidelines/Procurement/Guidelines-Procurement.pdf>

⁹ Available at: <http://www.adb.org/Documents/Guidelines/Consulting/Guidelines-Consultants.pdf>

¹⁰ Checklists for actions required to contract consultants by method available in e-Handbook on Project Implementation at: <http://www.adb.org/documents/handbooks/project-implementation/>

D. Consultant's Terms of Reference

42. The outline terms of reference for consulting service is provided in Attachment B.

VII. SAFEGUARDS

(a) Environment

43. The project is classified as category B in accordance with the ADB Safeguard Policy Statement (SPS). An Initial Environmental Examination (IEE) report including an Environment Management Plan (EMP) has been prepared. The EMP will be attached to the bidding documents and made mandatory for implementation by the respective contractor. Hence, EMP implementation and its related costs will be the responsibility of the contractor while monitoring and technical guidance will be provided by the environmental specialist under the supervision consultant's team. DOAT's project coordinator of the respective domestic airports will also be responsible for ensuring proper implementation and monitoring of the EMP by the contractor and supervision consultant respectively. Any updates to the EMP, if required, will be made by the environmental specialist under the supervision consultants and reviewed and approved by the overall environment safeguards coordinator of DOAT.

(b) Social – Involuntary Resettlement

44. The project is classified category C in accordance with ADB's Safeguard Policy Statement (2009) as there will be no impacts on private land or property. A social safeguards compliance assessment of the ongoing investment was undertaken during project preparation. It identified the following actions to be addressed: (i) the payment of one household at Bumthang airport; (ii) the demarcation of Bumthang airport boundaries to expedite the construction of the bridge by the local administration; (iii) consultations with Yonphula/Udzorong residents to identify an alternative footpath outside the airport's boundaries. These actions as well as any unforeseen impacts related to the civil works of the additional financing will be monitored by DOAT and supervision consultant. Receipt and resolution of any further grievances will be addressed under the national grievances redress system and as provided in the IEE. Progress on pending actions, new issues and grievances will be reported on in the annual safeguards monitoring report.

(c) Social – Indigenous People

45. As the civil works will be undertaken within the airport boundary and no impacts on private assets are envisaged, there are no impacts on Indigenous Peoples. The project is thus categorized as "C" for Indigenous Peoples.

46. Pursuant to ADB's Safeguard Policy Statement (2009), ADB funds may not be applied to the activities described on the ADB Prohibited Investment Activities List set forth at Appendix 5 of the Safeguard Policy Statement (2009).

VIII. GENDER AND SOCIAL DIMENSIONS

47. **Gender consultation and participation.** Women are expected to benefit equally from the project. This includes women living in the project areas, who will benefit from the income-generation opportunities created by businesses and visitors once the airport are in operation, women working for DOAT at the three airport locations, women visitors who will benefit from the universal design features from the Bumthang terminal and the families who will occupy the new staff quarters at Gelephu. Impacts and benefits on women will be monitored and reported in the annual safeguards monitoring report.

48. **HIV and AIDS.** In addition to HIV/AIDS prevention measures conducted by migrant labor recruiting agencies, DOAT will ensure that all civil works contractors (i) carry out awareness programs for labor on the risks of sexually transmitted diseases/ AIDS and human trafficking; and (ii) disseminate information at worksites on the risks of sexually transmitted diseases and HIV/AIDS as part of health and safety measures for those employed during construction. Contracts for the project will include specific clauses on these undertakings, and compliance will be strictly monitored by DOAT, with the support of construction supervision consultants during project implementation and reported in the annual safeguards monitoring report.

49. **Health.** DOAT shall ensure that contractors provide adequately for the health and safety of construction workers and further ensure that bidding documents include measures on how contractors will address this and provide awareness raising to its workers on health and safety. This will be monitored by DOAT and the supervision consultant and reported in the annual safeguards monitoring report.

50. **Labor.** DOAT shall ensure that civil works contractors (i) comply with all applicable labor laws and regulations (ii) do not employ child or forced labor, (iii) pay equal wages for equal work; and (iv) do not discriminate. Specific clauses ensuring these will be included in bidding and contracting documents. The construction supervision consultants will monitor the provisions.

