



Technical Assistance Report

Project Number: 43429
Regional – capacity development technical assistance (R-CDTA)
December 2010

Institutional Strengthening for Aviation Regulation

ABBREVIATIONS

ADB	–	Asian Development Bank
CAA	–	civil aviation authority
DMC	–	developing member country
ICAO	–	International Civil Aviation Organization
NZCARs	–	New Zealand Civil Aviation Rules
PASO	–	Pacific Aviation Safety Office
Q	–	quarter
SARP	–	standard and recommended practice
TA	–	technical assistance
TASF	–	Technical Assistance Special Fund
TOR	–	terms of reference

TECHNICAL ASSISTANCE CLASSIFICATION

Type	–	Regional – capacity development technical assistance (R-CDTA)
Targeting classification	–	General intervention
Sector (subsector)	–	Transport, and information and communication technology (air transport)
Themes (subthemes)	–	Regional cooperation (other regional public goods), economic growth (promoting economic efficiency and enabling business environment), capacity development (institutional development)
Location impact	–	National (high) and regional (high)

NOTE

In this report, "\$" refers to US dollars.

Vice-President	C.L. Greenwood, Operations Group 2
Director General	R. Wihtol, Pacific Department
Team leader	R. Guild, Director, Pacific Strategy and Special Operations, PAHQ

In preparing any country program or strategy, financing any project, or by making any designation of or reference to a particular territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.

I. INTRODUCTION

1. The Pacific Aviation Safety Office (PASO) was established by an Asian Development Bank (ADB) regional loan in 2005 to provide safety and security oversight to the aviation sector.¹ The organization has 13 member countries: Australia, the Cook Islands, the Fiji Islands, Kiribati, Nauru, New Zealand, Niue, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu. PASO's core responsibilities are to provide oversight and advice on (i) aerodrome security and safety, (ii) flight operations, (iii) airworthiness of aircraft, and (iv) personnel licensing. Overall strategy, policy, and problem resolution is provided by a Council of Directors that represents member governments and includes advisers from the aviation industry, multilateral agencies, and established safety oversight authorities.

2. All developing member countries of PASO have acceded to the Pacific Islands Aviation Safety and Security Treaty, which requires regulatory harmonization. To maximize the efficiency and effectiveness of PASO operations and create a least-cost operating environment for airlines, the legislation and regulations of member countries must be harmonized to create a common inspection regime and common compliance protocols. The technical assistance (TA) will assist developing member countries of PASO to update and harmonize their legislation and regulations. The TA will also examine the financial performance and revenue model of PASO with respect to both its fee structure and member countries' aviation revenue base, and assist PASO to refine its management systems to ensure sustainability. The design and monitoring framework is in Appendix 1.

3. The PASO Council of Directors—the governing body comprising representatives of each member government—has been closely involved in drafting the proposed TA through regular review missions related to the ongoing project, and has agreed to the impact, outcome, outputs, implementation arrangements, cost, financing arrangements, and terms of reference.² The proposal has also been the subject of consultations with governments and airlines through previous regional TA and presentations to the Association of South Pacific Airlines; and has been coordinated closely with external agencies active in the Pacific aviation sector, including the International Civil Aviation Organization (ICAO), the United States Federal Aviation Agency, the Australian Civil Aviation Safety Authority, the New Zealand Civil Aviation Authority, and the Pacific Islands Forum Secretariat.³ The Pacific Regional Operations Business Plan, 2010–2013 emphasizes support for transport and regional cooperation and integration, both of which the TA will address.⁴ Provision of high quality technical and policy advice by PASO is listed in the results framework.

II. ISSUES

4. The developing member countries of PASO are signatories to international and regional treaties that commit them to meeting aviation security and safety standards through the uniform application of ICAO standards. In recent years, these standards have been greatly expanded, particularly those related to security. However, most PASO members are unable to fully meet all of their oversight obligations. As a result, many Pacific island countries have received less than

¹ ADB. 2005. *Report and Recommendation of the President to the Board of Directors: Regional Loan for the Establishment of the Pacific Aviation Safety Office*. Manila.

² The TA first appeared in the business opportunities section of ADB's website on 18 November 2010.

³ ADB. 2005. *Technical Assistance for Aviation Legislative and Regulatory Review*. Manila.

⁴ ADB. 2010. *Regional Operations Business Plan: The Pacific, 2010–2013*. Manila.

satisfactory results from the ICAO-mandated Universal Safety Oversight Audit Program and Universal Security Oversight Audit Program.

