

Appendices

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1. Member List of the Study Team

1-1. Member of the Outline Design Study (August 26 to September 22, 2007)

Mr. Akihiko HOSHINO	Team Leader	Team Director, Education and Vocational Training Team, Project Management Group II, Grant Aid Management Department, Japan International Cooperation Agency
Mr. Toru TAKAGI	Procurement Supervision Planning	Program manager, Japan International Cooperation System
Mr. Mitsuhiro OSAKI	Project Coordinator	Education and Vocational Training Team, Project Management Group II, Grant Aid Management Department, Japan International Cooperation Agency
Mr. Tomohiro OSAWA	Chief Consultant/Facility & Educational Planning	Matsuda Consultants International Co., Ltd.
Mr. Kaname HYODO	Building Design	Matsuda Consultants international Co., Ltd.
Mr. Naoto NISHIYA	Procurement Planning /Planning Management /Cost Estimation	Matsuda Consultants international Co., Ltd.
Mr. Taizo SHISHIDO	Procurement Management /Tender Documents	Matsuda Consultants international Co., Ltd.

1-2. Member of the Explanation on Draft Report (December 21 to 29, 2007)

Mr. Akihiko HOSHINO	Team Leader	Team Director, Education and Vocational Training Team, Project Management Group II, Grant Aid Management Department, Japan International Cooperation Agency
Mr. Tomohiro OSAWA	Chief Consultant/Facility & Educational Planning	Matsuda Consultants International Co., Ltd.
Mr. Kaname HYODO	Building Design	Matsuda Consultants international Co., Ltd.

2. Study Schedule

2-1. Study Schedule of the Outline Design Study

Day			Official members			Consultant's members			
			Leader [A]	Procurement Supervision Planning [B]	Project Coordinator [C]	Chief Consultant [D]	Building Design [E]	Procurement Planning/Cost Estimation [F]	Procurement Management /Tender Doc. [G]
1	26 Aug.	Sun				Narita/Tokyo Bangkok			
2	27 Aug.	Mon.	Bangkok Paro/Bhutan Visit at Grant Aid Project sites (Airport/Agricultural machinery center/Seed corporation, etc.) Paro Thimphu, Visit at Babessa PS (Requested Site), Courtesy call to JICA Bhutan Office						
3	28 Aug.	Tue.	Courtesy call to MOE & Planning Commission, Visit at Dechencholing MSS (Requested Site) Discussion with MOE (Questionnaires/Inception Report)						
4	29 Aug.	Wed.	Paro Thimphu Discussion with MOE	Survey at Tax Bureau, Consultants, CDB Visit at construction sites	Discussion with MOE (Inception Report) Discussion with MOE (M/D)			Same as [B]	
5	30 Aug.	Thu.	Visit at Similar Project (Babessa HSS) & Concrete Block Factory Discussion with MOE	Survey at RUB construction site & Consultants	Discussion with MOE (M/D)		Preparation on Topo. Survey	Same as [B]	
6	31 Aug.	Fri.	Signing of M/D Report to JICA	Survey at RBIA SPBD	Preparation of M/D Signing of M/D Report to JICA Bhutan Office	Data collection	Preparation on Topo. Survey	Same as [B]	
7	1 Sept.	Sat.	Thimphu Bitekha, Visit at Bitekha LSS (Requested Site) Bitekha Paro			Contract on Survey Works			
8	2 Sept.	Sun	Paro Delhi (India)			Team meeting, Documentation			
9	3 Sept.	Mon.	Report to Japanese Embassy						

Day			Consultant's members				
			[D]	[G]	[E]	[F]	
9	3 Sept.	Mon.	Discussion with MOE/SPBD Visit at Similar Project (WB funded Loseling LSS- LGSF construction)				Survey at contractors
10	4 Sept.	Tue.	Thimphu Punakha, Visit at Dzongkhag Education Office Site survey on Kabjisa MSS				
11	5 Sept.	Wed.	Punakha Wangdue, Visit at Dzongkhag Education Office Wangdue Nobding, Site survey on Nobding LSS				
12	6 Sept.	Thu.	Wangdue Phobjikha Survey on Phobjikha PS/Construction site for Phobjikha MSS				
13	7 Sept.	Fri.	Wangdue Paro, Visit at Dzongkhag Education Office Visit at National Institute of Education Paro Campus				
14	8 Sept.	Sat.	Paro Bitekha, Site survey on Bitekha LSS Bitekha Chukha				

Day			Consultant's members			
			[D]	[G]	[E]	[F]
15	9 Sept.	Sun	Survey on Chukha HSS (constructed under Japan's Grant Aid), Chukha Gedu			
16	10 Sept.	Mon.	Gedu Pakshikha, Survey on construction site for Pakshikha MSS Site survey on Darla MSS, Darla Phuentsholing			
17	11 Sept.	Tue.	Visit at SPBD Warehouse for LGSF construction			
			Visit at Royal College of Science & Technology, Survey on materials	Survey on furniture suppliers & transportation agents		
18	12 Sept.	Wed.	Survey on construction materials, Collection of technical information	Survey on condition & cost in construction		
19	13 Sept.	Thu.	Ditto			Ditto
20	14 Sept.	Fri.	Phuentsholing Chukha, Visit at Dzongkhag Education Office Chukha Thimphu, Site survey on Babessa PS			
21	15 Sept.	Sat.	Site survey on Dechencholing MSS, Thimphu Gaselo Visit at Similar Project (WB funded Gaselo MSS- Standard construction method)	Building cost survey		
22	16 Sept.	Sun	Team meeting, Documentation			
23	17 Sept.	Mon.	Documentation, Supplementary survey	Facility planning	Building cost survey	
24	18 Sept.	Tue.	Discussion with MOE (Findings of site survey) Discussion with SPBD (Design principles & technical issues)	Building cost survey		
25	19 Sept.	Wed.	Survey on procurement at SPBD	Building cost survey		
			Survey at SQCA	Data collection	Facility planning	
26	20 Sept.	Thu.	Final discussion with MOE Report to JICA Bhutan Office, Thimphu Paro			
27	21 Sept.	Fri.	Paro Bangkok, Bangkok			
28	22 Sept.	Sat.	Narita/Tokyo			