IX. PERFORMANCE MONITORING, EVALUATION, REPORTING AND COMMUNICATION

A. Project Design and Monitoring Framework

Impact the Project is Aligned with			
Current project			
Air transport connectivity improved (Eleventh Five-Year Plan) ^a			
Overall project			
Unchanged			
Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting	Risks
Outcome			
Current project Safety, security, and capacity at three domestic airports in Bumthang, Gelephu, and Yonphula improved	Current project By project completion (2016): Safety standards improved to meet ICAO requirements for aircraft parking, aeronautical communication, and air rescue and firefighting service support facilities Security standards improved to meet ICAO requirements for security cordon around perimeter Capacity for level of service in terminal areas improved from IATA standard grade E to B	(For all indicators) Annual audit and inspection report of the Department of Air Transport	The government does not provide adequate funds for operation and maintenance expenses on time.
Overall project Unchanged	Overall project By project completion (2021): Unchanged		
Outputs			
Current project Infrastructure at three domestic airports in Bumthang, Gelephu, and Yonphula improved	Current project By project completion (2016): 1a. Bumthang airport: Perimeter fencing of 4 km, runway asphalt overlay of 36,000 m ² , a general service and maintenance vehicle, and all-weather access road of 1 km	(For all indicators) Annual audit and inspection report of the Department of Air Transport	Civil works and equipment installation progress delayed.

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting	Risks
<p>Overall project Unchanged</p>	<p>1b. Gelephu airport: Perimeter fencing of 4 km including security gate and guardhouse; air rescue and firefighting service support facilities; a general service and maintenance vehicle; all-weather access road of 2 km; expansion of terminal of 1,000 m², apron and taxiway of 6,000 m², runway drainage system, and flood protection structures; and installation of communication and navigation aids equipment</p> <p>1c. Yonphula airport: Removal of small hills beside runway, provision of air rescue and firefighting service support facilities and a general service and maintenance vehicle, and repair of runway strip drainage of 500 meters</p> <p>Overall project By project completion (2021):</p> <p>1a. Bumthang airport: Perimeter fencing of 3.8 km, all-weather access road of 1.0 km, apron and taxiway of 8,364 m², car park area of 3,077 m², new terminal building</p> <p>1b. Gelephu airport: Perimeter fencing of 2.8 km, security gate, drainage system comprising 198,000 m² of graded area, flood protection system comprising 911 meters of wall and river dredging a volume of 20,385 m³ from the stream on the western side of the airport, new terminal with total floor area of 357 m², aviation security staff quarters</p> <p>1c. Yonphula airport: Remove three hills beside runway, reshape runway,</p>	<p>(For all indicators)</p> <p>Annual audit and inspection report of the Department of Air Transport</p>	<p>Civil works and equipment installation progress delayed.</p>

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting	Risks
	provide asphalt on runway, provide access road of 150 meters, provide new car park, extend apron, remove and reconstruct perimeter fence of 2.4 km, relocate one stupa, install low safety barrier around perimeter of apron		

Key Activities with Milestones (Overall Project)

1. Infrastructure at three domestic airports in Bumthang, Gelephu, and Yonphula improved

- 1.1 Complete engineering design, specifications, bill of quantities, cost estimates, and bidding documents by December 2016 (changed)
- 1.2 Engage consultant for supervision by September 2017 (changed)
- 1.3 Procure works and equipment by September 2017 (changed)
- 1.4 Complete all civil works and installation of equipment by June 2020 (changed)

Project Management Activities

Project implementation unit established by Q2 2016

Inputs

ADB (Grant)

\$ 6,920,000 (current project)
 \$ 4,000,000 (additional financing)
 \$ 10,920,000 (overall project)

Government

\$ 680,000 (current project)
 \$ 420,000 (additional financing)
 \$ 1,100,000 (overall project)

Assumptions for Partner Financing

Current project

None

Overall project

Unchanged

^a Government of Bhutan. *Eleventh Five-Year Plan, 2013–2018*. Thimphu.

IATA = International Air Transport Association, ICAO = International Civil Aviation Organization, km = kilometer, m² = square meter.

Source: Asian Development Bank.