5. Audits and inspections must be undertaken in accordance with the legal environment of the state of operation, based on national regulations and the standards and recommended practices (SARPs) of ICAO. While improved compliance with these obligations is essential, aviation safety and security regulatory frameworks across the region are inconsistent. Variations in the rules cause increased compliance costs for airlines, and make efficient implementation of the PASO work plan more challenging. A harmonized operating environment will produce benefits to airlines, national civil aviation administrations, and travelers.

6. Operations over the past several years have made clear the outstanding requirements for regulatory improvements and the difficulties in establishing a sustainable financial base. PASO has undertaken field inspections and liaison with national civil aviation authorities and airlines, and produces annual work plans for each member country. These are not always fully delivered, in part because of uncertainty over the regulatory requirements and to some extent owing to problems faced by some Pacific island countries in paying for services.

7. Regulatory requirements were analyzed through preliminary TA conducted by the ICAO. The work conducted included a rapid assessment of national laws and regulations, a needs assessment of potential legal reforms and technical service requirements, and recommendations for improvement. The assessments were refined through a 1-year assignment of a legal officer from the Government of Vanuatu to PASO. This preliminary work confirmed the intended objectives of the TA, but member countries have struggled with the detailed implementation of those recommendations. The TA will provide the necessary support to finalize the steps required to implement the recommendations developed through both initiatives.

8. To achieve sustainability, the ability of PASO to support its members depends on robust financial policies and procedures in both the organization and its member countries, which are still evolving and in need of improvement. PASO services are provided on a cost recovery basis, which members have agreed to fund through a combination of subscription fees to provide base funding for fixed costs and service fees for the variable costs associated with specific inspections and other activities. A sustainable financial model for members will require legislative and regulatory authority in some countries, as well as updated administrative systems in PASO.

III. THE TECHNICAL ASSISTANCE

9. The project will increase aviation security and safety in member countries by ensuring that aviation laws, regulations, technical documentation, and procedures are current, compliant with ICAO requirements, and harmonized across the region. A fragmented system will be replaced with a consistent and proactive operating environment, thus improving security and safety and reducing costs. It will create economies of scale that allow PASO to become financially self-sustaining, while lowering costs and improving service quality.

A. Impact and Outcome

10. The impact is expected to be increased safety and security compliance rates, reduced compliance costs, and increased financial sustainability of PASO. Indicators will be a reduction

in adverse safety and security audit findings, and alignment of national revenue sources to the cost of providing oversight.

11. The outcome is expected to be revision and harmonization of national aviation legislation and regulations. Indicators will be final legal documentation that is consistent with the New Zealand Civil Aviation Rules (NZCARs) to provide a uniform set of standards and recommended practices and inclusion of authority to raise aviation oversight revenues in national laws, expected by the end of 2012. A third outcome indicator is legislative adoption of the revised legislation and regulations, which may take a further year for all countries to achieve.

12. The direct beneficiaries of the project include the governments of PASO member countries that will be able to rationalize their civil aviation administrations and lower public sector costs, regional air transport operators that will experience lower regulatory compliance costs and more responsive services, and users of air transport that will benefit from higher security and safety standards.

B. Methodology and Key Activities

13. The outputs of the project will achieve regional harmonization of aviation legal frameworks and financial sustainability of PASO by (i) assisting with revisions to national aviation legislation and regulations through detailed drafting instructions, legal advice, and model frameworks for each member country; (ii) ensuring that PASO member countries have the ability to generate sufficient revenues for oversight through revised national financial options and authorizing regulations; (iii) ensuring that PASO achieves financial sustainability through revised financial procedures; and (iv) conducting a comprehensive audit of PASO financial performance. The TA will build on implementation of the regional loan for Establishment of the Pacific Aviation Safety Office, which was approved in 2005 and is closing this year, and represents the final support from ADB to PASO to consolidate its achievements in the participating countries.⁵

14. Assisting with revisions to national aviation legislation and regulations will continue from the base established by the review of national legislation and regulations (para. 7). The TA will reconfirm the detailed aspects required for revision through preparation of new or amended legislative acts and rules. Two particular concerns are that national laws should provide for adequate delegation of authority and enforcement by civil aviation authorities (CAAs), and should be consistent with international law instruments which may require ratification or accession to ensure they are given effect in national laws. Since six of the 11 participating countries have primary legislation modeled on NZCARs and will require minor updates, whereas the other five will require more comprehensive legal drafting, standardizing the New Zealand rules provides the most efficient and effective path to harmonization. With respect to regulations, most states can expect to adopt the NZCARs by reference. The TA will then prepare detailed drafts of revised legal instruments based on standardized models with necessary adaptation to national circumstances. National legal advisers will provide extended assistance for the adoption and adaptation of the system of aviation regulations and technical guidance material.

