

Project Administration Manual

Project Number: 44240-014
September 2016

Kingdom of Bhutan: Thimphu Road Improvement
Project

ABBREVIATIONS

ADB	=	Asian Development Bank
DPA	=	Department of Public Accounts
DES	=	Department of Engineering Services
EMP	=	environmental management plan
ICB	=	international competitive bidding
IEE	=	initial environmental examination
MOWHS	=	Ministry of Works and Human Settlement
NCB	=	national competitive bidding
O&M	=	operation and maintenance
PAM	=	project administration manual
PIU	=	project implementation unit
PMC	=	project management, design and supervision consultant
PMU	=	project management unit
PPMS	=	project performance monitoring system
PSC	=	project steering committee
ROW	=	right-of-way
RRP	=	report and recommendation of the President
SOE	=	statement of expenditure
SPS	=	Safeguard Policy Statement

CONTENTS

I.	PROJECT DESCRIPTION	1
A.	Rationale	1
B.	Impact and Outcome	3
C.	Outputs	3
II.	IMPLEMENTATION PLANS	3
A.	Project Readiness Activities	3
B.	Overall Project Implementation Plan	4
III.	PROJECT MANAGEMENT ARRANGEMENTS	6
A.	Project Implementation Organizations – Roles and Responsibilities	6
B.	Key Persons Involved in Implementation	6
C.	Project Organization Structure	7
IV.	COSTS AND FINANCING	8
A.	Cost Estimates Preparation and Revisions	9
B.	Key Assumptions	9
C.	Detailed Cost Estimates by Expenditure Category	10
D.	Allocation and Withdrawal of Grant Proceeds	11
E.	Detailed Cost Estimates by Financier	12
F.	Detailed Cost Estimates by Outputs	13
G.	Detailed Cost Estimates by Year	14
H.	Contract and Disbursement S-curve	15
I.	Fund Flow Procedures	16
J.	Fund Flow Diagram	17
V.	FINANCIAL MANAGEMENT	18
A.	Financial Management Assessment	18
B.	Disbursements	20
C.	Accounting	21
D.	Auditing and Public Disclosure	21
VI.	PROCUREMENT AND CONSULTING SERVICES	22
A.	Advance Contracting	22
B.	Procurement of Goods, Works and Services	22
C.	Consulting Services	23
D.	Procurement Plan and Contract Packages	23
VII.	SAFEGUARDS	23
VIII.	GENDER AND SOCIAL DIMENSIONS	25
IX.	PERFORMANCE MONITORING, EVALUATION, REPORTING, AND COMMUNICATION	25
A.	Project Design and Monitoring Framework	25
B.	Monitoring	25
C.	Evaluation	27
D.	Stakeholder Communication Strategy	28
X.	ANTICORRUPTION POLICY	29

XI.	ACCOUNTABILITY MECHANISM	30
XII.	RECORD OF CHANGES TO THE PROJECT ADMINISTRATION MANUAL	30

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 should include references to all available templates and instructions either through linkages to relevant URLs or directly incorporated in the PAM.

The Department of Engineering Services (DES), under the Ministry of Works and Human Settlement (MOWHS), through the Project Management Unit (PMU) and the Thimphu *Thromde* (Municipality) Project Implementation Unit (Thimphu *Thromde* PIU) are wholly responsible for the implementation of this ADB-financed project, as agreed jointly between the Grant Recipient and ADB, and in accordance with Government and ADB's policies and procedures. ADB staff is responsible for supporting the implementation including compliance by DES, under MOWHS, through the PMU and the Thimphu *Thromde* PIU of their obligations and responsibilities for project implementation in accordance with ADB's policies and procedures.

At Grant Negotiations, the Grant Recipient 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 (PAI)) and upon such approval, they will be subsequently incorporated in the PAM.

I. PROJECT DESCRIPTION

A. Rationale

1. The proposed Thimphu Road Improvement Project¹ will complement the previous and ongoing urban development projects of the Asian Development Bank (ADB) to develop Thimphu, Bhutan's capital.² The project will support the repair, resurfacing, and improvement of roads in Thimphu Thromde (municipality),³ and support municipal government staff's capacity building for operation and maintenance (O&M) and asset management.

2. After experiencing strong growth during 2001–2011 with an average annual growth rate of 8.4%, Bhutan's economy slowed in 2012–2013 due to credit and import restrictions, which were imposed to alleviate a balance of payment deficit. In 2015, Bhutan's economic growth rate again increased to an estimated 5.9%, supported by the easing of credit restrictions and continued hydropower construction. Bhutan's economic growth, which is likely to accelerate further,⁴ has been fueling rapid urbanization. Once a small percentage of the country's population, Bhutan's urban population is estimated to have grown by about 4.7% each year since 2000 when it was only 25.4%, and now forms a third of the total population; this proportion is expected to reach 50% by 2020. This unprecedented urban growth is placing severe pressure on Bhutan's cities, and has created a shortfall of basic urban infrastructure and services for residents. Meeting the challenges of urban infrastructure development, urban management, and municipal finance has become a key objective of the developmental agenda of the Government of Bhutan and its development partners

3. Established in 1995, Thimphu is the largest and fastest-growing city in Bhutan. The city's population was estimated to be 116,000⁵ in 2015 (15.3% of the national population), and it is the most densely populated place in Bhutan, with 3,046 persons per square kilometer.⁶ The city has been struggling to manage urban expansion to the north and south of the city center, and to provide sufficient basic urban infrastructure. As a part of the government's Thimphu Structure Plan,⁷ the government adopted an area-wide planned development strategy involving a land-pooling scheme, whereby each landowner contributes approximately 25% of his or her land in exchange for basic urban infrastructure, including internal access roads, drainage, water supply and sewerage infrastructure, and street lighting. Detailed local area plans (LAPs) were prepared for 10 areas of Thimphu—five in the north and five in the south. These areas were successfully developed with the support of ADB and the World Bank.⁸

¹ The project is included in ADB. 2015. *Country Operations Business Plan: Bhutan, 2016–2018*. Manila. The project was formerly known as the Urban Infrastructure Project (additional financing, Loan 2816-BHU).

² ADB. 1998. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Kingdom of Bhutan for Urban Infrastructure Improvement Project*. Manila (Loan 1625-BHU); ADB. 2006. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Technical Assistance Grant to the Kingdom of Bhutan for Urban Infrastructure Development Project*. Manila (Loan 2258-BHU); ADB. 2011. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Kingdom of Bhutan for Urban Infrastructure Project*. Manila (Loan 2816-BHU).

³ Third-level administrative division administered either by elected members and a mayor (class A) or by the *dzongkhag* (district) administration (class B).

⁴ Country Economic Indicators (accessible from the list of linked documents in Appendix 2).

⁵ Ministry of Works and Human Settlement (MOWHS). 2016. *Formulation of National Human Settlement Strategy Analysis Report*. Thimphu (22 February 2016, CRISIL).

⁶ Government of Bhutan, MOWHS. 2008. *Thimphu City Development Strategy*. Thimphu.

⁷ Government of Bhutan. 2003. *Thimphu Structure Plan: 2002–2027*. Thimphu.

⁸ Sector Assessment (Summary): Transport (Urban Roads and Traffic Management) (accessible from the list of linked documents in Appendix 2).

4. In December 2006, ADB approved the provision of \$24.6 million in funding for the Urban Infrastructure Development Project⁹ to improve access roads, drainage, water supply, and sanitation in four LAP areas (Babesa, Changbandu, Lungtenpu, and Simtokha) near the existing Tashi Chhodzong–Babesa Expressway in South Thimphu.¹⁰ This stimulated the city’s systematic expansion, especially housing and commercial development. To date, 532 structures housing an estimated 19,000 persons (approximately 16% of Thimphu’s population) have been developed in these four areas, significantly increasing the amount of available housing in the city. A significant number of businesses are also now operating in these four LAP areas.

5. The total number of vehicles in the country has increased rapidly, yielding an average annual growth rate of 11% from 1997 to 2012. Most of this growth occurred in Thimphu where, after slowing briefly during 2012–2014,¹¹ the growth rate increased by 5.2% from 2015 to 2016,¹² This is putting significant stress on Thimphu’s road infrastructure. The LAP was a rare successful example of a land-pooling scheme in the developing world; however, this planned urbanization caused an unprecedented construction boom that has severely damaged the road infrastructure in several parts of the city, particularly the LAP areas in the south. Thimphu’s roads were designed for normal traffic conditions, and the influx of heavy construction vehicles on residential and commercial streets has caused damage that cannot be repaired or restored by routine maintenance. At the same time, a rapid increase in vehicular traffic is creating congestion, which is further aggravated by deteriorating road conditions.

6. Several sections of the city’s roads are riddled with potholes and suffer from waterlogging due to poor drainage. The government has identified road repairs and improvements in Thimphu as its top priority, with road safety and traffic management as its key concerns. Addressing these issues will be crucial to maintain the significant benefits of the LAP’s successful implementation and enable this strategy to be widely and continuously replicated in the future. Thus, the government has requested ADB support to prepare a project to address these key issues urgently. The project will ensure sustainable urban development in Thimphu based on the Thimphu Structure Plan and the LAPs.

7. The project is consistent with the government’s plans and strategies, and with the inclusive social development objective of ADB’s country partnership strategy for Bhutan, which aims to improve urban infrastructure and services, upgrade city planning, and strengthen the planning and management functions of municipalities.¹³ It is also consistent with ADB’s Midterm Review of Strategy 2020 as it contributes to the envisaged outcomes of environmentally sustainable development and the development of urban infrastructure, two of ADB’s five core areas of specialization.¹⁴ Lessons learned from past and ongoing urban projects and the country assistance program evaluation have been incorporated into the project design. These include (i)

⁹ ADB. 2006. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Technical Assistance Grant to the Kingdom of Bhutan for Urban Infrastructure Development Project*. Manila (Loan 2258-BHU).

¹⁰ The project constructed (i) 33.7 km of secondary and tertiary access roads with associated drainage to connect the four local areas integrally to the expressway and major arterial roads; (ii) a 31.6 km network of water distribution pipes; (iii) a 28.5 km sewerage network, including 819 manhole chambers, 1,411 water and sewer inspection chambers, and associated structures; and (iv) 25.7 km of ducting for power and telecommunication networks, with 265 access shafts for cables and associated structures.

¹¹ To curb the rapid increase in the number of vehicles, the government raised the vehicle tax rate in 2011 and temporarily prohibited all vehicle importation from May 2012; this was lifted in July 2014 when the vehicle tax rate was raised further.

¹² Source: Ministry of Information and Communication. The number of vehicles in Thimphu increased by 6.6% from April 2014 to April 2015, and by 5.2% from April 2015 to April 2016.

¹³ ADB. 2014. *Country Partnership Strategy: Bhutan, 2014–2018*. Manila.

¹⁴ ADB. 2014. *Midterm Review of Strategy 2020: Meeting the Challenges of a Transforming Asia and Pacific*. Manila.

remaining involved in the sector to build the capacity of municipalities, (ii) meeting the municipal service requirements of rapidly growing urban populations, and (iii) strengthening municipalities' technical capacity to manage O&M.

B. Impact and Outcome

8. The impact will be the improved mobility of residents in Thimphu Thromde, aligned with the Thimphu Structure Plan. The outcome will be safety and efficiency of the road network in Thimphu Thromde improved.

C. Outputs

9. The project's outputs will include (i) the repair, resurfacing, and improvement of roads in Thimphu Thromde, with existing drains and footpaths repaired, new drains constructed, new footpaths constructed along the designated roads, and existing parking spaces improved; and (ii) municipality's capacity for asset management and O&M strengthened. The output details are in **Appendix 1: Design and Monitoring Framework**.

- (i) **Output 1: Repair, resurfacing, and improvement of roads in Thimphu Thromde completed.** The project will improve 32.99 kilometers (km) of urban roads, involving the construction of 9.15 km of drainage and 4.83 km of footpaths, by 2018. The project will also widen 3.54 km of urban roads and improve 4,239 square meters of parking space. The road improvements will cover the southern and northern LAPs, and city center of Thimphu.
- (ii) **Output 2: Municipality's capacity for asset management and O&M strengthened.** The project will support capacity building to award contracts effectively and meet contract completion targets on time. The project will also train 10–15 key staff (at least 30% women) in project planning, design, construction, asset management, O&M, road safety, and traffic management.

II. IMPLEMENTATION PLANS

A. Project Readiness Activities

10. The Grant Recipient and ADB have jointly agreed to the schedule summarized in the table below:

Table 1: Schedule of Activities

Indicative Activities	2016			Who is responsible
	Q2	Q3	Q4	
Advance procurement actions		x		PMU, PIU or Consultants
Establish project implementation arrangements		x		
ADB Board approval		x		ADB or Grant Recipient (Government)
Grant signing			x	
Grant Recipient (Government) legal opinion provided			x	

Indicative Activities	2016			Who is responsible
	Q2	Q3	Q4	
Grant effectiveness			x	ADB or Grant Recipient (Government)

ADB = Asian Development Bank, PIU = Project Implementation Unit, PMU = Project Management Unit.