B. Monitoring

51. **Project performance monitoring:** The achievement of the project performance targets will be assessed following the design and monitoring framework. DOAT, assisted by the Design and Supervision Consultant will establish a project performance management system. The DMF indicators will be monitored before and after construction for the project airports. Disaggregated baseline data for output and outcome indicators gathered during project processing will be updated and reported quarterly through the quarterly progress reports from DOAT, and after each ADB review mission. These quarterly reports will provide information necessary to update ADB's project performance reporting system.¹¹

52. **Compliance monitoring:** Compliance with covenants will be monitored through ADB's Project Administration Missions – including project inception mission to discuss and confirm the timetable for compliance with the loan covenants; project review missions to review the borrower's compliance with particular loan covenants and, where there is any noncompliance or delay, discuss proposed remedial measures with the Government; and mid-term review mission if necessary to review covenants to assess whether they are still relevant or need to be changed, or waived due to changing circumstances.

53. **Safeguards monitoring - Environment:** The respective project coordinator of the three domestic airports will also be the environmental safeguards focal persons at the site level, and will monitor implementation of the EMP by the contractor with the support of the environment specialist of the supervision consultants.

54. EMP implementation records in the form of monthly or quarterly checklists will be maintained by the contractor and cross checked and verified by the environment safeguards focal person at the site level. These will also be reviewed by the environment specialist of the supervision consultants. Based on these checklists and site observations, the environmental specialist will prepare an annual monitoring report and submit it to the overall environment safeguards coordinator under DOAT. After review and approval by DOAT, the report will be forwarded to ADB for disclosure on the ADB website in accordance with the requirements of ADB's SPS 2009.

55. **Safeguards monitoring:** Social monitoring of (i) unforeseen social impacts under the project; (ii) progress in addressing pending issues under existing investment; (iii) gender, labor, health and HIV/AIDS monitoring will be carried out by the supervision consultant and reported in the annual safeguards monitoring report to be submitted to the EA and ADB. This report will be disclosed on ADB website.

C. Evaluation

56. A project inception mission will be fielded soon after the legal agreements for the Project are declared effective; thereafter, regular reviews will follow at least annually. As necessary, special loan administration missions and a midterm review mission will be fielded, under which any changes in scope or implementation arrangement may be required to ensure achievement of project objectives. DOAT will monitor project implementation in accordance with the schedule and time-bound milestones, and keep ADB informed of any significant deviations that may result

¹¹ ADB's project performance reporting system is available at:
<http://www.adb.org/Documents/Slideshows/PPMS/default.asp?p=evaltool>

in the milestones not being met. Within 6 months of physical completion of the Project, DOAT will submit a project completion report to ADB.¹²

D. Reporting

57. The DOAT will provide ADB with (i) quarterly progress reports in a format consistent with ADB's project performance reporting system; (ii) consolidated annual reports including (a) progress achieved by output as measured through the indicator's performance targets, (b) key implementation issues and solutions; (c) updated procurement plan and (d) updated implementation plan for next 12 months; (iii) an annual safeguards monitoring report and (iv) a project completion report within 6 months of physical completion of the Project. To ensure projects continue to be both viable and sustainable, project accounts and the executing agency's audited financial statements, together with the associated auditor's report, should be adequately reviewed

E. Stakeholder Communication Strategy

58. DOAT, in coordination with the relevant Dzongkhag officials and with the support of the supervision consultant, will conduct consultations with members of the community living around the project areas at least once a year to: (i) share information on project progress, (ii) hear concerns and questions from the audience and (iii) discuss safety issues related to the airports operation.

59. Various information regarding the Project, including scope, general progress status, beneficiaries, invitation for bid, and consultant recruitment notices, will be provided to the general public. The information will be made available and updated through the official websites of DOAT.

X. ANTICORRUPTION POLICY

60. ADB reserves the right to investigate, directly or through its agents, any violations of the Anticorruption Policy relating to the Project.¹³ All contracts financed by ADB shall include provisions specifying the right of ADB to audit and examine the records and accounts of the executing agency and all Project contractors, suppliers, consultants and other service providers. Individuals/entities on ADB's anticorruption debarment list are ineligible to participate in ADB-financed activity and may not be awarded any contracts under the Project.¹⁴

61. To support these efforts, relevant provisions are included in the loan agreements, regulations and the bidding documents for the Project.

62. DOAT's website will provide updated, detailed information on project implementation. For example, it will include procurement-related information, such as the list of participating bidders, name of the winning bidder, basic details on bidding procedures adopted, amount of contract awarded, and the list of goods and/or services procured.