15. Ensuring that participating countries can generate sufficient revenue to provide adequate oversight is required by the principle of cost recovery for PASO services. The TA will review national financial options and regulations to ensure that adequate authorization is provided to recover fees. A sustainable financial model for members, which will vary by country, is likely to

⁵ Footnote 1, page 1.

include some combination of passenger service charges, levies on airline tickets, authority to invoice airlines and airport operators, a levy on air traffic management revenue, and government counterpart contributions. The TA will prepare the necessary amendments of legal instruments and provide assistance with implementation of a sustainable financial model in each participating country.

16. Ensuring the financial sustainability of PASO requires improvements in the organization's internal financial planning and management. A previous review of PASO financial management that was conducted in 2008 made a number of findings related to financial planning, revenue performance, and administrative procedures which have been steadily improving. However, the PASO Financial Procedures Manual has not been updated and documentation of new procedures is incomplete. The TA will therefore assess PASO's financial status and activities, particularly budget management and expenditure control practices, and produce an updated Financial Procedures Manual.

17. Finally, conducting a comprehensive audit of PASO financial performance will ensure high quality independent verification of PASO's financial status. In addition to a standard financial audit of the organization, including a review of the 2010 financial statements, a follow-up assessment of the findings of the 2008 financial review will examine whether recommendations for budget management and expenditure control have been implemented and documented.

18. During conduct of the TA, consultations will be held with government and industry stakeholders. To ensure ownership and cooperation, PASO will provide initial and follow-up briefings and conduct training for the officials and management of the CAAs, airlines, and airports of member countries on the new safety and security systems and the inspection, surveillance, and certification programs they require.

19. Assumptions include (i) government cooperation with legal drafting and the passage of legal amendments, (ii) sufficient domestic expertise for national implementation of recommendations, and (iii) cooperation of PASO staff and availability of data. Given the long-standing and active involvement of the PASO Council of Directors in planning for this TA, and the high degree of cooperation by participating countries that has been achieved over several years of successful operations, these assumptions are considered reasonable.

20. Risks include (i) national legal processes could be slower than anticipated, (ii) the cooperation of PASO staff and availability of data could be less than desirable, and (iii) PASO procedures for approval could be slower than anticipated. These risks will be mitigated by the active involvement of the PASO Council of Directors as the governing body, the role of the PASO technical and finance committees in guiding implementation of the TA, and the intercession of members of each body with national authorities as necessary.

C. Cost and Financing

21. The TA will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF-IV). The total cost of the TA is estimated at \$900,000. The participating governments will contribute in kind to TA implementation through access to data and documentation and support of counterpart staff from national CAAs and legal authorities. PASO will also contribute to TA implementation through the support of its technical staff and provision of office space and administrative arrangements during visiting missions. The cost estimate is in Appendix 2.

D. Implementation Arrangements

22. The TA will be implemented over 3 years, from December 2010 to December 2013. ADB will be the TA executing agency. Physical activities are expected to commence in March 2011. A no-objection letter from each of the participating countries will be obtained before the implementation of the TA in that country.

23. The PASO Council of Directors, comprising directors of civil aviation from the participating countries, has established technical and finance committees that have regularly reviewed the outcomes of previous TA and have met with ADB review missions semiannually since approval of the associated project to discuss institutional strengthening needs. The PASO Technical Committee will serve as the TA steering committee.

24. About 27 person-months of international consulting services and 39 person-months of national consulting services will be required. Consultants will be engaged for the positions of an international aviation legal specialist, a number of national legal advisers to be determined, two international regulatory specialists, and an international financial management specialist. Consultants will be engaged through a firm, using quality- and cost-based selection (QCBS) procedures with an 80:20 weighting and based on simplified technical proposals. In addition, a national specialist will be engaged as an individual consultant to conduct a financial audit. All consultants will be engaged in accordance with ADB's *Guidelines on the Use of Consultants* (2010, as amended from time to time). Outline terms of reference are in Appendix 3.

25. Disbursements under the TA will be done in accordance with the ADB's *Technical Assistance Disbursement Handbook* (May 2010, as amended from time to time). Participating governments and PASO will provide in-kind counterpart contributions in the form of staff time to support the TA consultants when on assignment in participating countries. This is estimated at 3 person-months per country and 6 person-months for PASO.

26. ADB will monitor TA implementation through quarterly progress reports, regular review missions, and consultations with the PASO Council technical and finance committees (on which ADB is an official observer and technical adviser). Monitoring of the outcome and impact will be feasible through ICAO audit reports, which are publicly available.