B. Overall Project Implementation Plan

11. Two civil works packages for the road infrastructure activities are being prepared for advance contracting. The two packages will be procured through international competitive bidding (ICB; Package 1) and national competitive bidding (NCB; Package 2). Package 1 will have four lots, which will be procured in parallel.¹⁵ Package 2 will be procured through national competitive bidding procedures. Contract awards are expected around the time of effectiveness of the grant. The project implementation period is 3 years. This is based on the experience of the ongoing project, and other ADB financed urban projects in South Asia. This is a realistic time frame considering the local tendering process and ADB's statutory requirements. The overall implementation plan for Project is shown in Table 2.

¹⁵ The four lots in Package 1 correspond to the geographic location of works. Bidders will be allowed to bid for multiple lots. Any bidder who wishes to bid for more than one lot is required to declare his (conditionally discounted) prices for each and every possible combination of lot awards. The process is expected to attract larger international bidders to bid for multiple lots.

Table 2: Overall Implementation Plan
Project Implementation Plan

ACTIVITIES	2016												2017												2018-19															
	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5																
Project Concept Paper		x																																						
SRM			x																																					
Loan negotiations			x																																					
Board circulation				x																																				
Board approval				x																																				
Package 1 (Lot1/Zone I)																																								
Tendering			x	x																																				
Bid Evaluation & Award					x	x		← 18 months Construction Period →																																
Construction Works							18 months Construction Period																																	
Defects Liability Period																											D/L Period (3 yrs)													
Package 1 (Lot 2/Zone II)																																								
Tendering			x	x																																				
Bid Evaluation & Award					x	x		← 18 months Construction Period →																																
Construction Works							18 months Construction Period																																	
Defects Liability Period																											D/L Period (3 yrs)													
Package 1 (Lot 3/Zone III)																																								
Tendering			x	x																																				
Bid Evaluation & Award					x	x		← 18 months Construction Period →																																
Construction Works							18 months Construction Period																																	
Defects Liability Period																											D/L Period (3 yrs)													
Package 1 (Lot 4/Zone IV)																																								
Tendering			x	x																																				
Bid Evaluation & Award					x	x		← 18 months Construction Period →																																
Construction Works							18 months Construction Period																																	
Defects Liability Period																											D/L Period (3 yrs)													
Package 2 Improvement of Urban Road Infrastructure Semtokha Mani Dungkhor – YHS junction																																								
Tendering					x	x																																		
Bid Evaluation & Award						x	x		← 18 months Construction Period →																															
Construction Works							18 months Construction Period																																	
D/L Period																											D/L Period (3 yrs)													
Staff Training/Workshops/Seminars/Study Tours																																								
Batch #1								x																																
Batch #2																																								
Batch #3																																								
Submission of PCR																																								
Closing of the Project																																								

III. PROJECT MANAGEMENT ARRANGEMENTS

A. Project Implementation Organizations – Roles and Responsibilities

1. Executing Agency and Implementing Agency

12. The executing agency for the project will be the Department of Engineering Services (DES) under the Ministry of Works and Human Settlement (MOWHS). Similarly, the Thimphu Thromde project implementation unit (PIU) - will also be responsible for planning, monitoring, and reporting on the project, as well as for cost and quality control. DES will: (i) undertake project management, administration, and interagency coordination at the executive level; (ii) maintain sub-account(s); (iii) oversee procurement to ensure compliance with the Government's and ADB's policies, guidelines and procedures; (iv) prepare and submit to ADB quarterly progress reports; and (v) prepare the project completion report for the Government and ADB. DES will ensure that, throughout the project implementation period, adequate allocations of counterpart funds are made, approved, and released in a timely manner for proper implementation.

13. The Thimphu Thromde PIU will be responsible for the day-to-day operations of project implementation including: (i) preparing detailed engineering design and civil works contract documentation; (ii) calling for tenders and awarding contracts; (iii) preparing budgets to ensure necessary funds are available in time to meet contractual requirements; (iv) supervising and monitoring contracts; (v) certifying the progress payment claims and payments to contractors; (vi) ensuring quality control of works; (vii) preparing progress reports for project management unit (PMU); and (viii) contract administration. Recruitment of a few individual consultants by the PMU is envisaged under the Project to supplement the in-house capacity of the PMU and Thimphu Thromde PIU to implement the road infrastructure repair and improvement activities.

14. A central project steering committee (PSC) set up under UIP will continue to facilitate and ensure adequate coordination among relevant stakeholders, and provide guidance for PMU and Thimphu Thromde PIU for this proposed Project, too. In particular, the PSC will: (i) meet at least semi-annually or more frequently if required; (ii) provide guidance for and ensure the implementation of Government and ADB policies for the proposed Project; (iii) assist in resolving any interagency implementation problems; (iv) review relevant reports and audit statements from PMU and Thimphu Thromde PIU, as and when required; and (v) ensure that conditions of the Grant Agreement with ADB are met.

B. Key Persons Involved in Implementation

15. The key persons responsible for the project are listed below:

Executing Agency

Department of Engineering
Services, Ministry of Works and Human
Settlement, Royal Government of Bhutan

Mr. Tenzin
Director, DES
Telephone: 975-2-321828
Email address: tenzin@mowhs.gov.bt

Implementing Agency

Thimphu Thromde (Municipality)

Mr. Pasang Dorji
Executive Secretary
Telephone: 975-2-340354
Email address:
pasang@thimphucity.gov.bt

Asian Development

Urban Development and Water Division

Mr. Sekhar Bonu

Director

Telephone No.+63 2 632 5628

[Email address: sbonu@adb.org](mailto:sbonu@adb.org)

Mission Leader

Mr. Keiichi Tamaki

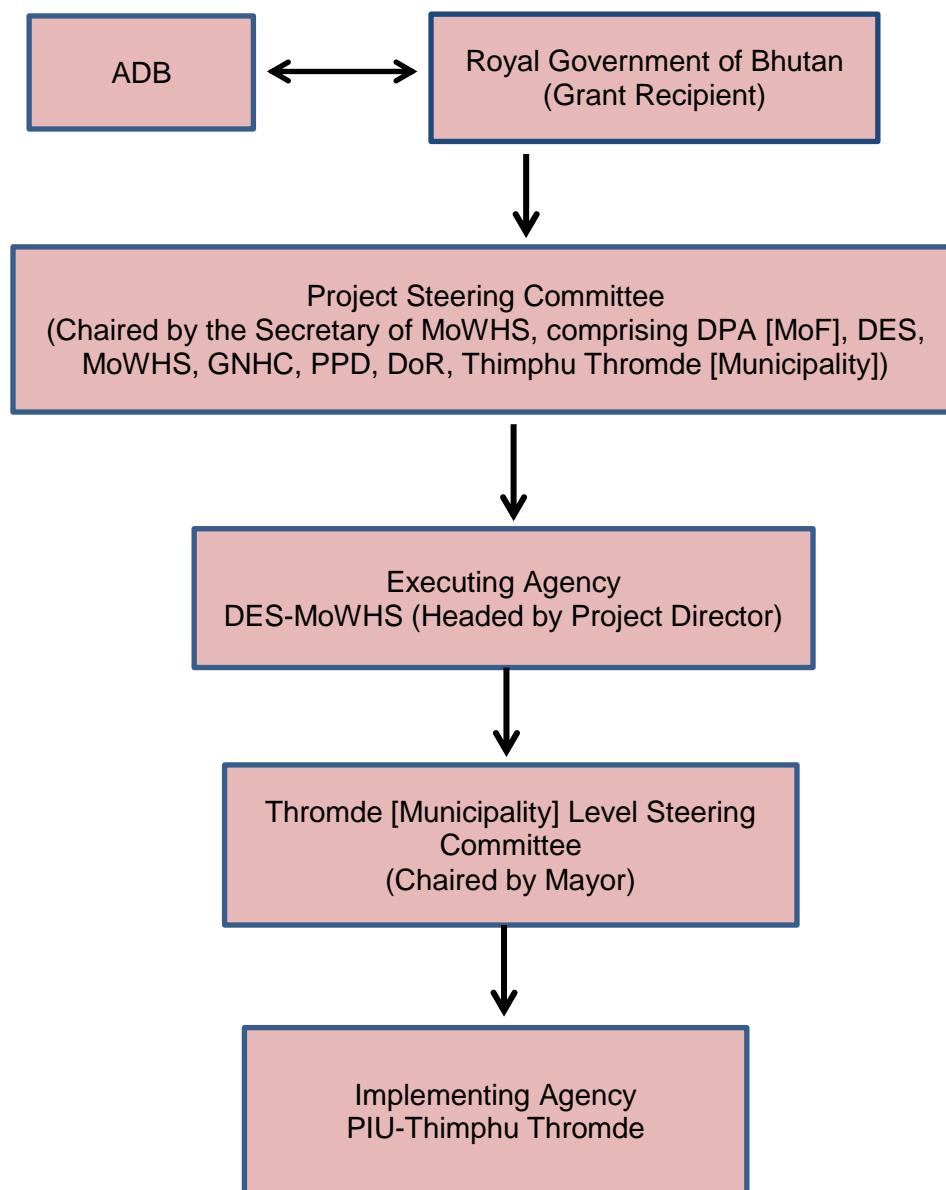
Senior Urban Development Specialist

Telephone No. +63 2 632 6843

Email address: ktamaki@adb.org**C. Project Organization Structure**

16. Project implementation arrangements and organizational structure, for the project are shown in Figure 1. The following chart shows the organizational structure of the project.

Figure 1: Project Implementation Arrangements and Organizational Structure



ADB = Asian Development Bank, DPA = Department of Public Accounts, DES-MOWHS= Department of Engineering Services, Ministry of Works and Human Settlement; GNHC = Gross National Happiness Commission, MoF = Ministry of Finance, PIU = project implementation unit (Thimphu Thromde), PMU = project management unit, PPD = Planning and Policy Division (MOWHS).

IV. COSTS AND FINANCING

17. The project is estimated to cost \$5.11 million (Table 3). The Grant Recipient has requested a grant not exceeding \$4.26 million from ADB's Special Funds resources to help finance the project.

18. ADB financing will cover the entire project cost which consists of two civil works packages for road improvement works and expenditures to be incurred for training and capacity building of the Thimphu Thromde officials for improved road asset management (RAM). No expenses will be incurred for land acquisition or resettlement as the project is category C for social safeguards. The Grant Recipient's financing will cover taxes and duties by cash contribution. As the project is a grant, there will be no financing charges incurred by the Grant Recipient during the loan effectiveness period.

Table 3: Project Investment Plan (\$ million)

Item	Amount ^a
A. Base Cost^b	
1. Repair, resurfacing and improvements of roads	4.65
2. Capacity building for asset <i>management</i> and O&M	0.09
Subtotal (A)	4.74
B. Contingencies^c	0.37
Total (A+B)	5.11

^a In July 2016 prices: Exchange rate of US\$ 1 = Nu 67.1430 is used.

^b Includes taxes and duties of \$0.85 million to be financed from government resources by cash contribution.

^c Physical contingencies computed at 5.5% for base costs. Price contingencies computed at 1.4%-1.5% on foreign exchange costs and 4.0%-5.5% on local currency costs; includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

Source: Asian Development Bank estimates.

Table 4: Financing Plan

Source	Amount (\$ million)	Share of Total (%)
Asian Development Bank	4.26	83.3
Special Funds resources (grant)	4.26	83.3
Government	0.85	16.7
Total	5.11	100.0

Source: Asian Development Bank estimates.

A. Cost Estimates Preparation and Revisions

19. The cost estimates were prepared by the Thimphu Thromde. The cost estimates are based on detailed designs, Bhutan Schedule of Rates and the EA's experience of undertaking similar works. The cost estimates shall be further revised upon subsequent refinement of the detailed designs (if any).

B. Key Assumptions

20. The following key assumptions underpin the cost estimates and financing plan:

- (i) Exchange rate: Nu67.14 = \$1.00 (as of August 2016).
- (ii) Price contingencies based on expected cumulative inflation over the implementation period are as follows:

Table 5: Escalation Rates for Price Contingency Calculation

Item	2016	2017	2018	Average
Foreign rate of price inflation	1.5%	2.9%	4.4%	2.93%
Domestic rate of price inflation	4.0%	9.0%	14.5%	9.16%

Source: Asian Development Bank estimates.

- (iii) In-kind contributions cannot be easily measured and have not been quantified.

C. Detailed Cost Estimates by Expenditure Category

**Table 6: Cost Estimates by Expenditure Category
(\$ million)**

Items	Gross		Net		Tax	
	\$	%	\$	%	\$	%
A. Investment Costs						
1 Civil Works	4.65	100.0%	3.82	82.0%	0.83	18.0%
2 Capacity Development	0.09	100.0%	0.07	82.0%	0.02	18.0%
a. Consulting Services	0.01	-	0.01	-	-	-
b. Capacity Development	0.08	100.0%	0.06	82.0%	0.02	18.0%
Total Base Cost (A)	4.74	100.0%	3.89	82.0%	0.85	18.0%
B. Contingencies						
1 Physical Contingencies	0.26	100.0%	0.26	100.0%	-	-
2 Price Contingencies	0.11	100.0%	0.11	100.0%	-	-
Subtotal (B)	0.37	100.0%	0.37	100.0%	-	-
Total Project Cost	5.11	100.0%	4.26	83.3%	0.85	16.7%

Note: 1. Numbers may not sum precisely because of rounding.