¹² Project completion report format available at: <http://www.adb.org/Consulting/consultants-toolkits/PCR-Public-Sector-Landscape.rar>

¹³ Available at: <http://www.adb.org/Documents/Policies/Anticorruption-Integrity/Policies-Strategies.pdf>

¹⁴ ADB's Integrity Office web site is available at: <http://www.adb.org/integrity/unit.asp>

XI. ACCOUNTABILITY MECHANISM

63. People who are, or may in the future be, adversely affected by the project may submit complaints to ADB's Accountability Mechanism. The Accountability Mechanism provides an independent forum and process whereby people adversely affected by ADB-assisted projects can voice, and seek a resolution of their problems, as well as report alleged violations of ADB's operational policies and procedures. Before submitting a complaint to the Accountability Mechanism, affected people should make a good faith effort to solve their problems by working with the concerned ADB operations department. Only after doing that, and if they are still dissatisfied, should they approach the Accountability Mechanism.¹⁵

XII. RECORD OF CHANGES TO THE PROJECT ADMINISTRATION MANUAL

64. All revisions/updates during course of implementation should be recorded and retained under this Section to provide a chronological history of changes to implemented arrangements recorded in this PAM.

Rev.	Date	Description of Revisions
1		
2		
3		
4		
5		

¹⁵ For further information see: <http://www.adb.org/Accountability-Mechanism/default.asp>.

XIII. ATTACHMENTS

Attachment A: Procurement Plan
Attachment B: Outline Terms of Reference for Consulting Services

PROCUREMENT PLAN

Basic Data

Project Name	Air Transport Connectivity Enhancement Project – Additional Financing
Country	Kingdom of Bhutan
Executing Agencies	Ministry of Information and Communications
Grant Amount	\$ 4.00 million
Grant Number	GXXXX
Date of First Procurement Plan	8 March 2016
Date of This Procurement Plan	8 March 2016

A. Process Thresholds, Review, and 18-Month Procurement Plan

1. Project Procurement Thresholds

1. Except as the Asian Development Bank (ADB) may otherwise agree, the following process thresholds shall apply to procurement of goods and works.

Procurement of Goods and Works	
Method	Threshold
International Competitive Bidding (ICB) for Works	Above \$3,000,000
International Competitive Bidding (ICB) for Goods	Above \$1,000,000
National Competitive Bidding (NCB) for Works	Beneath that stated for ICB, Works
National Competitive Bidding (NCB) for Goods	Beneath that stated for ICB, Goods
Shopping for Works	Below \$100,000
Shopping for Goods	Below \$100,000

2. ADB Prior or Post Review

2. Except as ADB may otherwise agree, the following prior or post review requirements apply to the various procurement and consultant recruitment methods used for the Project.

Procurement Method	Prior or Post	Comments
Procurement of Goods and Works		
ICB Works	Prior	
ICB Goods	Prior	
NCB Works and Good	Post	Prior review for the bidding documents (for first package) and bid evaluation reports (for all).
Shopping for Works	Post	
Shopping for Goods	Post	
Recruitment of Consulting Firms		
Quality- and Cost-Based Selection (QCBS)	Prior	

3. Goods and Works Contracts Estimated to Cost More Than \$ 1 Million

3. The following table lists goods and works contracts for which procurement activity is either ongoing or expected to commence within the next 18 months.

General Description	Contract Value	Procurement Method	Prequalification of Bidders (Yes/No)	Advertisement Date (quarter/year)	Comments
Civil Works: CW1 Airport Improvements at Bumthang (Passenger Terminal)	\$2.80 million	International Competitive Bidding	No	Q1/2017	

4. Consulting Services Contracts Estimated to Cost More Than \$100,000

4. The following table lists consulting services contracts for which procurement activity is either ongoing or expected to commence within the next 18 months.

General Description	Contract Value	Recruitment Method	Advertisement Date (quarter/year)	International or National Assignment	Comments
Supervision Consultant	About \$0.20 million	Quality and Cost Based Selection (90:10)	Q2/2016	National firm	

5. Goods and Works Contracts Estimated to Cost Less than \$ 1 Million and Consulting Services Contracts Less than \$100,000

5. The following table groups smaller-value goods, works, and consulting services contracts for which procurement activity is either ongoing or expected to commence within the next 18 months.