Abbreviations MOE : Ministry of Education CDB : Construction Development Board
 SPBD: School Planning & Building Division RBIA : Royal Bhutan Institute of Architects
 RUB: Royal University of Bhutan SQCA : Standards & Quality Control Authority

2-2. Study Schedule of the Explanation on Draft Report

			Official member	Consultant's members	
			Leader	Chief Consultant	Building Design
1	21 Dec.	Fri.	Narita/Tokyo Bangkok		
2	22 Dec.	Sat.	Bangkok Paro/Bhutan Paro Chukha	Paro Thimphu, Supplementary survey on construction	
3	23 Dec.	Sun	Visit at Chukha HSS Chukha Thimphu	Documentation, Team meeting	
4	24 Dec.	Mon.	Courtesy call to JICA Bhutan Office, MOE & Planning Commission Discussion with MOE (Explanation of Draft Report)		
5	25 Dec.	Tue.	Team meeting, Preparation of M/D Discussion with MOE (M/D)		
6	26 Dec.	Wed.	Confirmation of M/D, Signing of M/D Report to JICA Bhutan Office		
7	27 Dec.	Thu.	Paro Bangkok, Bangkok	Discussion with SPBD, Supplementary survey, Thimphu Paro	
8	28 Dec.	Fri.	Narita/Tokyo		
9	29 Dec.	Sat.	Narita/Tokyo		

3. List of Parties Concerned in the Recipient Country

Planning Commission Secretariat

Mr. Karma Tshiteem	Secretary
Mr. Thinley Namgyel	Head, Development Cooperation Division
Ms. Leki Wangnu	Programme Officer
Mr. Namgyel Wangchuk	Deputy Programme Officer

Ministry of Education (MOE)

Ms. Sangay Zam	Secretary
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Policy & Planning Division

Mr. Jambay Wangchuk	Chief Planning Officer
Mr. Binod Sonwar	Assistant Planning Officer

Department of School Education (DSE)

Mr. Tshewang Tandin	Director
Mr. Chencha Dorji	Joint Director

School Planning & Building Division, DSE

Mr. Basant Raj Chhetri	Chief Engineer
Mr. Karma Sonam	Executive Engineer
Mr. Tshering Dorji	Executive Engineer (Phuentsholing warehouse)

Dzongkhags

Punakha Dzongkhag

Mr. Karma Samphel	Assistant Dzongkhag Education Officer
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Wangdue Phodrang Dzongkhag

Mr. Namgay Tshering	Dzongkhag Educational Officer
Mr. Pema Wangchuk	Assistant Dzongkhag Educational Officer

Paro Dzongkhag

Mr. Chewang Jurmi	Dzongkhag Educational Officer
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Chukha Dzongkhag

Mr. Karma Dhendup	Dzongkhag Educational Officer
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Requested Schools

Mr. Jurmey Dukpa	Principal, Kabjisa Lower Secondary School
Mr. Amar Bahadur Lama	Principal, Nobding Lower Secondary School
Ms. Leki Wangda	Teacher, Nobding Lower Secondary School
Mr. Phub Gyeltshen	Teacher, Nobding Lower Secondary School

Mr. Pema Dorji	Principal, Phobjikha Primary School
Mr. Ugyen Wangdi	Vice Principal, Phobjikha Primary School
Mr. Kinley Dorji	Principal, Bitekha Lower Secondary School
Mr. Kishore Grung	Vice Principal, Bitekha Lower Secondary School
Mr. Sonam Dorjee	Principal, Darla Middle Secondary School
Mr. Kelzang Wangdi	Vice Principal, Darla Middle Secondary School
Mr. Nyendo	Principal, Dechencholing Middle Secondary School
Ms. Yeshey Peldon	Vice Principal, Dechencholing Middle Secondary School
Mr. Lhagey Tsering	Principal, Babessa Primary School

Other Schools

Mr. Yesh B. Ghaley	Principal, Chukha Higher Secondary School
Mr. Yang Dorji	Vice Principal, Chukha Higher Secondary School
Ms. Wangmo	Vice Principal, Chukha Higher Secondary School
Mr. Tshering Dorji	Principal, Gaselo Middle Secondary School

Royal College of Science & Technology

Mr. Nidup Dorji	Director
Mr. Ugyen Tenzey	Head of Department of Civil Engineering

Ministry of Works & Human Settlement

Mr. Tashi Wangchuk	Head, Standards & Quality Control Authority,
Mr. Wangdi Gyaltsen	Executive Director, Construction Development Board

Department of Revenue and Customs, Ministry of Finance

Mr. Sonam Karma	Assistant Commission, Tax Administration Division
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Japan International Cooperation Agency (JICA) Bhutan Office

Mr. Tetsuo Yabe	Resident Representative
Mr. Taiji Usui	Project Formulation Advisor
Mr. Bishnu Bhakta Mishra	Technical Officer

4. Minutes of Discussions

4-1. Outline Design Study

**Minutes of Discussions
on the Outline Design Study
on the Project for Construction of Educational Facilities
in the Kingdom of Bhutan**

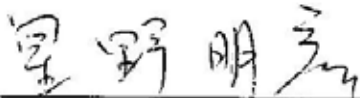
Based on the results of the Preliminary Study, the Government of Japan decided to conduct the Outline Design Study on the Project for Construction of Educational Facilities (hereinafter referred to as "the Project") and entrusted the study to the Japan International Cooperation Agency (hereinafter referred to as "JICA").