2. The costs of the annual audits of the project are minor and will be borne by the Grant Recipient (government).

Source: Asian Development Bank estimates.

D. Allocation and Withdrawal of Grant Proceeds

21. The table below sets forth the Categories of goods, services and other items to be financed out of the proceeds of the Grant and the allocation of amounts of the Grant to each category.

Table 7: Allocation and Withdrawal of Grant Proceeds

Number	Item	Total Amount Allocated for ADB Financing (\$ million) Category	ADB FINANCING Percentage and Basis for Withdrawal from the Grant Account
1	Civil Works, Workshops and Seminars (Staff Training, Workshops, Seminars and Study Tours), and Unallocated	4.26	83.3% of total expenditure claimed
	Total	4.26	

ADB= Asian Development Bank.

E. Detailed Cost Estimates by Financier

**Table 8: Cost Estimates by Financier
(\$ million)**

Item	ADB		Government			Total Costs
	\$	%	Tax	Non-Tax	Total	
A. Investment Costs						
1 Civil Works	3.82	82.0%	0.84	-	0.84	4.65
2 Capacity Development	0.07	82.0%	0.02	-	0.02	0.09
a. Consulting Services	-	-	-	-	-	-
b. Capacity Development	0.06	82.0%	0.02	-	0.02	0.09
Total Base Cost (A)	3.89	82.0%	0.85	-	0.85	4.74
B. Contingencies						
1 Physical Contingencies	0.26	100.0%	-	-	-	0.26
2 Price Contingencies	0.11	100.0%	-	-	-	0.11
Subtotal (B)	0.37	100.0%	-	-	-	0.37
Total Project Cost	4.26	83.3%	0.85	-	0.85	5.11

Note: 1. Numbers may not sum precisely because of rounding.

2. The costs of the annual audits of the project are minor and will be borne by the Grant Recipient (government).

Source: Asian Development Bank Estimates.

F. Detailed Cost Estimates by Outputs

**Table 9: Detailed Cost Estimates by Outputs
(\$ million)**

	Items	Output 1		Output 2		Total Costs
		Repair, resurfacing and improvements of roads		Capacity for asset management and operation and maintenance		
		\$	%	\$	%	
A.	Investment Costs					
1	Civil Works	4.65	100.0%	-	-	4.65
2	Capacity Development	-	-	0.09	100.0%	0.09
	a. Consulting Services	-	-	0.01	-	-
	b. Capacity Development	-	-	0.08	100.0%	0.09
	Total Base Cost (A)	4.65	98.1%	0.09	1.9%	4.74
B.	Contingencies					
1	Physical Contingencies	0.26	98.1%	0.01	1.9%	0.26
2	Price Contingencies	0.11	98.1%	0.00	1.9%	0.11
	Subtotal (B)	0.36	98.1%	0.01	1.9%	0.37
Total Project Cost		5.01	98.1%	0.10	1.9%	5.11

Note: 1. Numbers may not sum precisely because of rounding.

2. The costs of the annual audits of the project are minor and will be borne by the Grant Recipient (government).

Source: Asian Development Bank estimates.

G. Detailed Cost Estimates by Year**Table 10: Detailed Cost Estimates by Year
(\$ million)**

Item	Total	2016	2017	2018
A. Investment Costs				
1 Civil Works	4.65	1.48	2.96	0.21
2 Capacity Development	0.09	0.03	0.06	0.01
a. Consulting Services	0.01	0.01	-	-
b. Capacity Development	0.08	0.02	0.06	0.01
Total Base Cost (A)	4.74	1.51	3.01	0.22
B. Contingencies				
1 Physical Contingencies	0.26	0.08	0.17	0.01
2 Price Contingencies	0.11	0.03	0.07	0.01
Subtotal (B)	0.37	0.12	0.24	0.02
Total Project Cost	5.11	1.63	3.25	0.24
Total % of Overall Project Cost	100.0%	31.8%	63.6%	4.6%

Note: 1. Numbers may not sum precisely because of rounding.

2. The costs of the annual audits of the project are minor and will be borne by the Grant Recipient (government).

Source: Asian Development Bank estimates.

H. Contract and Disbursement S-curve

22. Figure 2 below show contract awards and disbursements for the project, contract awards and disbursements, based on the likely cumulative contract awards and disbursements.

Figure 2: Contract Awards and Disbursement S-Curve

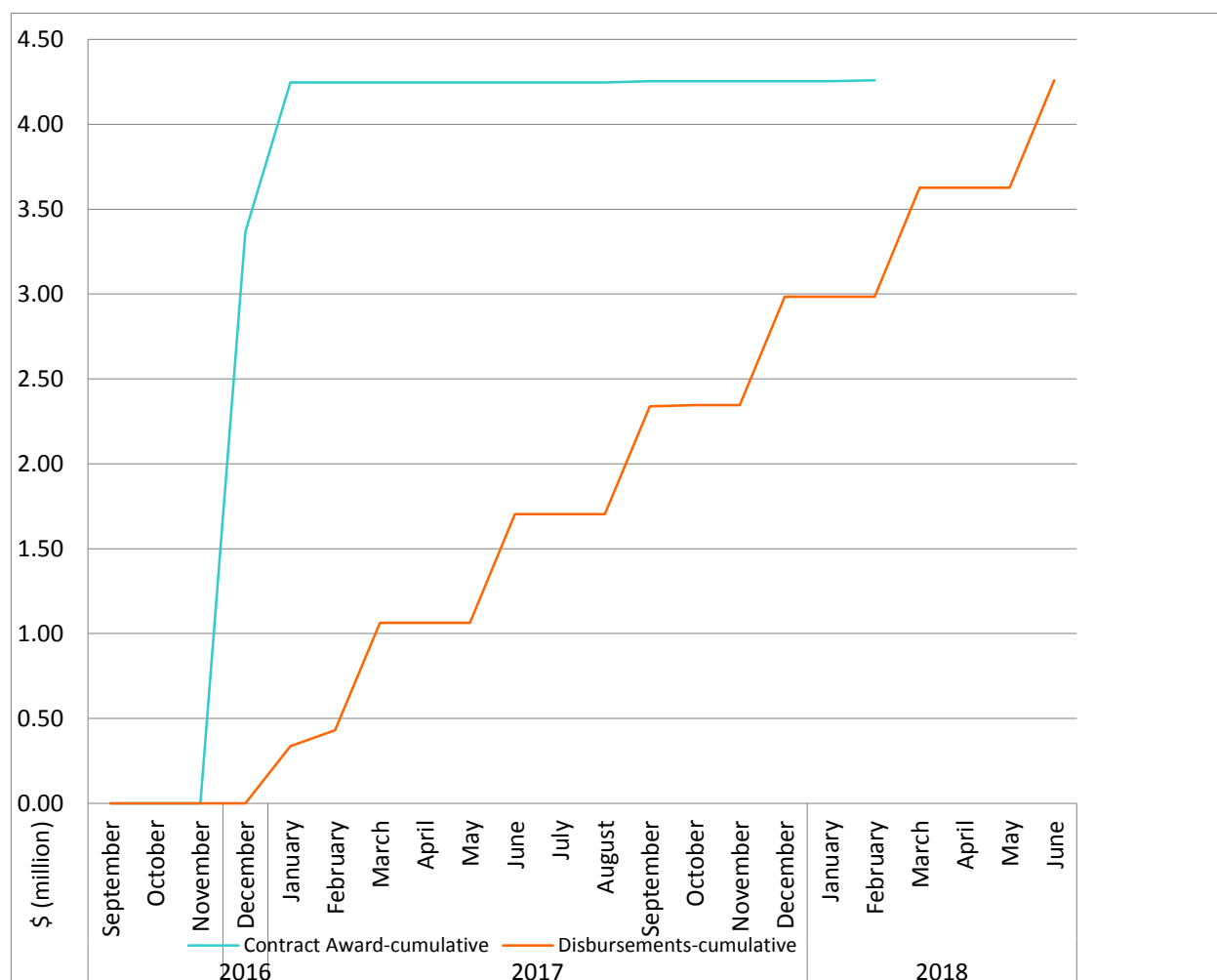


Table 11: Contract Awards and Disbursement (\$ million)

	Contract awards					Disbursement				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
2016	0	0	0	3.37	3.37	0	0	0	0	0
2017	0.88	0	0	0	0.88	1.06	0.64	0.64	0.64	2.98
2018	0.01	0	0	0	0.01	0.65	0.63	0	0	1.28
Total					4.26					4.26

Source: Asian Development Bank Estimates.

I. Fund Flow Procedures

23. Imprest fund procedures will be used for disbursement of local currency payments. An imprest account will be opened for expenses under the project at the Royal Monetary Authority (RMA). ADB funds will be disbursed to the imprest account at RMA in US dollars in favor of DPA. The fund will flow from the imprest account to DPA. The disbursement from DPA to the executing agency (DES) will be made through a PLC maintained by the executing agency (DES). No additional account will be opened by the Thimphu Thromde. Thimphu Thromde will request DES to obtain funds from DPA and relevant payments will be made by PMU, DES upon receipt of funds. The Project Manager of PMU, DES will be responsible for monthly reconciliation of the project accounts and preparing withdrawal applications to route to DPA which will send these to ADB for liquidation or replenishment of project account. DPA will also be responsible for reconciliation of imprest accounts with project accounts before submitting withdrawal applications to ADB.

24. Advance payments to the imprest accounts may be requested. However, the total outstanding advance to the imprest accounts should not exceed the estimate of ADB's share of expenditures to be paid through the imprest accounts for the forthcoming 6 months. The executing agency may request initial and additional advances to the imprest accounts based on an Estimate of Expenditure Sheet¹⁶ setting out the estimated expenditures for the forthcoming 6 months. Supporting documents should be submitted to ADB or retained by the grant recipient/executing agency/implementing agency in accordance with *ADB's Loan Disbursement Handbook* (2015, as amended from time to time) when liquidating and replenishing the imprest accounts.

25. **Statement of expenditure procedure.**¹⁷ Statement of expenditure (SOE) procedures may be used for reimbursing eligible expenditures or liquidating advances to the imprest account. Supporting documents and records for the expenditures claimed under the SOE should be maintained and made 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.

26. **Disbursement procedure.** ADB imprest account disbursements procedure will be used for local currency portion and direct payment procedure will be used for foreign currency payment. The usage of imprest account procedures has been adopted for previous ADB-funded projects in the country, following the established government budget and fund management system, which executing agencies are familiar with.

27. Thimphu Thromde, PIU should ensure timely submission of documents related to payment details and submit to PMU, DES. Based on these, PMU, DES will prepare and submit the withdrawal applications to DPA together with necessary evidence or documents of project accounts. DPA will obtain account statement of the imprest accounts from RMA for reconciliation with project accounts and submit to ADB for disbursement. DPA will monitor the disbursement flow and make necessary adjustments to streamline the process as necessary, which is essential for timely payments to contractors/consultants and for the efficient project implementation.

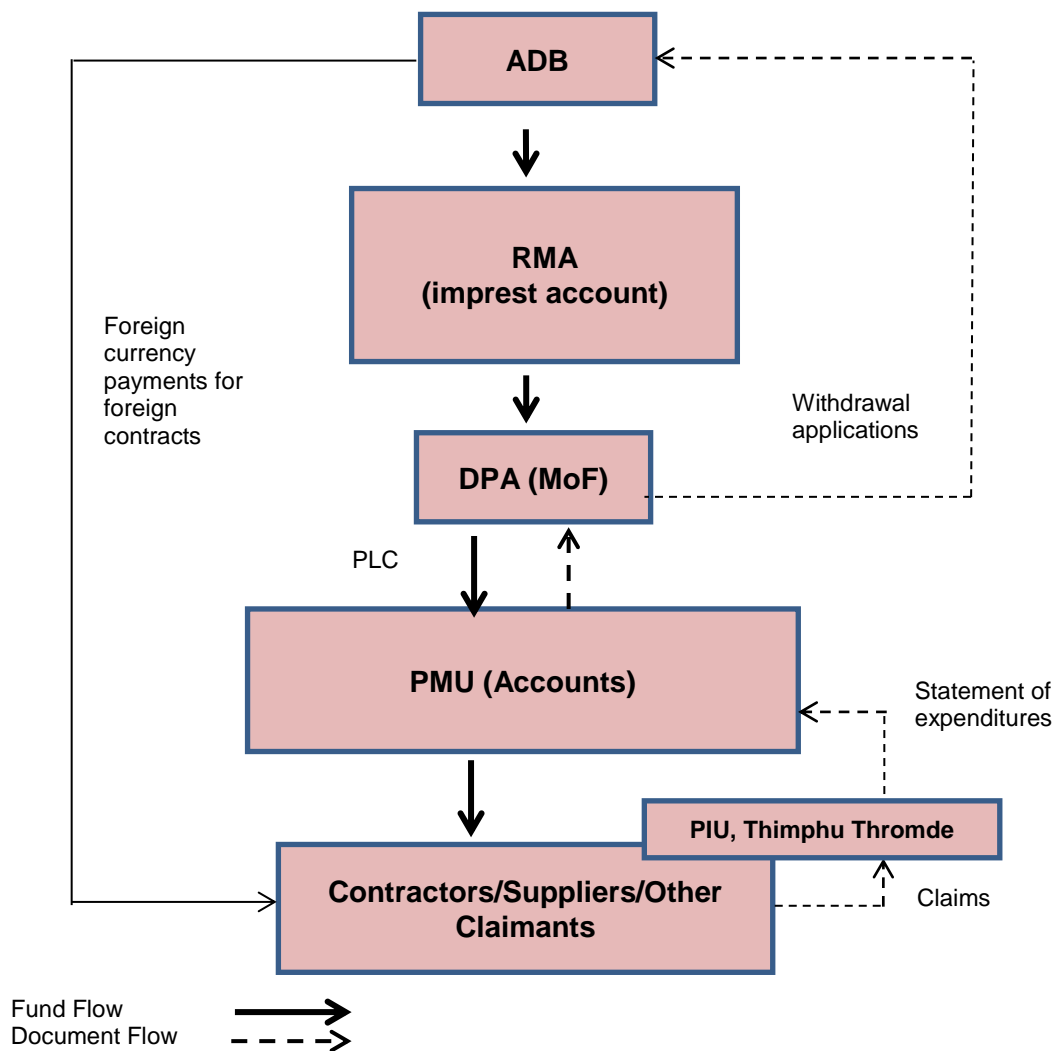
¹⁶ Available in Appendix 10B of *ADB's Loan Disbursement Handbook*.