General Description	Value of Contracts (cumulative)	Number of Contracts	Procurement / Recruitment Method	Comments
Civil Work: CW2 Airport Improvements at Bumthang (Aviation Security Staff Quarter)	\$0.42	1	International Competitive Bidding	
Equipment: E1 Safety Equipment at Yonphula (Low Safety Barrier)	\$0.01	1	Shopping	

B. Indicative List of Packages Required Under the Project

6. The following table provides an indicative list of all procurement (goods, works and consulting services) over the life of the project. Contracts financed by the Borrower and others should also be indicated, with an appropriate notation in the comments section.

General Description	Estimated Value (cumulative)	Estimated Number of Contracts	Procurement Method	Domestic Preference Applicable	Comments
Civil Works	\$3.22 million	2	ICB	No	
Equipment	\$0.01 million	1	Shopping	No	

General Description	Estimated Value (cumulative)	Estimated Number of Contracts	Recruitment Method	Type of Proposal	Comments
Supervision Consultant	About \$0.20 million	1	Quality and Cost Based Selection (90:10)	Simplified Technical Proposal	

C. National Competitive Bidding

1. General

The procedures to be followed for national competitive bidding shall be the open tendering/bidding method set forth in the [Procurement Rules and Regulations 2009](#) issued by the Ministry of Finance of the Royal Government of Bhutan with the clarifications and modifications described in the following paragraphs.

2. Domestic Preference

No preference of any kind shall be given to domestic bidders or for works of domestically manufactured goods. Clause 1.1.2.2 of the [Procurement Rules and Regulations 2009](#) shall not apply.

3. Registration

Foreign suppliers and contractors from ADB member countries shall be allowed to apply for pre-qualification and to bid, without national registration, licensing and other government authorizations, leaving compliance with these requirements until after notice of award and before signing of contract.

Where registration is required prior to award of contract, bidders: (i) shall be allowed a reasonable time to complete the registration process; and (ii) shall not be denied registration for reasons unrelated to their capability and resources to successfully perform the contract, which shall be verified through post-qualification.

4. Exclusion of Bidders / National Sanctions List

Exclusion of bidders for reasons cited in paragraph 2.1.4.1 of the BPM, including inclusion on national sanctions lists may be applied only with prior approval of ADB. Rejection of bids on account of "past poor performance" of bidders shall also be subject to ADB's prior approval.

5. Qualifications

Post qualification shall be used unless prequalification is explicitly provided for in the loan agreement/procurement plan.

If prequalification is undertaken, the prequalification criteria shall be based on ADB's User's Guide to Prequalification of Bidders.

From the date of advertisement, a minimum period of 28 days shall be allowed for the preparation and submission of prequalification applications.

6. Eligibility of Bidders

The eligibility of bidders shall be as defined under Eligibility provisions of ADB's Procurement Guidelines ("Guidelines") (2015, as amended from time to time), accordingly, no bidder or potential bidder should be declared ineligible for reasons other than those stated the Guidelines.

7. Procurement Thresholds and Procurement Methods

In cases of conflict between the thresholds as prescribed in Clause 4.1 of the BPM and the Procurement Plan, the lower threshold shall prevail. The procurement methods specified on the Procurement Plan shall be followed.

8. Procurement Process

One envelope open bidding process shall be used unless two stage process is explicitly provided for in the loan agreement/procurement plan.

9. Advertising

Bidding of contracts estimated at \$500,000 or more for goods and related services or \$1,000,000 or more for civil works shall be advertised on ADB's website via the posting of the Procurement Plan.

10. Bidding Documents

Procuring entities shall use standard bidding documents acceptable to ADB for the Procurement of Goods, Works and related Services.

11. Packaging

Slicing or splitting of contracts within a package shall not be used to change the contract sizes and the corresponding methods of procurement indicated in the loan agreement/procurement plan.

12. Bid Security and Performance Security

Where required, bid security (earnest money), retention money (or security deposit) and performance security (or performance guarantee) shall be in the form of a demand draft, certified check, letter of credit, or bank guarantee from a reputable bank.

The terms and conditions of bid security as well as retention money and performance security shall be clearly specified in the forms provided and/or conditions of contract in terms of periods of validity and grounds for forfeiture, or release of the bank guarantees, or refund of the cash security deposits.

13. Rejection of All Bids and Re-bidding

Bids shall not be rejected and new bids solicited without the ADB's prior concurrence.