JICA sent to Bhutan the Outline Design Study Team (hereinafter referred to as "the Team"), which is headed by Mr. Akihiko HOSHINO, Team Director, Education and Vocational Training Team, Project Management Group II, Grant Aid Management Department, JICA and is scheduled to stay in the country from August 27 to September 21.

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

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

Thimphu, August 31, 2007



Mr. Akihiko Hoshino
Leader
Outline Design Study Team
Japan International Cooperation Agency



Aum Sangay Zam
Secretary
Ministry of Education
Royal Government of Bhutan



Mr. Thinley Namgyel
Head, Development Cooperation Division
Planning Commission Secretariat
Royal Government of Bhutan

ATTACHMENT

1. Objective of the Project

The objective of the Project is to improve the access and the educational environment in Bhutan by reconstructing the damaged/old-aged school buildings, extending the capacity of existing schools and constructing new schools.

2. Project sites

The requested sites of the Project are as follows;

- Kabjisa MSS (Punakha Dzongkhag)
- Pakshikha MSS (Chukha Dzongkhag)
- Phobjikha MSS (Wangdue Dzongkhag)
- Darla MSS (Chukha Dzongkhag)
- Betikha LSS (Paro Dzongkhag)
- Dechenchholing MSS (Thimphu Dzongkhag)
- Babesa PS (Thimphu Dzongkhag)
- Nobding LSS (Wangdue Dzongkhag)

3. Responsible and Implementing Organization

3-1. The responsible organization is the Ministry of Education.

3-2. The implementing agency is the Department of School Education (DSE).

3-3. The organization chart of the Ministry of Education is attached as Annex 1.

4. Items Requested by the Government of Bhutan

4-1. Requested Items

After discussions with the Team, the items described in Annex 2 were requested by the Bhutanese side with their priorities. JICA will assess the appropriateness of the request and will recommend to the Government of Japan for its approval.

4-2. Priority

The highest priority is given to remaining three schools that have not been constructed by the previous project, namely Kabjisa MSS, Pakshikha MSS and Phobjikha MSS.

If the budget is sufficient to cover all first priority group schools and still there is any remaining budget then this will be allocated to the school(s) in the second priority group list.

On the other hand, if the Project budget turns out to be insufficient to cover Phobjikha MSS as a full package, the Bhutanese side agrees to curtail the construction of lower priority component at Phobjikha MSS (Warden's and Matron's Quarter and/or Staff Quarter and/or Multipurpose Hall). In case the budget is insufficient even after curtailing aforementioned component(s) then the Bhutanese side prefers to replace Phobjikha MSS construction with other one or some of the five schools in the second priority group.

5. Japan's Grant Aid Scheme

- 5-1. The Bhutanese side understands the Japan's Grant Aid scheme for General Project and for Community Empowerment explained by the Team and described in Annex 3 and Annex 4 respectively.
- 5-2. The Bhutanese side will take the necessary measures, as described in Annex 5, for smooth implementation of the Project, as a condition for the Japanese Grant Aid to be implemented.
- 5-3. The Bhutanese side agreed to allocate necessary budget and personnel (including teachers) for the proper operation and maintenance of the facilities constructed by the Project.

6. Schedule of the Study

- 6-1. The consultants will proceed to further studies in Bhutan until September 21.
- 6-2. JICA will prepare the draft report in English and dispatch a mission in order to explain its contents to Bhutanese side. Japanese side proposed that JICA will dispatch the delegation from December 23 through 30, 2007.
- 6-3. In case that the contents of the report is accepted in principle by the Government of Bhutan, JICA will complete the final report and send it to the Government of Bhutan by the end of March, 2008.

7. Other Relevant Issues

- 7-1. Both sides confirmed that schools and components to be incorporated to the scope of the Project would be selected based on the criteria described in Annex 6. The Bhutanese side understands that schools and components which would be finally covered by the Project will be determined depending on the Project budget secured in Exchange of Notes, the outcome of Detailed Design, tenders and budget execution.
- 7-2. Both sides confirmed that the Committee would be organized for the sake of smooth project implementation. The Committee will be composed of (a) Minister of Education or his representative and (b) Ambassador of Japan or his representative. Representatives of JICA and JICS may participate in the Committee when deemed necessary.
- 7-3. Bhutanese side understood that the consultant(s) in charge of Detail Design and Supervision Work should be responsible for the fault in the design and the contractor(s) in charge of construction work would be responsible for the fault in the construction work. However, the local consultant(s) and contractor(s) will not be exempted from income tax.
- 7-4. Bhutanese side indicated, in Annex 7, the detailed procedure of exempting customs duties, internal taxes and other fiscal levies which may be imposed in Bhutan with respect to the supply of the products and services for the Project.
- 7-5. Bhutanese side has committed to take all necessary measures to assure security of Japanese nationals engaging in the Project.