¹⁷ SOE forms are available in Appendix 9B and 9C of *ADB's Loan Disbursement Handbook* (2015, as amended from time to time).

J. Fund Flow Diagram

28. The following diagram shows how the funds will flow from ADB to the Grant Recipient to implement the project activities.

Figure 3: Fund Flow Diagram

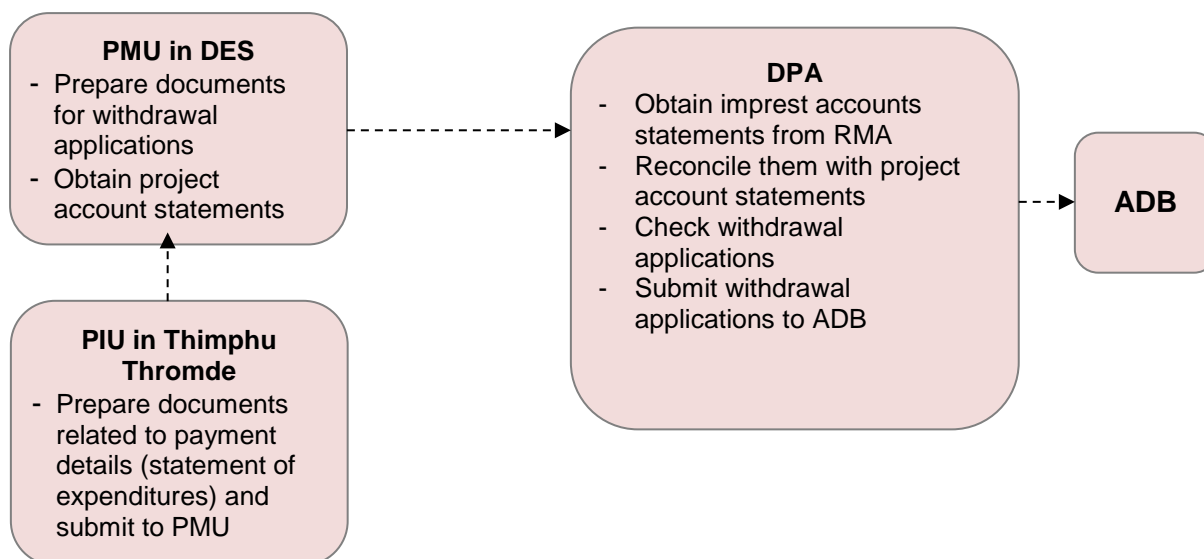


ADB = Asian Development Bank, DPA = Department of Public Accounts, MoF = Ministry of Finance, PLC= project letter of credit, PMU = project management unit, RMA= Royal Monetary Authority, SOE = statement of expenditures.

All foreign currency payments will be made with direct payment procedure from ADB.
 All local currency payments will be made through the imprest account opened at RMA.

Payment for procurement of goods and works and other expenditures	
(i)	Contractors send claims to Thimphu Thromde PIU
(ii)	PIU sends SOE to PMU including contractor's claims
(iii)	PMU consolidates statement of expenditures and requests DPA, MOF for forwarding to ADB for replenishment of imprest account held at RMA.
(iv)	DPA, MOF sends withdrawal application to ADB for imprest account replenishment
(v)	ADB deposits advance in or replenishes imprest account and/or pays foreign contractor's directly in foreign currency.
(vi)	Transfer from imprest account to DPA. Subsequently fund transferred to PMU, DES through PLC maintained by DES.
(vii)	PMU (Accounts) makes payment to contractors/ suppliers/ other claimants in local currency.

Figure 4: Flow chart for withdrawal applications preparations



ADB = Asian Development Bank, DES = Department of Engineering Services, DPA = Department of Public Accounts, MOWHS = Ministry of Works and Human Settlement, PIU = project implementation unit, PMU = project management unit, RMA = Royal Monetary Authority.

Note: DES will: (i) review the submitted documents; and (ii) obtain sub account statements and submit them to DPA.

V. FINANCIAL MANAGEMENT

A. Financial Management Assessment

29. Financial management assessment for the Department of Engineering Services (DES) of the Ministry of Works and Human Settlement (MOWHS) which is the executing agency and the Department of Public Accounts (DPA) under the Ministry of Finance (MOF) were conducted in May 2016 in accordance with ADB's Guidelines for the *Financial Management and Analysis of Projects*.¹⁸ The financial management assessment (FMA) analyzes fund flows, internal controls, internal and external audit arrangements, and information systems. The assessment mainly draws information from secondary and primary research which includes lessons learnt from the implementation of the ongoing ADB loan,¹⁹ reviews of financial documents, interviewing

¹⁸ ADB. 2009. *Financial Due Diligence: A Methodology Note*.

¹⁹ ADB. 2011. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Kingdom of Bhutan for Urban Infrastructure Project*. Manila (Loan 2816-BHU).

government counterparts and discussing issues with stakeholders. DES and DPA are guided by the Financial Rules and Regulations 2001 of the government, which is assessed as robust in light of international practices and standards. It is concluded that the overall pre-mitigation financial management risk of DPA and DES is Moderate. The grant recipient and executing agency have agreed to implement an action plan as key measures to address the deficiencies. The financial management action plan is provided in table below.

Table 12: Financial Management Action Plan

Key Risk	Risk Mitigating Activity	Timeline	Responsible entity
1. Country-specific Public Financial Management System	Further enhancement of the public financial management system would require establishing a more systematic assessment and monitoring of fiscal risks (of state-owned enterprises, in particular) and increasing the macroeconomic stabilization focus of the fiscal strategy. Clear strategy for directing adequate investments in the maintenance of fixed assets in the transport sector is also required.	Ongoing	DPA
2. Entity-Specific Risks	Implementation capacity will be further strengthened for DES by hands-on support of ADB through the Bhutan Resident Mission. Advance procurement of about 50% of the civil works will be completed by grant effectiveness, thereby reducing the risks of project delays. As government agencies, DES's and DPA's financial management is guided by the Financial Rules and Regulations 2001.	Advance procurement of 50% of civil works under the grant to be completed by Q4 2016	DES
3. Internal Controls	Internal controls are being strengthened for MOF through World Bank support. Continued support is being provided by ADB through loan-funded consultants (Loan 2816-BHU) for the improvement of internal control functions of the executing agency and Thimphu Thromde.	Ongoing	DPA, DES (MOWHS)
4. External (project-level) Audit	Subsequent APFS to include Notes to Financial Statements and Management Letter in future audit reports. Resolve pending issues pertaining to Loan 2258 financial closure with Auditor General at the earliest.	Include all sections in future APFSs; Prompt resolution of audit issue to enable closure of Loan 2258	DES, DPA

APFS = audited project financial statement, DES = Department of Engineering Services, DPA = Department of Public Accounts, MOF = Ministry of Finance, MOWHS = Ministry of Works and Human Settlement.
Source: Asian Development Bank.

B. Disbursements

30. The Grant proceeds will be disbursed in accordance with ADB's *Loan Disbursement Handbook* (2015, as amended from time to time),²⁰ and detailed arrangements agreed upon between the Grant Recipient and ADB. Online training for project staff on disbursement policies and procedures is available.²¹ Project staff are encouraged to avail of this training to help ensure efficient disbursement and fiduciary control. Pursuant to ADB's Safeguard Policy Statement (SPS), 2009,²² ADB funds may not be applied to the activities described on the ADB Prohibited Investment Activities List set forth at Appendix 5 of the SPS.

31. To ensure timely release of Grant proceeds and efficient project implementation, an imprest account will be established at the Royal Monetary Authority (RMA) of Bhutan in the name of the Department of Public Account (DPA) of the Ministry of Finance (MOF) immediately after Grant effectiveness. DPA will be responsible for managing the imprest account and ensuring timely release of funds. ADB imprest account disbursements procedure will be used for local currency portion and direct payment procedure will be used for foreign currency payment. The usage of imprest account procedures have been adopted for previous ADB funded projects in the country, following the established government budget and fund management system, which executing agencies are familiar with.

32. **Imprest fund procedure.** Imprest fund procedures will be used for disbursement of local currency payments. Direct payment by ADB to foreign contractors will be made for foreign currency payments. The DES, through DPA may request for initial and additional advances to the imprest account based on an Estimate of Expenditure Sheet²³ setting out the estimated expenditures to be financed through the account for the forthcoming 6 months. Supporting documents should be submitted to ADB or retained by the Grant Recipient in accordance with ADB's *Loan Disbursement Handbook* (2015, as amended from time to time) when liquidating or replenishing the imprest accounts. The total outstanding advance to the imprest accounts should not exceed the estimate of ADB's share of expenditures to be paid through the imprest accounts for the forthcoming 6 months. For every liquidation and replenishment request of the imprest account, the DPA will furnish to ADB: (i) Statement of Account (Bank Statement) where the imprest account is maintained, and (ii) the Imprest Account Reconciliation Statement reconciling the above mentioned bank statement against the executing agency's records²⁴ Supporting documents should be submitted to ADB or retained by the Grant Recipient in accordance with ADB's *Loan Disbursement Handbook* (2015, as amended from time to time) when liquidating or replenishing the imprest account.

33. **Statement of expenditure procedure.**²⁵ Statement of expenditure (SOE) procedures may be used for reimbursing eligible expenditures or liquidating advances to the imprest account. Supporting documents and records for the expenditures claimed under the SOE should be maintained and made available for review by ADB's disbursement and review missions, upon

²⁰ Available at:
<http://www.adb.org/sites/default/files/institutional-document/33606/adb-loan-disbursement-handbook.pdf>.

²¹ Disbursement eLearning. http://wpqr4.adb.org/disbursement_elearning.

²² Available at:
<http://www.adb.org/sites/default/files/institutional-document/32056/safeguard-policy-statement-june2009.pdf>.

²³ ADB. 2015. *Loan Disbursement Handbook*. 10B.

²⁴ Follow the format provided in Appendix 10C of the *Loan Disbursement Handbook*.

²⁵ SOE forms are available in Appendix 9B and 9C of ADB's *Loan Disbursement Handbook* (2015, as amended from time to time).

ADB's request for submission of supporting documents on a sampling basis, and for independent audit.

34. Before the submission of the first withdrawal application, the Grant Recipient should submit to ADB sufficient evidence of the authority of the person(s) who will sign the withdrawal applications on behalf of the Grant Recipient, together with the authenticated specimen signatures of each authorized person. The minimum value per withdrawal application is set in accordance with ADB's Loan Disbursement Handbook (2015, as amended from time to time). Individual payments below this amount should be paid by DPA and subsequently claimed from ADB (i) through reimbursement; or (ii) from the imprest account.

C. Accounting

35. DES will maintain, or cause to be maintained, separate project accounts and records by funding source for all expenditures incurred on the project following international accounting principles and practices, and those of the government as acceptable to ADB, and will be audited annually in accordance with sound auditing standards by auditors' acceptable to ADB. Project financial statements should be prepared on an accrual basis of accounting consistent with DES's own accounting framework.

D. Auditing and Public Disclosure

36. DES and DPA 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 auditors' report and management letter, will be submitted in the English language to ADB within 6 months of the end of the fiscal year by the executing agency. The annual 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 and fair view or are presented fairly, in all material respects, in accordance with the applicable financial reporting standards; (ii) whether grant proceeds were used only for the purposes of the project or not; and (iii) whether the Grant Recipient or executing agency was in compliance with the financial covenants contained in the legal agreement, if any. A management letter shall also be provided.

37. 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.

38. The government, DES, DPA and Thimphu Thromde 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.²⁶ ADB reserves the right to require a change in the

²⁶ 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.

auditor (in a manner consistent with the constitution of the Grant Recipient), 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. Further, any critical audit observations on the projects should be reported to ADB and action taken also be monitored.