14. Low Bids and Unbalanced Bids

Bids shall not be rejected solely because the bid price seriously lower or unbalanced. The bidder whose bid is determined to be the lowest evaluated substantially responsive bid may be required by the Executing Agency/Implementing Agency (EA/IA) to provide a higher performance security to a level sufficient to protect the EA/IA against financial loss in the event of default of the successful bidder under the Contract.

15. Disclosure of Decision on Contract Awards

At the same time that notification on award of contract is given to the successful bidder, the results of bid evaluation shall be published in a local newspaper, or a well-known freely accessible website identifying the bid and lot numbers and providing information on (i) name of each Bidder who submitted a Bid, (ii) bid prices as read out at bid opening; (iii) name of bidders whose bids were rejected and the reasons for their rejection, and (iv) name of the winning Bidder, and the price it offered, as well as duration and summary scope of the contract awarded. The executing agency/implementing agency/contracting authority shall respond in writing to unsuccessful bidders who seek explanations on the grounds on which their bids are not selected.

**OUTLINE TERMS OF REFERENCE FOR CONSULTING SERVICES
BHU (P44239-014): AIR TRANSPORT CONNECTIVITY ENHANCEMENT PROJECT**

SUPERVISION SERVICES

A. Background and Objectives

1. The Government of Bhutan has applied for a grant from the Asian Development Bank (ADB) for the Air Transport Connectivity Enhancement – Additional Financing (the Project) and intends to apply a portion of proceeds to engage a firm of international consultants (the consultant) to carry out supervision. The main objective of the consultant is to assist the Department of Air Transport (DOAT) by: (a) providing project management assistance; (b) supervising and administering of works and equipment installation contracts; (c) conducting on-the-job training for the Employer's staff; and (d) preparing/updating Project Performance Management System based on ADB's Design and Monitoring Framework, and (e) updating social and environmental assessment and conducting monitoring during construction.

2. The major components of the improvement works and equipment are: (i) construction of a passenger terminal building at Bumthang Airport; (ii) construction of aviation security staff quarters at Gelephu Airport; and (iii) providing low safety barrier around perimeter of apron at Yonphula Airport.

B. Scope of Services

Component 1: Overall Project Management

3. The consultant will provide the following overall project management functions:

Task (01) Provide project management services throughout construction and commissioning stages.

Task (02) Prepare project schedule in conjunction with DOAT, and provide to the ADB a realistic schedule for construction and commissioning, allowing for traffic, seasonality and operational requirements of the airports in Bumthang, Gelephu, and Yonphula. The project schedule is to enable the airports to remain operational through the project period, with daytime closure of the runway limited to an absolute minimum, and construction planned accordingly. The consultant is to maintain and update the project schedule throughout the project.

Task (03) Undertake project performance management system in the format acceptable by the Employer and ADB, which consists of (1) preparing in the initial stage a project performance management system, in accordance with the ADB's project design and monitoring framework, to monitor (i) the progress of the overall project implementation, and (ii) the development impact of the project; and (2) collecting/updating the project performance indicator benchmarks.

Component 2: Construction Supervision

Task (04) Approving contractor's work program, method statements, material sources, and safety plan.

- Task (05) Approving and/or issuing working drawings, approving the setting out of the works, and giving instructions to the contractor.
- Task (06) Reviewing the quality control programs of the contractors.
- Task (07) Inspecting materials and works to ensure compliance with specifications and giving immediate notice to the contractor in the event that such materials and works fail to comply with the specifications.
- Task (08) Accepting or rejecting any part or parts of the completed works.
- Task (09) Making measurements and keeping measurement records.
- Task (10) Maintaining records, correspondence, and diaries.
- Task (11) Certifying work volume and interim certificates for progress payments.
- Task (12) Assisting the Employer's representative with the maintenance of consolidated project accounts, and with preparation of financial statements and withdrawal applications for submission to ADB.
- Task (13) Certifying completion of part or all of the works.
- Task (14) Assisting the Employer in preparing withdrawal applications for contractor payments.
- Task (15) Periodically checking the remaining quantities, and undertaking constant monitoring of each contract's costs.
- Task (16) Reviewing and recommending to the Employer variation orders, extensions of time, claims, and other matters that may come from each contractor.
- Task (17) Negotiating with each contractor and recommending to the Employer the rates for any unscheduled items of work that may arise.
- Task (18) Advising the Employer's representative on all matters relating to the execution of the works; and assisting the representative with processing the contractor's possible claims.
- Task (19) Preparing, at the completion of the contracts, a consolidated project completion report in a format provided by ADB.
- Task (20) Checking and certifying as-built drawings for the works prepared by the contractors.
- Task (21) Inspecting the works at appropriate intervals during the defects liability period and certifying the defects liability certificate for issuance by the Employer's representative.
- Task (22) Providing the Employer with complete records, and inception, monthly, and completion reports.