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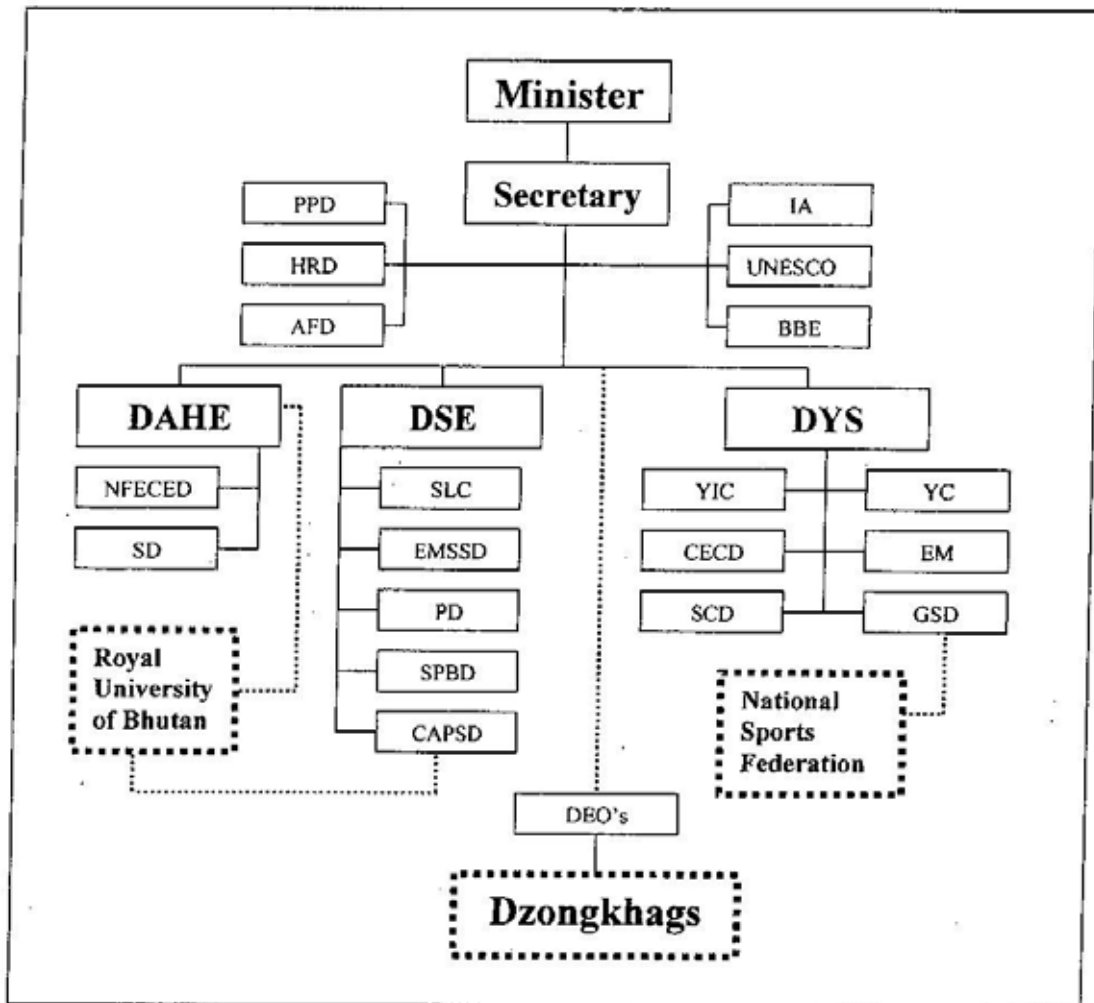
- 7-6. Both sides have agreed that Reinforced Concrete Structure will be applied for the Project.
- 7-7. Japanese side requested Bhutanese side to be involved in the Project implementation on its own capacity. Bhutanese side has committed to assist in bidding procedures and to conduct periodical supervision.
- 7-8. The Japanese side explained that JICS would procure service and goods under the two Procurement Guidelines, one set by the Ministry of Foreign Affairs of Japan and the other set by JICS (these guidelines are attached in Annex 8 and 9). The Ministry of Education understood the framework of the procurement but it also told Japanese side that those Guidelines should be approved by the Ministry of Finance, Royal Government of Bhutan. The Bhutanese side has committed to take necessary measures to get its approval before the consultant members leave the country.

- Annex 1: The Organization Chart of the Ministry of Education
- Annex 2: Requested Items and Priority
- Annex 3: Japan's Grant Aid Scheme for General Project
- Annex 4: Japan's Grant Aid Scheme for Community Empowerment
- Annex 5: Major Undertakings to be taken by Each Government
- Annex 6: Selection criteria for the list of the prioritized schools
- Annex 7: Procedures for Tax Exemption
- Annex 8: Procurement Guidelines for Grant Aid for Community Empowerment
- Annex 9: JICS Guidelines for the Procurement of Consultant Services



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Annex 1: The Organization Chart of the Ministry of Education



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|---------|---|-------|---|
| PPD | Policy and Planning Division | SPBD | School Planning & Building Division |
| AFD | Administrative and Finance Division | CAPSD | Curriculum & Professional Services Division |
| HRMD | Human Resource Management Division | DYS | Department of Youth & Sports |
| IA | Internal Auditor | YIC | Youth Information Centre |
| BBE | Bhutan Board of Examination | YC | Youth Center |
| DAHE | Department of Adult and Higher Education | CECD | Career Education & Counseling Division |
| NFCECED | Non Formal & Continuing Education Division | EM | Education Media |
| SD | Scholarship division | SCD | Scouts Division |
| SLC | School Liaison & Coordination Unit | GSD | Games & Sports Division |
| EMSSD | Education Monitoring & Support Service Division | PD | Programme Division |

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ANNEX 2 Requested Items and Priority

1. FIRST (HIGHEST) PRIORITY GROUP

Facilities Name of School	ADM/LIB	4CLR	8CLR	10CLR	ScB	MPH	64HOST	96HOST	KST	STO	WTOMTQ	PC	TB
	reqmt	reqmt	reqmt	reqmt	reqmt	reqmt	reqmt	reqmt	reqmt	reqmt	reqmt	reqmt	reqmt
Kalyasa MSS	1	1	2		1					1		1	2
Panchikha MSS	1	2	1		1	1		4	1	1	2	1	2
Phodkha MSS	1		2		1	1	4		1	1	2	1	2
	a	a	a	a	a	b	a	a	a	b	b	a	a

ADM/LIB - Administration & Library in one building
 ScB - Integrated Science Block (4 Labs and a Library)
 KST - Kitchen and Store