39. 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 2011.²⁷ 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.²⁸

VI. PROCUREMENT AND CONSULTING SERVICES

A. Advance Contracting

40. **Advance Action.** The project entails two civil works packages to be procured. One package containing four sub-lots (to be tendered in parallel) will be procured through International competitive Bidding (ICB) and one package will be procured through National Competitive (NCB) bidding. Both these civil works packages are currently being prepared for advance contracting. The design, drawings, specifications and estimates have been prepared by PIU based on which advance procurement is being carried out. Bidding documents for Package 1 (ICB) are currently under preparation. Contract award for Package 1 (with four lots)²⁹ is expected to coincide with the effectiveness of the Grant.

B. Procurement of Goods, Works and Services

41. All procurement of goods and works will be undertaken in accordance with ADB's Procurement Guidelines (2015, as amended from time to time). The executing agency and implementing agency will prepare the bid documents using in-house resources. Procurement of works estimated to cost the equivalent of more than \$1 million will be carried out in accordance with international competitive bidding (ICB) procedures.

42. Before the start of any procurement, ADB and the Grant Recipient will review the public procurement laws of the central and state governments to ensure consistency with ADB's Procurement Guidelines (2015, as amended from time to time). Procurement will be undertaken by the executing agency and implementing agencies. Procurement accountability is provided through the tender opening, tender evaluation and tender award committees. Each committee has to make a declaration of no conflict of interest.

(iii) When audited project financial statements are not received within 12 months after the due date, ADB may suspend the loan.

²⁷ Public Communications Policy: <http://www.adb.org/documents/pcp-2011?ref=site/disclosure/publications>.

²⁸ 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).

²⁹ The four lots in Package 1 correspond to the geographic location of works within the city. Bidders will be allowed to bid for multiple lots. Any bidder who wishes to bid for more than one lot is required to declare his (conditionally discounted) prices for each and every possible combination of lot awards. The process is expected to attract larger international bidders to bid for multiple lots.

C. Consulting Services

43. It is anticipated that minimal consultant inputs will be required during the design and supervision phases. However the inputs of the Procurement Specialist, Environment Specialist and Social and Safeguards Specialist currently engaged under the ongoing loan (Loan 2816) may be used on an as-needed basis. In order to ensure the sustainability of the facilities to be repaired and improved, in-house staff capacity will be strengthened through relevant training, which will be supported by a Training Coordinator (national consultant) to be recruited through the Individual Consultant Selection procedures in accordance with the Guidelines on the Use of Consultants (2013, as amended from time to time), and Trainers (national and international consultants) to be recruited through the Resource Persons Selection procedures in accordance with the Project Administration Instructions.

D. Procurement Plan and Contract Packages

44. The procurement plan provides (i) a list of civil works, goods, and consulting services contract packages that will be procured under the project, with milestone dates for activities; (ii) the proposed methods of procurement of such contracts that are permitted under the grant agreement; and (iii) the related ADB review procedures. The contract packages in the procurement plan will be updated by the PMU annually or more frequently if necessary. A delay in loan effectiveness, other start-up delays, and delays during implementation will require an unscheduled procurement plan update. ADB will review each updated procurement plan before its publication. When appropriate, this activity may be undertaken in the field by ADB's missions working with the executing and implementing agencies. The procurement plan for the Project 3 is in **Appendix 3**.

VII. SAFEGUARDS

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

46. The project is categorized as B for environmental safeguards and Category C for Involuntary Resettlement and Indigenous Peoples. The following safeguard documents were prepared for the Investment Program in accordance with ADB's Safeguards Policy Statement (SPS, 2009) and government rules:

- (i) A draft initial environmental assessment (IEE); and
- (ii) A due diligence report for Land Acquisition and Resettlement.

47. **Environmental Safeguards.** The Draft Environmental Management Plans (EMP) was prepared as part of the Initial Environmental Examinations (IEEs), (**Appendix 4**).

48. The following are institutional roles and responsibilities to ensure the EMP is implemented during design and construction stages:

49. **Project Management Unit.** The Project Management Unit will be responsible for the overall coordination of the project activities, liaison with the relevant agencies, facilitate the fund flow and provide assistance to the Thimphu Thromde PIU in the implementation of the project. The PMU with the use of Environment and Safeguard Consultants of Loan 2816 will

oversee the monitoring of environmental safeguards implementation. In general, the consultants will oversee contractor's compliance with the EMPs, public complaints, PIU environmental monitoring, and reporting to ADB. Specifically, the PMU is responsible for the following activities related to environmental safeguards: (i) confirm that IEEs with EMPs are updated, where necessary, in accordance with ADB SPS, 2009 based on detailed designs and submitted to ADB for review and approval prior to contract award; (ii) confirm EMPs are included in the bidding documents and civil works contracts; (iii) ensure contractor's EMPs (CEMPs) are prepared by each contractor prior to construction and endorsed by Thimphu Thromde PIU; (iv) establish a system to monitor environmental safeguards of the project including monitoring the indicators set out in the monitoring plan of the EMP; (v) facilitate and confirm overall compliance with all government rules and obtain all required environmental clearances and any other environmental permits prior to contract award; (vi) supervise and provide guidance to the Thimphu Thromde PIU to properly carry out environmental monitoring and reporting; (vii) review, monitor and evaluate the effectiveness with which the CEMPs are implemented, and recommend necessary corrective actions to be taken as necessary; (viii) ensure quality and compliance of new IEEs prepared for planning and detailed design studies; and (ix) consolidate quarterly environmental monitoring reports from Thimphu Thromde PIU and submit semi-annual environmental monitoring report to ADB; (x) ensure timely disclosure of final IEE/EMPs in locations and form accessible to the public; and (xi) address, record, and report on any grievances brought about through the grievance redress mechanism (GRM) in a timely manner as per the provisions of the IEE.

50. **Project Implementation Units.** The PIU shall have a dedicated environment officer to monitor the status of provisions of IEE and EMP. As no resettlement is envisioned under the project, there is no need for a dedicated social safeguards officer in Thimphu Thromde PIU.

51. **Civil Works Contracts.** The PMU and Thimphu Thromde PIU will ensure that the IEE (including EMP) will be included in bidding and contract documents. Contractors will carry out all environmental mitigation and monitoring measures outlined in their contract. Consultants will support the PMU in monitoring the contractor's activities. The PMU and Thimphu Thromde PIU will ensure that sufficient financial and human resources are separately identified in the civil works tenders so that the cost of specific provisions for environmental mitigation measures specified in the EMPs and environmental clauses of contract documents are adequate for contractors to comply with all contract requirements with respect to environmental management.

52. The Grant Recipient will ensure that civil works contracts and bidding documents under the project include specific provisions requiring contractors to comply with all applicable labor laws and core labor standards on: (i) prohibition of child labor as defined in national legislation for construction and maintenance activities; (ii) equal pay for equal work of equal value regardless of gender, ethnicity or caste; (iii) elimination of forced labor; and (iv) the requirement to disseminate information on sexually transmitted diseases including HIV/AIDS to employees and local communities surrounding the project sites.

53. **Social Safeguards.**³⁰ The project will avoid land acquisition and resettlement impacts and is classified as Category C as per ADB SPS, 2009. The field visits/ reconnaissance surveys and discussions with the Thimphu Thromde, residents of the local areas and Department of Engineering Services (DES) of the Ministry of Works and Human Settlements (MOWHS) helped

³⁰ The project will have no impacts on indigenous peoples and the SPS provisions for Indigenous Peoples are not triggered. The project is categorized as category C for Indigenous People.

establish that: (i) all works are restricted to the right-of-way (ROW); (ii) none of the ROW is used in any productive manner or source of business; (iii) there are two locations where there is an access structure on the ROW and the removal and restoration of a portion of the access structure including provision of temporary access has been discussed with the property owners and will be managed through the EMP (para. 48) following the provisions of the SPS; and (iv) based on these findings there was the need for further surveys or inventories of loss of assets to be prepared. The grant will not fund any activities which entail involuntary resettlement or indigenous people's issues.

54. Upon project implementation, PIU, will be required to undertake a review of the due diligence report, prepare a confirmation letter or report documenting any modifications for the subprojects and submit to the Project Manager in the PMU and ADB. A 'no objection' confirmation is required from ADB prior to the start of construction. The land acquisition and resettlement due diligence report (LAR DDR) needs to be updated by the PIU in case of any design changes or site changes, and updated LAR DDR needs to be approved by the ADB prior to implementation of works. Updated LAR DDR will be verified by the project team.

VIII. GENDER AND SOCIAL DIMENSIONS

55. The Project is classified as Some Gender Elements (SGE). The Project design ensures that a few gender equality measures are put in place while implementing project activities. The gender and social dimensions of the project will be overseen by the social development and safeguards officer deployed on an as needed basis from the ongoing Loan 2816. Some gender responsive elements of the project include: (i) access friendly design of footpaths³¹ which will include the provision of ramps with appropriate gradients at crossings; (ii) traffic management during construction to enhance pedestrian safety;³² and (iii) the training of both female and male engineers in the O&M of road infrastructures with at least 30% of the trained staff being women.

IX. PERFORMANCE MONITORING, EVALUATION, REPORTING, AND COMMUNICATION

A. Project Design and Monitoring Framework

56. The project design and monitoring framework is in **Appendix 1**.

B. Monitoring

57. The Program Steering Committee (PSC) will be the highest authority responsible for monitoring and providing policy directions on: (i) critical implementation issues and interdepartmental coordination; (ii) compliance with the loan covenants; and (iii) compliance with social and environmental safeguards. The PMU will establish a project performance monitoring system (PPMS) for road investments, which will cover:

- (i) Project performance monitoring;

³¹ Access friendly design principles enable overcoming changes in level between the pavement and the road surface (and also on the pavement itself) by enabling wheelchair users and children to navigate gradients easily.

³² ADB is currently seeking parallel resources to fund a traffic management plan for reducing congestion and enhancing road safety in Thimphu city. The study is intended to have a particular focus on measures to enhance pedestrian safety through the provision of road signage, pedestrian crossing, etc.

- (ii) Compliance monitoring; and
- (iii) Safeguards monitoring.

58. **Project Performance Monitoring:** A list of verifiable performance indicators will be prepared in accordance with ADB's PPMS. The system shall comprise of: (i) a comprehensive list of implementation-related performance indicators duly collected, monitored, and recorded by PMU and Thimphu Thromde PIU and semi-annually assessed by MOWHS; and (ii) post-completion performance and impact data collected by PMU.

59. **Compliance Monitoring:** The project will be reviewed jointly by the executing agency, implementing agencies, and ADB semi-annually to assess implementation progress. A comprehensive midterm review (para. 70) will be carried out one and a half years after commencement of the project by the executing agency, implementing agencies and ADB.

60. **Safeguards Monitoring:** Status of the implementation of the IEEs/EMPs will be discussed at each ADB review mission and integrated into semi-annual reports on safeguards implementation. A sample environmental monitoring report is included in the IEEs. These will be prepared with the help of the Environment & Safeguard Specialist of Loan 2816 and sent to the PMU and forwarded to ADB. Social safeguard issues will also be monitored less frequently to ensure that the project implementation will not require any land acquisition.

61. **Grievance Redress.** Immediately upon grant effectiveness, PIU, Thimphu Thromde will establish a GRM, acceptable to ADB. The GRM will aim to provide a time-bound and transparent mechanism to voice and resolve social and environmental concerns linked to the project.

62. Thimphu Thromde shall make the public aware of the GRM through public awareness campaigns. A contact phone number will serve as a hotline for complaints and shall be publicized through the media and placed on notice boards outside their offices. Information on the project shall be made available at the Thimphu Thromde office and a brochure/leaflet will be made available to include information on the GRM and it shall be disseminated to the local government offices, temples, schools and residential associations in Thimphu by the environmental/social safeguards officers in the Thimphu Thromde. Grievances can be filed in writing or by phone to any member of the Thimphu Thromde as well as the environmental/social safeguards officer.

63. **First tier of GRM.** A designated locally elected Thromde representative shall be the channel through which complaints shall be lodged. Thereafter the PIU is the first tier of GRM which offers the fastest and most accessible mechanism for resolution of grievances. The Project Managers (PM/PIU) will be designated as the key officer for grievance redress. Resolution of complaints will be done within 7 working days. Investigation of grievances will involve site visits and consultations with relevant parties (e.g., affected persons, contractors, police, etc.) Grievances will be documented and personal details (name, address, date of complaint, etc.) will be included unless the person complaining requests for anonymity.

64. A tracking number shall be assigned for each grievance, including the following elements: (i) initial grievance sheet (including the description of the grievance), with an acknowledgement of receipt handed back to the complainant when the complaint is registered; (ii) grievance monitoring sheet, mentioning actions taken (investigation, corrective measures); and (iii) closure sheet, one copy of which will be handed to the complainant after he or she has agreed to the resolution and signed-off. The updated register of grievances and complaints will be available to the public at the Thromde office. Should the grievance remain unresolved it will be escalated to the second tier.