- Task (23) Assisting the Employer to provide on-site training where required for the Employer's field staff on quality assurance and contract administration.
- Task (24) Assisting and training the Employer's staff to monitor and administer the performance based maintenance portion of the civil works contract (immediately following the full or sectional transfer of completed works).

Component 3: Social Assessment and Monitoring

- Task (25) Ensure compliance with ADB's Safeguards Policy Statement (2009), identify unforeseen social impact and develop mitigation measures, monitor progress in addressing pending social issues and providing information to ADB on those processes in the annual safeguards monitoring report – or if issue is of significance through DOAT and ADB per email/fax.
- Task (26) Monitor the status of the contractor's compliance with HIV/AIDS, health and safety, child labor, forced labor, equal payment for equal work and national labor law provisions in the Civil Works Contracts.
- Task (27) Design, prepare and conduct airport runway crossing safety awareness campaign in the project area of influence.

Component 4: Environmental Assessment and Monitoring

- Task (28) Review the Initial Environment Examination (IEE) report and the EMP. Review the bidding documents and ensure the inclusion of the EMP, related mitigation costs and all necessary provisions for compliance with environment safeguard requirements.
- Task (29) Monitor implementation of the EMP by the contractor and ensure compliance with the environmental safeguard requirements of civil works contracts. Provide necessary training and technical advices including on-site advisory to the contractors as found necessary. Review and confirm that the EMP implementation records are maintained by the contractor. Prepare annual environmental monitoring reports based on these records and on-site spot checks carried out and submit to DOAT.

C. Implementation Arrangements

4. The consulting services will be implemented by a firm of local consultants. It is anticipated that the following staff will be required:

<i>Position</i>	<i>Qty</i>	<i>Number of Person Months</i>	<i>Total Person Months</i>
Resident Engineer	2	18	36
Environmental Specialist	1	2	2
Social Safeguard Specialist	1	2	2
Total	4	-	40

Note:

- (i) The estimated person-months are indicative of actual requirements and will be paid on actual time-basis. To provide a common basis for financial proposals, the Consultants shall propose the staff person-months indicated above.
- (ii) Other support staff (such as administrative support, etc.) necessary to complete the assignment shall be included in the consultant's financial proposal under Out-Of-Pocket expense items.
- (iii) Other expense items (such as communication, report production, support staff, stationary, in-country transport, including vehicle rental and fuel, and etc.) necessary to complete the assignment shall also be included in the consultant's financial proposal under Out-Of-Pocket expense items. The Consultant will bear at its own expense any of essential out-of-pocket expense items that are not priced in the financial proposal.

D. Reports, Deliverables, and Time Schedule

5. The consulting services will be implemented over about 24 calendar months from the commencement date.

6. The Consultant shall prepare and submit the following reports in the English language (5 copies for Client and 2 copies for ADB). The final report shall be prepared in hardcopy and in CD-ROM.

Report	Description/Technical Accomplishments	Timeframe
Monthly Progress Reports	Brief details of the work carried out during the previous month (all components), the problems encountered or anticipated, together with the steps taken or recommendations for their correction, and financial and physical progress to date.	Monthly (by the 10th day of each month following the inception report)
Annual Safeguard Monitoring Reports	Report on all the social and environment safeguard activities implemented under the project including progress on pending activities from the original project and the RGOB financed project.	Annually starting from the Project effectiveness date
Project Completion Report	In accordance with ADB's format.	Within 3.00 months from the completion of the contract packages.

E. Data, Local Services, Personnel, and Facilities to be provided by the Government

7. DOAT will provide the consultant with the following:
- (i) Main office space and utilities at DOAT headquarter;
 - (ii) Access to data, survey reports, records, and other information required to perform the assigned tasks;

8. Civil Works contractors will provide the consultant with the following:
 - (iii) Site office space and utilities