2. SECOND (LOWER) PRIORITY GROUP

Facilities Name of School	School Priority	ADM	6CLR	ScB-MSS	ScB-LSS	MPH	64HOST	96HOST	WTOMTQ	PC	TB	Remarks
	Reqmt	Priority	Reqmt	Priority	Reqmt	Priority	Reqmt	Priority	Reqmt	Priority	Reqmt	
Daria MSS	1	4	a	1	b	1	c				2	a
Betikha LSS	2	1	a	2	a		1	b	2	b	2	a
Deshchunhling MSS	3					1	a					
Babasa P S	4	1	a	1	a	1	c			1	b	a
Nabding LSS	5					1	c	1	b	1	b	a

a - highest priority, b - medium priority, c - lower priority

NOTE

ADM - Administration Block which will consist of Principals Office, Vice Principals Office, General Office Store, Toilets, Meeting room and Teachers work space

6CLR - Six Classroom Block

ScB-MSS - Science Block which consists of 4 laboratory and a library

ScB-LSS - Science Block which consists of a Laboratory and a library

MPH - Multipurpose Hall, whose size will depend on number of boarders for boarding schools and for assembly purposes in a day school

64HOST - 64 Bedded Hostel with toilet facilities

96HOST - 96 Bedded Hostel with toilet facilities

STO - Staff Quarter

WTO - Wardens Quarter

MTO - Matrons Quarter

PC - Principals Quarter

TB - Toilet Block

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Annex 3

Japan's Grant Aid Scheme for General Project

The Grant Aid scheme provides a recipient country with non-reimbursable funds to procure the facilities, equipment and services (engineering services and transportation of the products, etc.) for economic and social development of the country under principles in accordance with the relevant laws and regulations of Japan. The Grant Aid is not supplied through the donation of materials as such.

1. Grant Aid Procedures

Japan's Grant Aid Scheme is executed through the following procedures.

Application	(Request made by a recipient country)
Study	(Basic Design Study conducted by JICA)
Appraisal & Approval	(Appraisal by the Government of Japan and Approval by Cabinet)
Determination of	(The Notes exchanged between the Governments of Japan
Implementation	and the recipient country)

Firstly, the application or request for a Grant Aid project submitted by a recipient country is examined by the Government of Japan (the Ministry of Foreign Affairs) to determine whether or not it is eligible for Grant Aid. If the request is deemed appropriate, the Government of Japan assigns JICA (Japan International Cooperation Agency) to conduct a study on the request.

Secondly, JICA conducts the study (Basic Design Study), using Japanese consulting firms.

Thirdly, the Government of Japan appraises the project to see whether or not it is suitable for Japan's Grant Aid Scheme, based on the Basic Design Study report prepared by JICA, and the results are then submitted to the Cabinet for approval.

Fourthly, the project, once approved by the Cabinet, becomes official with the Exchange of Notes (E/N) signed by the Governments of Japan and the recipient country.

Finally, for the smooth implementation of the project, JICA assists the recipient country in such matters as preparing tenders, contracts and so on.

2. Basic Design Study

1) Contents of the Study

The aim of the Basic Design Study (hereinafter referred to as "the Study"), conducted by JICA on a requested project (hereinafter referred to as "the Project"), is to provide a basic document necessary for the appraisal of the Project by the Government of Japan. The contents of the Study are as follows:

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



- Preparation of a basic design of the Project.
- Estimation of cost of the Project.

The contents of the original request are not necessarily approved in their initial form as the contents of the Grant Aid project. The Basic Design of the Project is confirmed considering the guidelines of Japan's Grant Aid scheme.

The Government of Japan requests the Government of the recipient country to take whatever measures are necessary to ensure its self-reliance in the implementation of the Project. Such measures must be guaranteed even through they may fall outside of the jurisdiction of the organization in the recipient country actually implementing the Project. Therefore, the implementation of the Project is confirmed by all relevant organizations of the recipient country through the Minutes of Discussions.

2) Selection of Consultants

For smooth implementation of the Study, JICA uses registered consulting firms. JICA selects firms based on proposals submitted by interested firms. The firms selected carry out a Basic Design Study and write a report, based upon terms of reference set by JICA.

The consulting firms used for the Study are recommended by JICA to the recipient country to also work on the Project's implementation after the Exchange of Notes, in order to maintain technical consistency.

3. Japan's Grant Aid Scheme

1) Exchange of Notes (E/N)

Japan's Grant Aid is extended in accordance with the Notes exchanged by the two Governments concerned, in which the objectives of the project, period of execution, conditions and amount of the Grant Aid, etc., are confirmed.

2) "The period of the Grant Aid" means the one fiscal year which the Cabinet approves the project for. Within the fiscal year, all procedure such as exchanging of the Notes, concluding contracts with consulting firms and contractors and final payment to them must be completed.

However, in case of delays in delivery, installation or construction due to unforeseen factors such as natural disaster, the period of the Grant Aid can be further extended for a maximum of one fiscal year at most by mutual agreement between the two Governments.

3) Under the Grant Aid, in principle, Japanese products and services including transport or those of the recipient country are to be purchased.

When the two Governments deem it necessary, the Grant Aid may be used for the purchase of the products or services of a third country.

However, the prime contractors, namely consulting, contracting and procurement firms, are limited to "Japanese nationals". (The term "Japanese nationals" means persons of Japanese nationality or Japanese corporations controlled by persons of Japanese nationality.)

4) Necessity of "Verification"

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

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5) Undertakings required to the Government of the recipient country

In the implementation of the Grant Aid Project, the recipient country is required to undertake such necessary measures as the following:

- a) To secure land necessary for the sites of the Project and to clear, level and reclaim the land prior to commencement of the Project,
- b) To provide facilities for the distribution of electricity, water supply and drainage and other incidental facilities in and around the sites,
- c) To secure buildings prior to the procurement in case the installation of the equipment,
- d) To ensure all the expense and prompt execution for unloading, customs clearance at the port of disembarkation and internal transportation of the products purchased under the Grant Aid,
- e) To exempt Japanese nationals from customs duties, internal taxes and other fiscal levies which will be imposed in the recipient country with respect to the supply of the products and services under the verified contracts,
- f) To accord Japanese nationals, whose services may be required in connection with supply of the products and services under the Verified contracts, such facilities as may be necessary for their entry into the recipient country and stay therein for the performance of their work.