65. **Second Tier of GRM.** The PM of respective sub-projects will activate the second tier of GRM by referring the unresolved issue (with written documentation) to Thromde Office who will pass unresolved complaints upward to the Grievance Redress Committee (GRC). The GRC shall be established by Thimphu Thromde before commencement of site works. The GRC will consist of the following persons: (i) Executive Secretary; (ii) Division Heads of Thimphu Thromde; (iii) Environmental Officer (iv) Project Coordinator; (v) Elected representative of the affected person(s); and (vi) representative of the Thromde Land Record Officer. A hearing will be called with the GRC, if necessary, where the affected person can present his/her concern/issues. The process will facilitate resolution through mediation. The local GRC will meet as necessary when there are grievances to be addressed. The local GRC will suggest corrective measures at the field level and assign clear responsibilities for implementing its decision within 15 working days. The contractor will have observer status on the committee. If unsatisfied with the decision, the existence of the GRC shall not impede the complainant's access to the Government's judicial or administrative remedies.

66. The functions of the local GRC with regards to environmental concerns are as follows: (i) resolve problems and provide support to affected persons arising from various environmental issues including issues, hampering conduct of business, utilities, power and water supply, waste disposal, traffic interference and public safety; (ii) reconfirm grievances of affected persons, categorize and prioritize them and aim to provide solutions within a month; and (iii) report to the aggrieved parties about developments regarding their grievances and decisions of the GRC.

67. The environment officer or the land record officer in Thimphu Thromde will be responsible for processing and placing all papers before the GRC, maintaining database of complaints, recording decisions, issuing minutes of the meetings and monitoring to see that formal orders are issued and the decisions carried out.

68. **Third tier of GRM.** In the event that a grievance cannot be resolved directly by the GRC the affected person can seek alternative redress through an appropriate court. The GRC will be kept informed by the Thromde authority. The monitoring reports shall include the following aspects pertaining to progress on grievances: (i) Number of cases registered with the GRC, level of jurisdiction, number of hearings held, decisions made, and the status of pending cases; and (ii) lists of cases in process and already decided upon may be prepared with details such as Name, ID with unique serial number, date of notice, date of application, date of hearing, decisions, remarks, actions taken to resolve issues and status of grievance.

C. Evaluation

1. Project Review

69. The PPMS will be aimed at detecting any deficiency or discrepancy between the plan and execution of the project in order to ensure timely corrections can be made. The PMU and Thimphu Thromde PIU will regularly review and evaluate project performance, while MOWHS, DES, and ADB will jointly assess project implementation.

70. Evaluation will take place at four different levels at different intervals:

- (i) Implementing agency through the PMUs (monthly);
- (ii) Executing agency through the PMUs (quarterly);
- (iii) PSC (semi-annually); and
- (iv) ADB (annually).

2. Midterm Review

71. The Grant Recipient, PMU, and ADB will conduct a comprehensive midterm review for the project. The review will: (i) review and evaluate the scope, design, and implementation arrangements of the project; (ii) evaluate the progress of the institutional development and capacity of the implementing agencies; (iii) identify changes needed in any of the areas mentioned above; (iv) assess the implementation performance against agreed project indicators and targets; (v) review and establish compliance with the Grant covenants; and (vi) identify critical issues, problems, and constraints, if any, and, if necessary, recommend adjustments in project design or implementation arrangements.

72. **Quarterly Progress Reports.** The Grant Recipient will provide ADB with detailed quarterly progress reports on project implementation, following ADB standard procedures within 30 days after each quarter. The reports will be in a format acceptable to ADB and indicate:

- (i) Progress against established targets;
- (ii) Status of performance indicators;
- (iii) Problems encountered and steps taken to resolve the problems;
- (iv) Compliance with safeguards and Grant covenants; and
- (v) Program activities proposed for the following quarter. A proforma of the progress report is shown in **Appendix 5**.

73. **Completion Report.** Within 6 months of physical completion of the project, DES will submit a project completion report to ADB, in a format acceptable to ADB.³³

3. Other Reports

- (i) A detailed implementation plan for monitoring performance and preparing benchmark information for ADB's review and concurrence within 6 months of the effective date; and
- (ii) Baseline information within one year of the effective date. Thereafter, the PMU will submit semi-annual reporting evaluation reports throughout project implementation to be included in the progress reports.

D. Stakeholder Communication Strategy

74. The project intends to maximize transparency by communicating relevant project information to stakeholders through various channels. All the procurement related information and safeguards documents will be posted in the website of the Thimphu Thromde and MOWHS. The PMU will also fully disclose relevant project-related information through public briefings, display of notices bulletin boards, through its' municipal annual reports, etc.

75. A Consultation and Participation Plan (CAPP) has been prepared in order to ensure meaningful consultation with stakeholders is continuously undertaken throughout the project. The purpose of the CAPP is to disseminate information, and enhance the level of informed decision-making in the implementation of subprojects. Consultations and project awareness campaigns are meant to open up the line of communication between various stakeholders and the project implementing authorities, thereby aiding the process of conflict resolution in the early stages of

³³ Project completion report format is available at:
<http://www.adb.org/Consulting/consultants-toolkits/PCR-Public-Sector-Landscape.rar>.

the project cycle, rather than escalation of conflict and attendant implementation delays and cost overruns. Participation is also meant to develop ownership of assets created under the project. The CAPP is presented in **Appendix 7**.

X. ANTICORRUPTION POLICY

76. ADB's Anticorruption Policy (1998) was explained and discussed with the Ministry of Finance, MOWHS, DES, and the implementing agency. Consistent with its commitment to good governance, accountability, and transparency, ADB reserves the right to investigate, directly or through its agents, any alleged corrupt, fraudulent, collusive, or coercive practices relating to the project. To support these efforts, relevant provisions of ADB's Anticorruption Policy are included in the Grant regulations and the bidding documents for the project. In particular, all contracts financed by ADB in connection with the project shall include provisions specifying the right of ADB to audit and examine the records and accounts of the executing agency, implementing agencies, and all contractors, suppliers, consultants, and other service providers as they relate to the project.

77. The Grant Recipient will ensure: (i) submission of general procurement notice to ADB for publication in accordance with the Procurement Guidelines; and (ii) upon receiving ADB's no objection to the recommendation of the contract award, shall publish in daily newspapers circulated nationally, both in English and the local language, the results identifying the bid and lot numbers, and also (a) the name of each bidder, (b) bid prices as read out at bid opening, (c) name and evaluated prices of each bid that was evaluated, (d) names of bidders whose bids were rejected and the reasons for their rejection, and (e) the name of the winning bidder and the price it offered, as well as the duration and summary scope of the contract awarded. In addition to the standard ADB requirements, to deter corruption and increase transparency, the Grant Recipient will create a website, and public disclosure board outside the project office, disclosing information on various matters regarding the project, including procurements related to it.

78. ADB reserves the right to investigate, directly or through its agents, any violations of the Anticorruption Policy relating to the project.³⁴ 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 the 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.³⁵

79. To support these efforts, relevant provisions are included in the loan agreement, project agreement and the bidding documents for the project. In particular, all contracts financed by ADB in connection with the project will include provisions specifying the right of ADB to audit and examine the records and accounts of the executing agency and all contractors, suppliers, consultants, and other service providers as they relate to the project.

80. The Grant Recipient will allow and assist ADB's representatives' carrying out random spot checks on the work in progress and utilization of funds for the project, as per the Second Governance and Anticorruption Action Plan.³⁶

³⁴ Available at: <http://www.adb.org/Documents/Policies/Anticorruption-Integrity/Policies-Strategies.pdf>.

³⁵ ADB's Integrity Office web site is available at: <http://www.adb.org/integrity/unit.asp>.

³⁶ GACAP II Guidelines available at: <http://www.adb.org/Documents/Guidelines/GACAP-II-Guidelines.pdf>. See also Sourcebook: Diagnostics to Assist Preparation of Governance Risk Assessments; <http://www.adb.org/sites/default/files/institutional-document/157127/diagnostics-assist-preparation-gras.pdf>.

XI. ACCOUNTABILITY MECHANISM

81. 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 an effort in good faith 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.³⁷

XII. RECORD OF CHANGES TO THE PROJECT ADMINISTRATION MANUAL

82. All revisions/updates during course of implementation should be retained in this Section to provide a chronological history of changes to implementation arrangements recorded in the PAM, including revision to contract awards and disbursement s-curves.

³⁷ Accountability Mechanism. <http://www.adb.org/Accountability-Mechanism/default.asp>.

Appendix 1: DESIGN AND MONITORING FRAMEWORK

Impact the Project is Aligned With			
Mobility of residents in Thimphu Thromde (municipality) improved (Thimphu Structure Plan: 2002–2027) ^a			
Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
Outcome Safety and efficiency of the road network in Thimphu Thromde improved	By 2020, a. Of the total length of urban roads in Thimphu Thromde (243.00 km), the length of unsafe segments decreased by 36.53 km	a. Annual government statistics, including data from the Living Standards Measurement Survey and Millennium Development Goals and Sustainable Development Goals statistics b. Annual municipality urban services statistics c. Baseline and post-project data, including service delivery and quality d. Annual periodic socioeconomic and perception survey	Public financial management system is inadequate. Thimphu Thromde does not allocate adequate resources for the O&M of the road infrastructure for the full economic life.
Outputs 1. Repair, resurfacing, and improvement of roads in Thimphu Thromde completed	By 2019, 1a. 32.99 km of urban roads improved, with 9.15 km of drainage (2016 baseline: 35 km) and 4.83 km of footpaths (2016 baseline: not available) constructed by 2018 1b. 4,239 square meters of parking space improved by 2017 (2016 baseline: not applicable) 1c. 3.54 km of urban roads widened (2016 baseline: not applicable)	1a.-1c. Annual municipal reports	Coordination among relevant ministries and project executing agencies is inadequate.
2. Municipality's capacity for asset management and O&M strengthened	By 2019, 2a. 10–15 staff (at least 30% women) trained in project planning, design, construction, asset management, O&M, road safety, and traffic	2a. Quarterly Department of Engineering Services monitoring and progress reports	

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
	management		
<p>Key Activities with Milestones</p> <p>1. Repair, resurfacing, and improvement of roads in Thimphu Thromde completed</p> <p>1.1 Improve urban road infrastructure package 1 bid out (Q3 2016).</p> <p>1.2 Improve urban road infrastructure package 2 bid out (Q4 2016).</p> <p>2. Municipality's capacity for asset management and O&M strengthened</p> <p>2.1 Train staff and build capacity in project planning, design, construction, asset management, O&M, road safety, and traffic management (2017–2018).</p>			
<p>Inputs</p> <p>Asian Development Bank: \$4.26 million Asian Development Fund grant</p>			
<p>Assumptions for Partner Financing</p> <p>Not applicable.</p>			

km = kilometer, O&M = operation and maintenance, Q = quarter.

^a Government of Bhutan. 2003. *Thimphu Structure Plan: 2002–2027*. Thimphu.

Source: Asian Development Bank.

Appendix 2: RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risk Description	Risk Assessment	Mitigation Measures or Risk Management Plan
Governance		
Inadequate public financial management system	Medium	<p>Bhutan's public financial management system is more robust than those of many comparable countries. However, room for improvements exists in improving Bhutan's adherence to its medium-term fiscal framework to enhance the credibility of the forecasts. The risk of underinvestment in the maintenance of fixed assets for their full economic life is also noted in the transport sector.</p> <p>Further enhancement of the public financial management system would require establishing a more systematic assessment and monitoring of fiscal risks (of state-owned enterprises, in particular) and increasing the macroeconomic stabilization focus of the fiscal strategy. Clear strategy for directing adequate investments in the maintenance of fixed assets in the transport sector is also required.</p>
Transparency during the procurement process	Low	<p>All procurement for ADB financing will follow ADB procurement guidelines and procedures. The DES has become familiar with ADB's requirements through the implementation of completed or ongoing ADB-financed projects. Thimphu Thromde (the implementing agency) has experience in implementing the ADB-financed Urban Infrastructure Development Project and the ongoing Urban Infrastructure Project.³⁸ Government procurement must adhere to strict formal protocols, which have multiple layered processes to check and balance the entire process. These begin with the advertisement of the procurement or notice inviting tenders in the media and end with the naming of the winning bidder through the ministry's website. Unsuccessful bidders have 2 weeks to register complaints, if any. During the procurement process, the project steering committee (PSC) holds meetings supported by loan or grant-funded consultants as needed.</p>
Inadequate coordination among the relevant ministries and project executing agencies	Low	<p>A PSC representing all of the project-related government institutions is already in place for the ongoing project to resolve any issues that may arise during implementation through regular meetings. The PSC is chaired by the MOWHS secretary and its members include the mayor of Thimphu Thromde and one representative apiece from the DPA, Ministry of Finance; DES, MOWHS; Department of Roads, MOWHS; Gross National Happiness Commission; National Environment Commission; Planning and Policy Division, MOWHS; and Thimphu Thromde. This existing PSC will oversee the proposed project, and meetings will be held twice a year, or when necessary.</p>
Inadequate staff capacity for road asset management	Medium	<p>Capacity building of key staff will be undertaken through staff training in project planning, design, construction, asset management, O&M, road safety, and traffic management.</p>

³⁸ ADB. 2006. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Technical Assistance Grant to the Kingdom of Bhutan for Urban Infrastructure Development Project*. Manila (Loan 2258-BHU); ADB. 2011. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Technical Assistance Grant to the Kingdom of Bhutan for Urban Infrastructure Project*. Manila (Loan 2816-BHU).