6) "Proper Use"

The recipient country is required to operate and maintain the facilities constructed and equipment purchased under the Grant Aid properly and effectively and to assign staff necessary for this operation and maintenance as well as to bear all the expenses other than those covered by the Grant Aid.

7) "Re-export"

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

8) Banking Arrangement (B/A)

- a) *The Government of the recipient country or its designated authority should open an account in the name of the Government of the recipient country in a bank in Japan (hereinafter referred to as "the Bank"). The Government of Japan will execute the Grant Aid by making payments in Japanese yen to cover the obligations incurred by the Government of the recipient country or its designated authority under the verified contracts.*
- b) *The payments will be made when payment requests are presented by the Bank to the Government of Japan under an Authorization to Pay (A/P) issued by the Government of recipient country or its designated authority.*

9) Authorization to pay (A/P)

The Government of the recipient country should bear an advising commission of an Authorization to Pay and payment commissions to the Bank.

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Annex 4

Japan's Grant Aid Scheme for Community Empowerment (Tentative)

<Gist of the scheme>

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

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

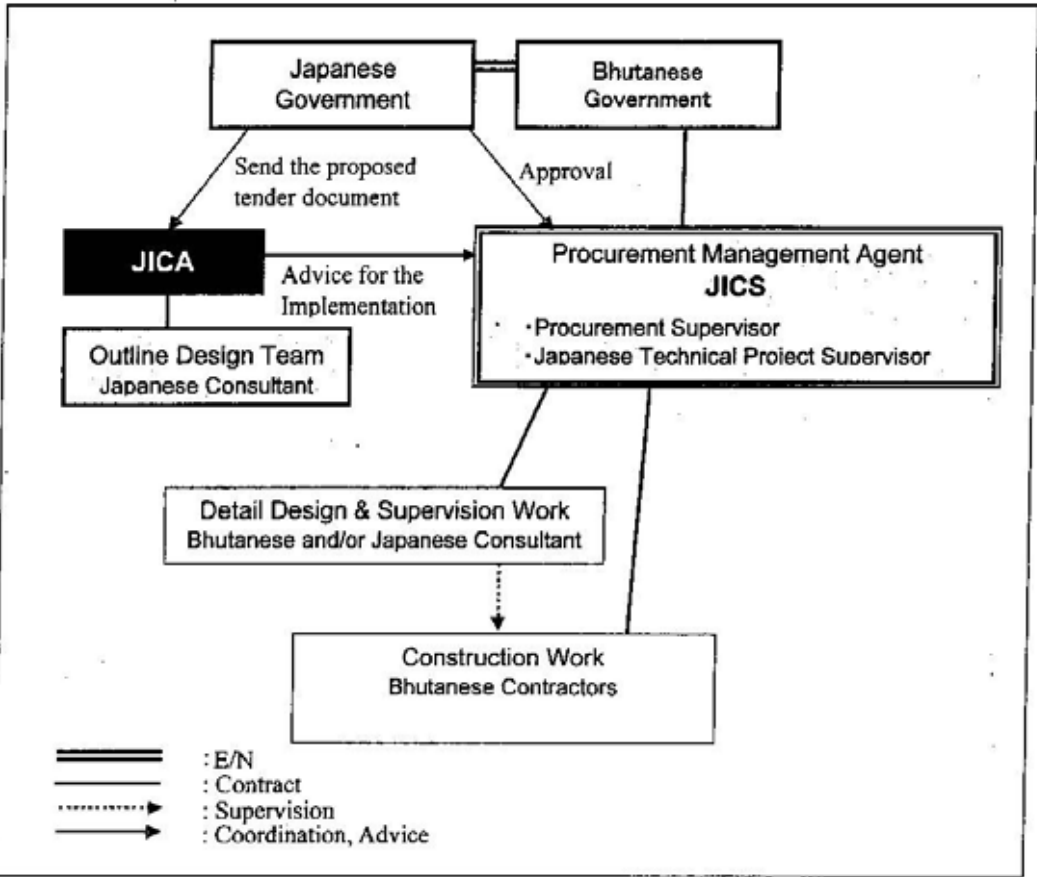
- Contractors, suppliers or consultants are not tied to Japanese companies only, and construction can be done in line with local specification,
- Multiple different components can be combined to formulate one projects,
- Procurement Management Agent (Japan International Cooperation System (JICS) is assigned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

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

The new grant scheme, by empowering the community, thus seeks to enhance human security, an important vision for Japanese official development assistance.