Risk Description	Risk Assessment	Mitigation Measures or Risk Management Plan
Other Risks		
Project implementation delays	Medium	Although the ongoing project is experiencing procurement delays with the wastewater treatment plant component, implementation delays for the proposed project are not expected, primarily because the works involved are fairly routine and detailed designs, specifications, and drawings have already been prepared. At least 50% of the works are expected to be bid out before the ADB Board considers the project. Mobilization delays will also be minimal as the works fall within the capacity of local contractors (although larger contractors are also welcome to bid).
Safeguard compliance	Low	No serious adverse social or environmental impacts are expected. The project's environmental impacts have been identified and mitigation measures proposed under the initial environmental examination and environmental management plan, which shall form a part of the contractors' contractual obligations. The project will not impact any indigenous peoples as the works are restricted to urban areas of Thimphu. Due diligence has confirmed that the project will not require any land acquisition or involuntary resettlement, and a land acquisition and resettlement due diligence report has been prepared identifying the procedures to be followed if any safeguards requirements or involuntary resettlement issues arise during project implementation.
Inappropriate technology for road repair	Medium	Based on past experience, pavement thickness and type have been selected to accommodate changing traffic volumes and location-specific waterlogging problems. The detailed scope of the road works includes currently accepted or adopted national standards. The thickness of asphalt or bituminous concrete has been increased from 25 millimeters to 40 millimeters, and cross-drainage works have been included to minimize waterlogging. Pedestrian safety considerations have been integrated into the design of the footpaths and pedestrian crossings. The project's training component will help build the capacity of Thimphu Thromde's roads maintenance officials for the O&M of road infrastructure in keeping with international standards.
Inappropriate timing of implementation	Medium	The project will be implemented in the dry season to prevent the monsoon rains from affecting bituminous works.
Traffic congestion during implementation	Low	Different stretches will be chosen to avoid closing long stretches, which would create unnecessary traffic congestion. Works will be minimized during the peak traffic hours (e.g., in the morning and after office hours); and traffic will be managed properly in coordination with the Royal Bhutan Police.
Inadequate time for curing ³⁹	Low	Adequate supervision, field inspections, and tests will ensure proper curing.
Delayed disbursements	Low	An imprest account under the Royal Monetary Authority will be opened for the use of the executing agency. The project administration manual specifies the fund flows from this account during project implementation. To speed up disbursements, statements of expenditure procedures (with

³⁹ The curing process increases durability by protecting concrete from moisture loss and keeping rigid pavement sections within a reasonable temperature range.

Risk Description	Risk Assessment	Mitigation Measures or Risk Management Plan
		post-review) will be used to reimburse eligible expenditures and liquidate advances to the imprest account for any individual payments. The PMU will be responsible for the use of funds. ADB will provide technical support for fund management through the Bhutan Resident Mission, if required.
Limited contractor interest in the works	Low	Due to the differing nature of the works, there will be one ICB package with four lots and one NCB package as a single contract. The parallel tendering arrangement of the ICB package will entice larger international contractors to participate by offering discounts if multiple lots are awarded. To ensure competitive bidding, smaller national contractors can also participate in the ICB package bidding process by bidding for one or two lots.
Low level of supervision	Low	Thimphu Thromde will deploy one supervision engineer with experience in road construction and maintenance works to implement the works in each of the four zones. The PMU and the PIU will carry out periodic supervision. The PMU or PIU may also employ consultants from the ongoing project to support the supervising team as needed. ADB will undertake frequent review missions to ensure the timely and high-quality undertaking of contracts.
Uncertain financial sustainability ⁴⁰	Medium	The works contracts will include a 3-year extended defects liability period. The grant agreement will include financial sustainability covenants to ensure that Thimphu Thromde meets its commitment to allocate adequate resources for the O&M of the road infrastructure.
Overall	Medium	

ADB = Asian Development Bank, DPA = Department of Public Accounts, DES = Department of Engineering Services, ICB = international competitive bidding, MOWHS = Ministry of Works and Human Settlement, NCB = national competitive bidding, O&M = operation and maintenance, PIU = project implementation unit, PMU = project management unit, PSC = project steering committee.

Source: Asian Development Bank.

⁴⁰ ADB's Country Partnership Strategy for Bhutan, 2014–2018 highlights the perennial risk of under-investment in maintenance in the transport sector.

Appendix 3: PROCUREMENT PLAN

Basic Data

Project Name: Thimphu Road Improvement Project	
Project Number: 44240-014	Approval Number:
Country: Bhutan	Executing Agency: Ministry of Works and Human Settlement
Project Procurement Classification: B	Implementing Agency: Thimphu Thromde
Procurement Risk: Moderate	
Project Financing Amount: \$5.11 million ADB Financing: \$4.26 million Non-ADB Financing: \$0.85 million	Project Closing Date: 31 December 2019 (Grant closing date: 30 June 2020)
Date of First Procurement Plan: 05/08/2016	Date of this Procurement Plan: 05/08/2016

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

1. Procurement and Consulting Methods and Thresholds

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	Comments
International Competitive Bidding (ICB) for Works	\$1,000,000 ¹	
National Competitive Bidding (NCB) for Works ²	Beneath that stated for ICB, Works	

¹ Refer to PAI 3.03 Appendix 2 for International Competitive Bidding

² Refer to Para. 3 of PAI 3.05 for National Competitive Bidding

Consulting Services	
Method	Comments
Individual Consultants Selection (ICS) ³	
Resource Persons Selection (RPS) ⁴	

³ Refer to Paras. 64–74 of PAI 2.04 for Individual Consultants Selection

⁴ Refer to Paras. 75–77 of PAI 2.04 for Resource Persons Selection

2. Goods and Works Contracts Estimated to Cost \$1 Million or More

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

Package Number	General Description	Estimated Value	Procurement Method	Review [Prior/Post/ (Sampling)]	Bidding Procedure	Advertisement Date (quarter/year)	Comments
1	Rehabilitate Urban Road Infrastructure	\$3.04 million Lot 1 (Zone-I) \$0.58 million Lot 2 (Zone-II) \$0.61 million Lot 3 (Zone-III) \$0.88 million	ICB	Prior	1S1E	Q3 2016	4 lots (Zones-I through IV) Prequalification is not applicable Domestic preference is not applicable Type of bidding documents

Package Number	General Description	Estimated Value	Procurement Method	Review [Prior/Post/ Post (Sampling)]	Bidding Procedure	Advertisement Date (quarter/year)	Comments
		million Lot 4 (Zone-IV) \$0.96 million					to be used: Small Works

ICB = international competitive bidding.

3. Goods and Works Contracts Estimated to Cost Less than \$1 Million and Consulting Services Contracts Less than \$100,000 (Smaller Value Contracts)

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

Goods and Works								
Package Number	General Description	Estimated Value	Number of Contracts	Procurement Method	Review [Prior/Post/ Post (Sampling)]	Bidding Procedure	Advertisement Date (quarter/year)	Comments
2	Road Widening between Semtokha Mani Dungkhor - YHS Junction	\$0.78 million	1	NCB	Prior	1S1E	Q4 2016	Prequalification is not applicable

NCB = national competitive bidding.

Consulting Services								
Package Number	General Description	Estimated Value	Number of Contracts	Recruitment Method	Review (Prior/Post)	Advertisement Date (quarter/year)	Type of Proposal	Comments
A	Training Coordinator	\$0.01 million	1	ICS	Prior	Q4 2016	n/a	National
B	Trainers	\$0.02 million	Multiple	RPS	Prior	Q1 2017	n/a	National and international

ICS = individual consultants selection, RPS = resource persons selection.

B. National Competitive Bidding

1. General

The procedures to be followed for national competitive bidding shall follow the open tendering/bidding method set forth in either the ADB Procurement Guidelines (2015, as amended from time to time) or 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.

a. 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.

b. 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.

c. 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.

d. Qualifications

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

e. Eligibility of Bidders

The eligibility of bidders shall be as defined under Eligibility provisions of ADB's Procurement Guidelines ("Guidelines") (March 2013, as amended from time to time), accordingly, no bidder or potential bidder should be declared ineligible for reasons other than those stated the Guidelines.

2. 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.

3. Procurement Process

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

4. 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.

5. Bidding Documents

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

6. 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.

7. 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.

8. Rejection of All Bids and Re-bidding

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

9. 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.

10. 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.

Appendix 4: INITIAL ENVIRONMENTAL EXAMINATION

<http://www.adb.org/projects/documents/bhu-thimphu-road-improvement-jun-2016-iee>

Appendix 5: PROFORMA QUARTERLY REPORT

A. Introduction and Basic Data

Provide the following:

- (i) ADB Grant number, project title, Grant Recipient executing agency(ies), implementing agency(ies);
- (ii) total estimated project cost and financing plan;
- (iii) status of project financing including availability of counterpart funds and cofinancing;
- (iv) dates of approval, signing, and effectiveness of ADB Grant;
- (v) original and revised (if applicable) ADB Grant closing date and elapsed Grant period based on original and revised (if applicable) Grant closing dates; and
- (vi) date of last ADB review mission.

B. Utilization of Funds (ADB Grant)

Provide the following:

- (i) cumulative contract awards financed by the ADB Grant and counterpart funds (commitment of funds to date), and comparison with time- bound projections (targets);
- (ii) cumulative disbursements from the ADB Grant and counterpart funds;
- (iii) (expenditure to date), and comparison with time-bound projections (targets); and
- (iv) reestimated costs to completion, need for reallocation within ADB Grant categories, and whether an overall project cost overrun is likely.

C. Project Purpose

Provide the following:

- (i) status of project scope/implementation arrangements compared with those in the report and recommendation of the President, and whether major changes have occurred or will need to be made;
- (ii) an assessment of the likelihood that the immediate development objectives (project purpose) will be met in part or in full, and whether remedial measures are required based on the current project scope and implementation arrangements;
- (iii) an assessment of changes to the key assumptions and risks that affect attainment of the development objectives; and
- (iv) other project developments, including monitoring and reporting on environmental and social requirements that might adversely affect the project's viability or accomplishment of immediate objectives.

D. Implementation Progress

Provide the following:

- (i) assessment of project implementation arrangements such as establishment, and staffing of PMU, Thimphu Thromde PIU and procurement of equipment and vehicles;

- (ii) information relating to other aspects of the EA's internal operations that may impact on the implementation arrangements or project progress;
- (iii) progress or achievements in implementation since the last progress report;
- (iv) assessment of the progress of each project component, such as:
 - a. procurement of works (from preparation of detailed designs and bidding documents to contract awards); and
 - b. the performance of contractors for Works contracts;
- (v) assessment of progress in implementing the overall project to date in comparison with the original implementation schedule—quantifiable and monitorable target (include simple charts such as bar or milestone to illustrate progress, a chart showing actual versus planned expenditure, S-curve graph showing the relationship between physical and financial performance, and actual progress in comparison with the original schedules and budgets; and
- (vi) an assessment of the validity of key assumptions and risks in achieving the quantifiable implementation targets.

E. Compliance with Covenants

Provide the following:

- (i) the Grant Recipient's compliance with policy Grant covenants such as sector reform initiatives and executing agency reforms, and the reasons for any noncompliance or delay in compliance;
- (ii) the Grant Recipient's and executing agency's compliance with financial Grant covenants including the executing agency's financial management, and the provision of audited project accounts or audited agency financial statements; and
- (iii) the Grant Recipient's and executing agency's compliance with project-specific Grant covenants associated with implementation, environment, and social dimensions.

F. Major Project Issues and Problems

Summarize the major problems and issues affecting or likely to affect implementation progress, compliance with covenants, and achievement of immediate development objectives.

Recommend actions to overcome these problems and issues (e.g., changes in scope, changes in implementation arrangements, and reallocation of Grant proceeds).