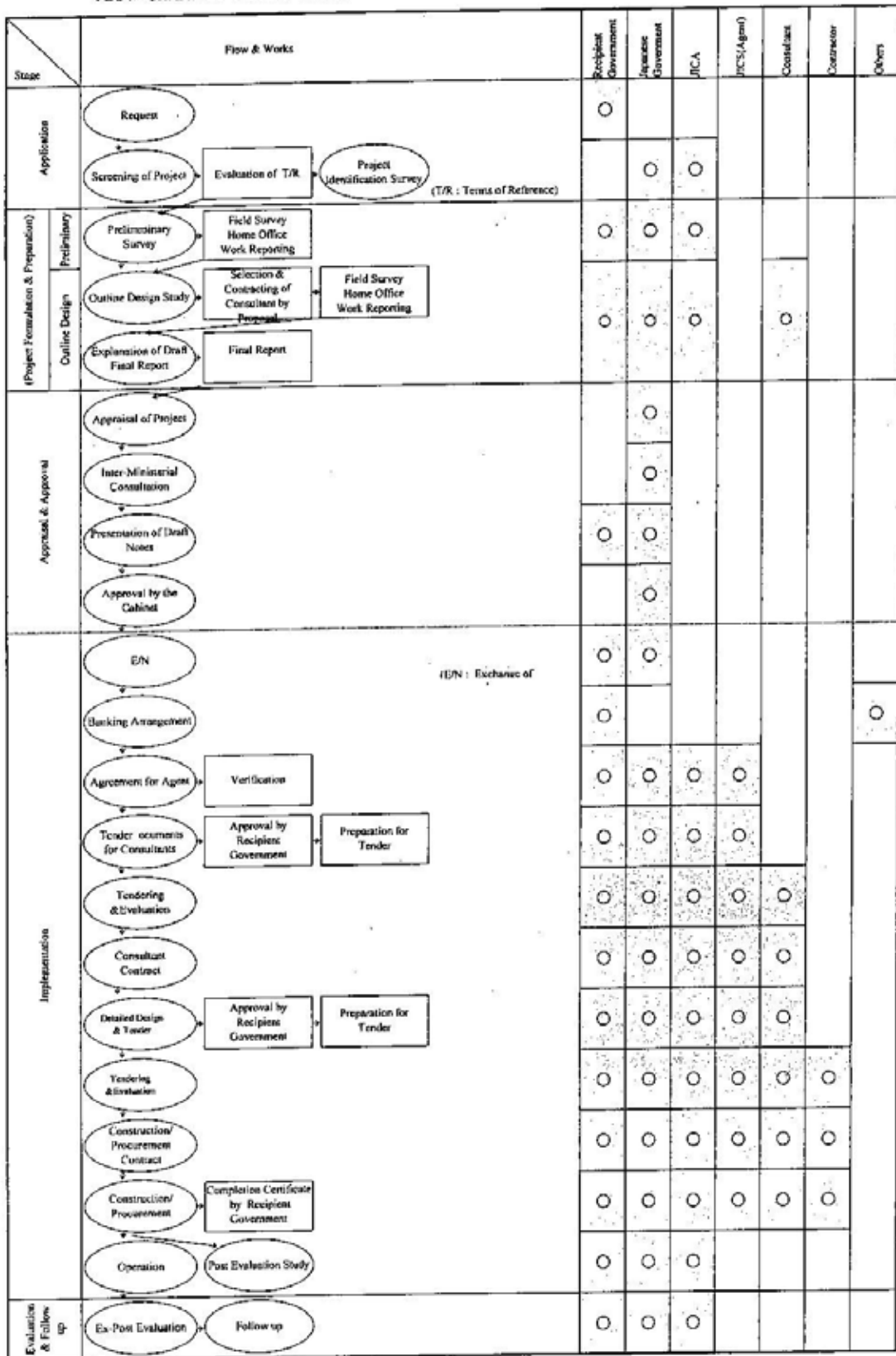


**Chart of the Project Implementation Organization
Under the Japan's Grant Aid for Community Empowerment**

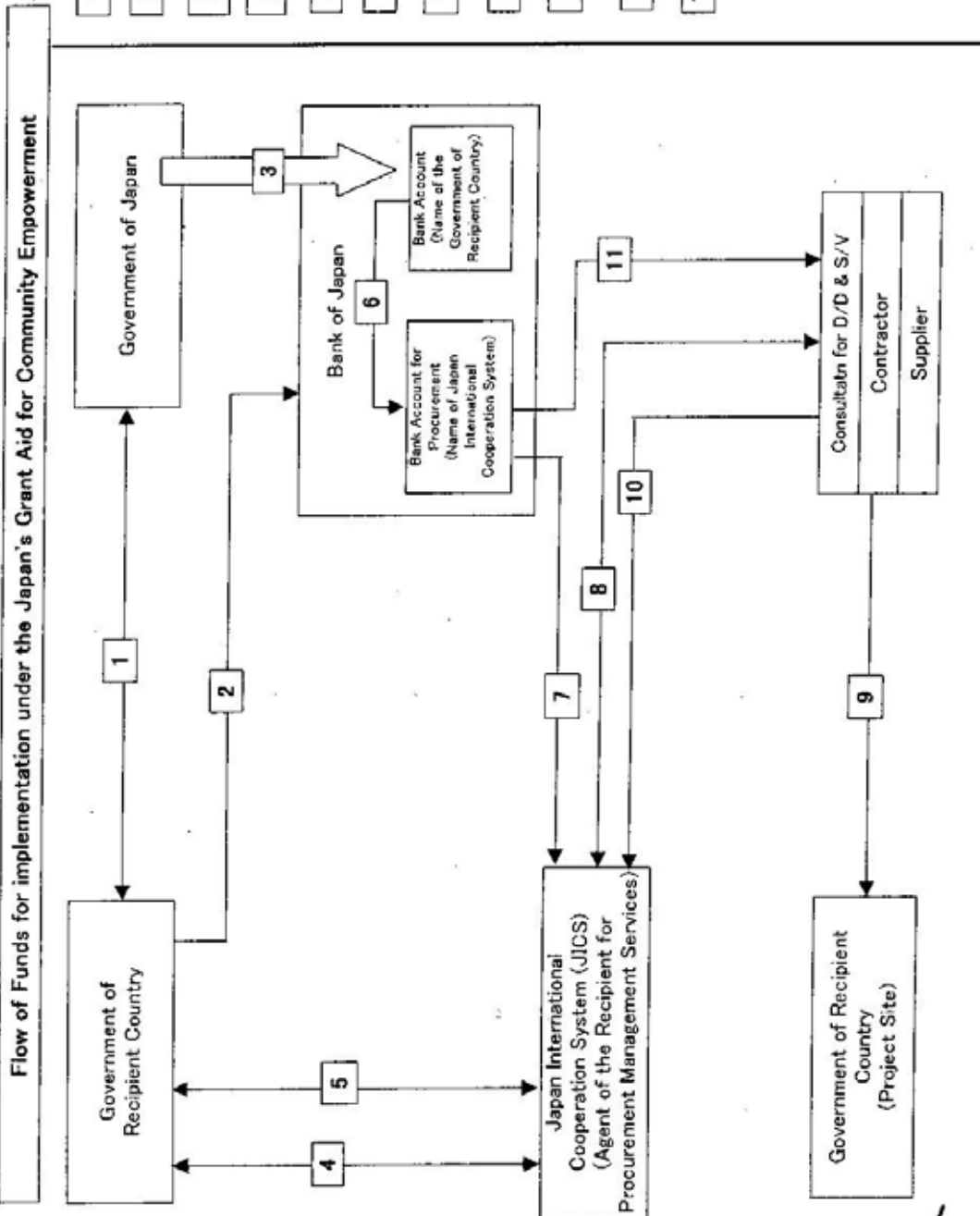


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FLOW CHART OF JAPAN'S GRANT AID PROCEDURES FOR COMMUNITY EMPOWERMENT(Tentative)



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Annex 5 Major Undertakings to be taken by Each Government

No.	Items	To be covered by Grant Aid	To be covered by Recipient Side
1	To secure land		●
2	To clear, level and reclaim the site when needed	(●)*1	(●)
3	To construct gates and fences in and around the site	(●)*1	(●)
4	To construct the parking lot	(●)*1	(●)
5	To construct roads		
	1) Within the Site	(●)*1	(●)
	2) Outside the site		●
6	To construct the buildings	●	
7	To provide facilities for the distribution of electricity, water supply, drainage and other incidental facilities		
	1) Electricity		
	a. The distributing line to the site		●
	b. The drop wiring and internal wiring within the site	●	
	c. The main circuit breaker and transformer	●	
	2) Water Supply		
	a. The city water distribution main to the site	n.a.	n.a.
	b. The supply system within the site (receiving and elevated tanks)	●	
	3) Drainage		
	a. The city drainage main (for storm, sewer and others)		●
	b. The drainage system (for toilet sewer, ordinary waste, storm drainage and others) within the site	●	
	4) Gas Supply		
	a. The city gas main to the site	n.a.	n.a.
	b. The gas supply system within the site	n.a.	n.a.
	5) Telephone System		
	a. The telephone trunk line to the main distribution frame/panel (MDF) of the building		●
	b. The MDF and the extension after the frame/panel		●
	6) Furniture and Equipment		
	a. General furniture		●
	b. Project equipment (Classroom furniture, Hostel furniture, etc.)	●	
8	To bear the commissions to the Japanese bank for banking services based upon the B/A		●
9	To ensure unloading and customs clearance at port of disembarkation in recipient country		
	1) Marine (Air) transportation of the products from abroad to the recipient country	●	
	2) Tax exemption and custom clearance of the products at the port of disembarkation		●
	3) Internal transportation from the port of disembarkation to the project site	●	
10	To accord Japanese nationals whose services may be required in connection with the supply of the products and the services under the verified contract such facilities as may be necessary for their entry into the recipient country and stay therein for the performance of their work		●
11	To exempt customs duties, internal taxes and other fiscal levies which may be imposed in the recipient country with respect to the supply of the products and services for the Project		●
12	To maintain and use properly and effectively the facilities constructed and equipment provided under the Grant Aid		●
13	To bear all the expenses, other than those to be borne by the Grant Aid, necessary for the transportation and installation of the equipment.		●

(B/A: Banking Arrangement)

*1 To be considered on site basis after further analysis

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Annex 6 Selection criteria for the list of the prioritized schools

- 3 schools (Kabjisa MSS, Pakshikha MSS, Phobjikha MSS) unimplemented in the previous project shall be included in the List in accordance with the priority order by the Bhutanese side.
- Other 5 schools additionally requested shall be evaluated based on the selection criteria as follows;
 - Facility improvement of the school is identified as necessary in the national/regional plan,
 - Master plan for the school development has been worked out,
 - Secondary education is currently provided, or upgrade to a secondary school is planned in the national/regional plan,
 - Land ownership or proper land use right for school construction is legally secured with written evidence,
 - No other plan exists for current/ongoing facility improvement by the Bhutanese Government, other donors, NGOs, etc.,
 - Topographically/environmentally safe and appropriately sized land for construction is secured,
 - Access roads for construction vehicles are properly provided, and
 - Present and future demand can be quantitatively estimated by a set of data such as numbers of school-aged children within the catchment area.
- Also budgetary restriction of the Japanese side shall be considered for the selection, so that some sites could be cut down from the Project sites.

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Procedures for Tax Exemption

1. Plant, construction materials & equipment, machineries and services imported for direct use in the construction of the Project shall be exempt from taxes, levies/duties for plant. Any procurement made under tax exemption basis shall be liable for tax payment as per the *Sales Tax, Customs and Excise Act, 2000* of the kingdom of Bhutan if disposed off in Bhutan.
2. Sales tax levied on project inputs procured domestically will be reimbursed provided all necessary documents are furnished at the time the claim is made, and in accordance with the procedures laid down in the *Sales Tax, Customs and Excise Act and Rules*.
3. All employees of the Government of Japan or undertaking(s) of the Government of Japan employed directly in the project shall be exempt from income tax if the income is earned from a contract that has been awarded by and signed with the Government of Japan. However, any other contractor, subcontractor or consultant recruited in connection with the project, will be liable for tax in Bhutan as per the Income Tax Act of the Kingdom of Bhutan, 2001.
4. For purposes of Income tax wherever applicable, all details of the payment made to the contractor(s) will be furnished to the Department of Revenue and Customs, Ministry of Finance, latest by the tenth day of the following month.
5. With regard to Tax Deducted at Source (TOS) applicable, JICS will provide all information/details of payments to national and international contractors and consultants. And such contractor and consultant shall be liable to deposit the same TOS to the relevant Regional Revenue Custom Office (RRCO), latest by the tenth day of the following month. This clause must be specifically stated in the agreement to be signed between JICS and the contractors and consultants.

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