Appendix 6: DETAILS OF THE WORKS INCLUDED IN THE PROJECT

ZONE 1											
Sl.No	Locations	Road classification	Road Work			Drainage Work		Footpath		Road Marking	Service Pipes
			L(m)	W(m)	Amount Nu)	L(m)	Amount Nu)	L(m)	Amount Nu)		
1	Kunzang Lam -(Motithang below Azhi Building)	Secondary	493	7.5	2,170,349	200	656,027	493	1,365,521		
2	Below BoD Motithang	Tertiary	133	7	620,221	133	82,890				
3	Resident parking		79	14	649,197						
4	Dungkar Lam	Tertiary	195	6.5	743,994	195	121,530				
5	Thongsel Lam – Below Shop No.7 towards RUB Junction	Secondary	205	7.5	902,478	205	127,762				
6	Deki Lam - Along Changangkha Lhakhang till RKPS junction	Primary	215	9	1,135,801						
7	Thori Lam - below City 3 tank road to Renew junction	Primary	445	10.5	2,742,652	445	1,199,170				
8	Pedzoe Lam i) Renew Junction till National Library junction	Secondary	810	9	4,279,066	810	2,156,484	810	2,243,553		
9	Below ACC office	Tertiary	213	8	1,000,210	213	132,748				
10	Dasing Lam – along City garage and below DNP office	Tertiary	371	6.5	1,370,299	269	167,649				
11	Jangchub Lam- along Kelki school	Secondary	225	8	1,056,560	200	137,784				
12	Phendey Lam - milkbooth till Hotel and behind DRC	Secondary	582	8	2,013,333	300	1,573,460				
13	From Phuntsho Pelri junction ,Thai Temple till Le Meridian junction	Secondary	552	7.5	3,099,241	270	704,783				
14	Gongdzin Lam - in front of Beleven till Thromde office	Primary	253	11.6	1,959,918						
15	Peling Lam (from NLC, RAA, MoE till RMA junction	Secondary	445	8.5	2,220,242	445	1,340,587				
16	Road Marking									760,008	
17	Laying of Service line pipes										603,642
Total			5216		25,963,562	3685	8,400,873	1,303	3,609,074	760,008	603,642

ZONE-II											
Sl.No	Locations	Road classification	Road Work			Drainage Work		Footpath		Road Marking	Service Pipes
			L(m)	W(m)	Amount (Nu)	L(m)	Amount (Nu)	L(m)	Amount (Nu)		
1	Dechencholing gate to samteling gate	Secondary	2300	6.5	9,285,860			50	30,662		
2	Samteling gate to Jungshina bridge	Secondary	400	7.5	1,831,703						
3	Towards court to dzong gate	Primary	800	6.5	3,190,494			800	1,697,663		
			500	5	2,979,771						
4	Chubachu: R1 (Road beside Rapa)	Secondary	300	10	1,817,132						
5	R2(Road below BDBL)	Secondary	250	6	998,598	250	153,308				
6	R3(Road above JLPS & BPC)	Secondary	598	6	2,283,604	200	122,646	200	704,742		
7	R4(Road branch)	Secondary	282	10	1,786,847						
8	R5(Road joining towards Tarayana building)	Primary	282	6	1,041,298						
9	R6(Access road joining front road of MyMart)	Secondary	185	5	573,760			185	113,448		
10	Main road below BOB office towards JLPS	Primary	585	14	4,926,675						
Vegetable market area:			300	5	1,863,324					300	953,011
11	R1(Behind vegetable market)	Secondary	100	10	1,191,909	300	183,969				
12	R2(Road behind vegetable market branch)	Secondary	100	5	295,570						
13	R3(Road towards vegetable market)	Secondary	144	6	531,727			144	88,305	144	457,445
14	R4(Road towards vegetable market)	Secondary	143	6	577,258						
15	R5 (Road towards changlam from vegetable market):	Primary	145	6	535,419						
16	Parking		120	5.5	786,660						
Total			7,534		36,497,608	1,929	2,389,999	644	2,115,198		

ZONE -III

Sl.No	Locations	Road classification	Road Work			Drainage Work		Footpath	
			L(m)	W(m)	Amount (Nu)	L(m)	Amount (Nu)	L(m)	Amount (Nu)
1	Rabten Lam (from Norling Building till Druk School)	Primary	1980.00	8	12,295,926	474	508,129.59	427	1,549,071.40
1	Fly-over bridge till Luntenzampa	Primary	1350.00	8	11,735,305	213.4	1,775,126.44		
2	Link road from junction above Chorten till National Commission for women & children signboard	Access	410.50	6	1,323,933	235.80	323,226.84		
3	Link road from ring road till Road junction near changzathog School	Access	360.00	6	1,349,522	174.4	222,633		
4	Link road along Chhundu Sawmill till Ring road	Secondary	300.00	7.2	1,442,665	145	147,481		
5	Road above BBPL showroom	Access	215.30	5.5	740,394	70	130,031	90	325,978.51
6	Link road from Ring road (below Mani dungkor) till Junction near FCB Go Down	Secondary	387.00	7	1,762,804	181	1,371,607	250	905,495.86
7	By-pass road at Changzathog till Junction near Cypress tree	Access	175.00	6	628,474	87.8	82,201		
8	Link Road above chhundu Saw Mill connecting towards medical deport	Access	351.9	6.5	1,486,667	100	133,012		
9	Kachey- Rabten Lam	Access	855.00	4.5	3,455,248	510	401,105		
10	Road toward DAHE office	Access	90	5	291,342	30	38,132		
11	Footpath at Changhedaphu							600	2,133,467.22
12	Roads at Changhedaphu	Access	350	3.5	2,092,533	350	214,631		
14	Straight road near by election office(rigid pavement)	Primary	400	8	7,626,748				
15	Changbandu road	Primary	500	5	2882816				
Total			6824.70		49,114,377	2,571	5,347,316	1,367	4,914,013

ZONE-IV

Sl.No	Locations	Road classification	Road Work			Drainage Work		Footpath	
			L(m)	W(m)	Amount (Nu)	L(m)	Amount (Nu)	L(m)	Amount (Nu)
Olakha									
1	In front of Election office	Primary	165	6.5	872,830	920	5,312,912	1516	3,841,320
2	Road below bridge	Secondary	370	8	1,965,473				
3	Road below bridge 2	Secondary	300	5	1,049,719				
4	Road in front of shree square till election office junction	Primary	820	6.6	3,416,388				
5	4th road from top	Access	320	4.5	1,082,481				
6	4th road from top 2	Access	150	8	873,955				
7	Road from express way till old high way	Secondary	685	9	3,884,722				
8	2nd road	Secondary	300	5	1,106,315				
9	Road connecting old highway	Secondary	640	6.5	2,681,734				
Babesa									
10	Road from IT Park joining old highway	Primary	465	7.5	2,468,625				
11	Road in Babesa lap	Secondary	950	9	5,496,897				
12	Road from old high through Nabirong chu bridge	Primary	842	6.5	3,613,024				
13	Above old high way	Secondary	606	4	1,764,421				
14	Above old high way 2	Secondary	45	4.5	402,520				
15	Road attached with expressway	Secondary	532	5.5	2,081,171				
Simtokha									
17	Road A1	Primary	335.1	7	2027689				
18	Road A2	Primary	481.5	5	1626631				
19	Road A3	Primary	252.1	10	1626631				
20	Road A4	Primary	78.4	6	1573799				
21	Road B1	Primary	220	5	322826				
22	Road B2	Primary	458.9	5	1614156				
23	Road B3	Primary	303.5	5	1846137				
24	Road B4	Primary	104.2	6	1252825				
25	Road B5	Primary	396.7	10	538487				
26	Road C1	Primary	264.4	8	1899927				
27	Road C2	Primary	444.6	7	1290858				
28	Road C3	Primary	399.3	8	1834210				
29	Road C4	Primary	94.7	7.5	2402891				
30	Road C5	Primary	232.6	8	564610				
31	Road D	Primary	155	6	1152481				
			1066	1	680,087.75				
33	Remaining work at Olakha		40	1.7	88,471	40.00	273,093		
Total			12352		55,102,993	960	5,586,005	1,516	3,841,320

Appendix 7: Sample Grievance Redressal Form (GRF)
(to be made available in English and local language)

The Thimphu Road Improvement Project welcomes complaints, suggestions, queries and comments regarding project implementation. We encourage persons with grievances to provide their name and contact information to enable us to get in touch with you for clarification and feedback. Should you choose to include your personal details but want that information to remain confidential, please inform us by writing/typing *(CONFIDENTIAL)* above your name. Thank you.

Date		Place of registration			
Contact Information/ Personal Details					
Name		Gender	*Male *Female	Age	
Home address					
Place					
Phone no.					
Email					
Complaint/Suggestion/Comment/Question Please provide the details (who, what, where and how) of your grievance below:					
If included as attachment/note/letter, please tick here:					
How do you want us to reach you for feedback or update on your comment/grievance?					

FOR OFFICIAL USE ONLY

Registered by: (Name of Official registering grievance)	
Mode of communication:	
Note/ letter Verbal/ telephonic E-mail	
Reviewed by: (Names/Positions of Official(s) reviewing grievance)	
Action Taken:	
Whether Action Taken Disclosed:	Yes No
Means of Disclosure:	

CONSULTATION AND PARTICIPATION PLAN

Outputs and types of participation	Target stakeholders	Terms of reference	Cost
<p>Projects information</p> <p>1. One half-day project orientation workshops organized by PMU for officials:</p> <p>(i) Information sharing (ii) Consultation (iii) Shared responsibility (iv) Shared decision-making</p> <p>(Year 1: after finalization of DPR at the earliest)</p>	<ul style="list-style-type: none"> • Representatives from: Thimphu Thromde, MOWHS, DoR and officials from other relevant line organizations 	<p>(i) Introduce the project (ii) Outline the need for the project the link between improved road conditions and better urban environmental conditions. (iii) Present safeguards issues and documents for disclosure requirements (iv) Discuss roles and accountabilities of various government units (v) Discuss issues related to use of government lands and property for the project, environmental risks. (vi) Gather and agree on recommendations.</p>	<p>PMU to bear cost</p>
<p>1. One one-day project orientation workshops organized by PIU for local community groups (Year 1: prior to commencing civil works)</p>	<ul style="list-style-type: none"> • Community members in project sites, preferably heads of the families • CBOs • At least 20% women • Urban poor • Transport operators 	<p>(i) Through presentations introduce project and benefits to the community (ii) Demonstrate the link between improved road conditions (iii) Explain ADB's and the government's safeguards measures; grievance redress (iv) Explain initiatives to promote economic development under the project such as employment opportunities; level of inconvenience during project implementation and construction, and the proposed mitigation measures in this regard; (v) Communicate important road safety measures (including speed limits) and signage conventions that will be used under the project. (vi) Explain transport operators the loading limits, speed limits for various road typologies and penalties to be levied by Thromde for exceeding these limits; explaining location of weigh-bridge facilities. (vii) Environmentally friendly design measures being adopted under the projects (hot mix being sourced from plant outside Thimphu Thromde, enhanced drainage</p>	<p>PIU to bear cost</p>
<p>Develop and disseminate strategic visual, audio and print materials (ongoing; to inform regarding traffic management measures and construction related impacts)</p>	<ul style="list-style-type: none"> • Communities, School Students; civil society, other relevant stakeholders • Urban poor 	<p>(i) Project information sharing with affected project communities, including Grievance Redress Mechanism. (ii) To be disseminated to the local government offices, temples, schools residential associations and other stakeholders in the city. (iii) Gather concerns and views related to road usage and safety, particularly women's experiences and needs. (iv) Improved awareness on road safety, speed limits enforcement and road</p>	<p>\$2500</p>

Outputs and types of participation	Target stakeholders	Terms of reference	Cost
		maintenance	
Project orientation workshop for contractors (Years 1-4: upon contractor mobilization)	<ul style="list-style-type: none"> • Laborers and field managers 	(i) Sensitize on avoiding public nuisance, minimizing public inconvenience, and avoiding disruption to the public activities or mobility. (ii) Awareness creation on health and hygiene, HIV/AIDS, other communicable diseases and labor right and gender issues. (iii) Best construction practices for safety during construction activities. (iv) Briefing regarding compliance with key provisions under the EMP.	PMU to bear cost
Consultation workshops (FGD method) with vendors/ entrepreneurs on the project's impact on existing businesses in the project areas. (Year 1)	<ul style="list-style-type: none"> • Vendors Entrepreneurs • Representatives of business associations 	(i) Introduce the project and its positive impacts on businesses and introduce GRM. (ii) Discuss encroachment of ROW for parking to get agreement on overall project benefits to businesses from the road improvement works.	Thimphu Thromde to bear costs
Consultation workshops (FGD method) with institutions (schools, army etc.) along the ROW (Year 1)	<ul style="list-style-type: none"> • Schools and other institutions along the ROW 	(i) Discuss the project impacts (temporary as well as permanent) on the institutions (ii) Negotiate regarding maintaining and restoring access to the institutions during and post construction (to be carried out under the provision of the EMP). (iii) Discuss any concerns that the institutions may have regarding the works impacting their day to day functioning (example–noise, dust, etc.) and identify mitigation measures for the same if these are not already incorporated under the IEE or EMP. (iv) Discuss operationalizing enhanced safety measures (e.g. safe crossing for students, women, etc.) during project construction period, also explaining that this will be carried out under the provisions of the EMP. (v) Explain the grievance redress mechanism.	Thimphu Thromde to bear costs
Annual participatory Community monitoring meetings (Years 1-3 yearly during project implementation)	<ul style="list-style-type: none"> • Community representatives (at least 25% women representative) volunteers and civil society representatives, NGOs • Urban poor 	(i) Key stakeholders informed about the current progress of project and clarified about their role in the project. (ii) Discuss issues and concerns during project implementation. (iii) Discuss and recommend measures to mitigate or address problems. (iv) Monitor progress of project implementation and compliance with social safeguards or provisions. (v) Sharing salient features of the annual progress report and action plan for the coming year.	Thimphu Thromde and PMU to shoulder costs

CBOs = community-based organization, FGD = focus group discussion, DOR= Department of Roads (MOWHS); DRP = detailed project report, EMP = environmental monitoring plan, IEE = initial environment examination, PMU = program management unit, Q = quarter, NGOs = nongovernment organizations EMP = environment management plan, ROW = right-of-way.