27. Good practices and lessons learned will be disseminated through the PASO Council technical and finance committees. Documents produced by the TA will be posted on the PASO website.

IV. THE PRESIDENT'S DECISION

28. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$900,000 on a grant basis for Institutional Strengthening for Aviation Regulation, and hereby reports this action to the Board.

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
<p>Impact PASO member countries achieve increased aviation safety and security.</p>	<p>Adverse safety and security audit findings are reduced for all 11 PASO developing member countries, at subsequent ICAO audits (schedule varies by country). Baseline: 2010 Target year: 2015</p> <p>Aviation oversight revenues are sufficient to acquire necessary expertise from PASO (amount varies by country). Baseline: 2010 Target year: 2015</p>	<p>ICAO summary audit reports</p> <p>PASO national audit reports</p>	<p>Assumption Adequate safety and security oversight are provided and revised regulations are enforced.</p> <p>Risk International requirements could change and require more frequent updates to national laws and regulations.</p>
<p>Outcome PASO member countries apply harmonized national aviation legislation and regulations.</p>	<p>National aviation safety and security legislation and regulations adopted in 11 participating countries by 2013.</p>	<p>Government legal gazettes</p> <p>Aviation regulations of participating members</p>	<p>Assumption Government cooperation with legal drafting and passage of legal amendments</p> <p>Risk National legal processes could be slower than anticipated</p>
<p>Outputs 1. Detailed drafting instructions, legal advice, and model frameworks for revisions to national aviation laws and regulations are produced.</p>	<p>Final report documenting legal review and recommendations, including drafting instructions for each participating country, by mid-2012</p>	<p>National legal documents</p>	<p>Assumption Sufficient domestic expertise for national implementation of recommendations</p>

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks																
2. PASO member countries have the ability to generate sufficient revenues for oversight.	At least 8 PASO members are able to cover cost of oversight from revenue by 2013.	National legal documents	Assumption Cooperation of airlines and airport operators																
3. PASO achieves financial sustainability.	PASO revenue covers 100% of PASO operating expenses by 2013. National financial laws or regulations make provisions for aviation oversight revenues.	PASO Council of Directors meeting records PASO internal documents: corporate plan, financial procedures manual, and annual budget	Assumption Cooperation of PASO staff and availability of data Risk PASO Council Finance Committee procedures for approval could be slower than anticipated																
4. A comprehensive audit of PASO financial performance is completed.	2010 audit conducted and finalized by mid-2011	Audit report	Assumption Cooperation of PASO staff and availability of data																
Activities with Milestones 1. Legislative review and recommendations Start: Q1 2011 Complete: Q4 2013 1.1 Review previous TA and confirm recommendations 1.2 Prepare a strategy for designing and implementing the necessary reforms in each participating country 1.3 Prepare model text for legislative acts and regulations 1.4 Prepare detailed drafting instructions tailored to national circumstances 1.5 Provide assistance for national adoption, including workshops with PASO staff, governments, and industry stakeholders 1.6 Prepare a final report documenting all outputs of the TA 2. National financial options review and recommendations Start: Q1 2011 Complete: Q4 2012 2.1 Review national financial authorizations for charging and revenue collection		Inputs ADB: \$900,000 <table border="1" data-bbox="792 1224 1490 1602"> <thead> <tr> <th data-bbox="800 1224 1255 1266">Item</th> <th data-bbox="1255 1224 1482 1266">Amount (\$'000)</th> </tr> </thead> <tbody> <tr> <td data-bbox="800 1266 1255 1308">Consultants – international</td> <td data-bbox="1255 1266 1482 1308">567</td> </tr> <tr> <td data-bbox="800 1308 1255 1350">Consultants – national</td> <td data-bbox="1255 1308 1482 1350">117</td> </tr> <tr> <td data-bbox="800 1350 1255 1392">Travel</td> <td data-bbox="1255 1350 1482 1392">90</td> </tr> <tr> <td data-bbox="800 1392 1255 1434">Reports and communications</td> <td data-bbox="1255 1392 1482 1434">10</td> </tr> <tr> <td data-bbox="800 1434 1255 1476">Training, seminars, conferences</td> <td data-bbox="1255 1434 1482 1476">30</td> </tr> <tr> <td data-bbox="800 1476 1255 1518">Miscellaneous administration</td> <td data-bbox="1255 1476 1482 1518">10</td> </tr> <tr> <td data-bbox="800 1518 1255 1560">Contingencies</td> <td data-bbox="1255 1518 1482 1560">76</td> </tr> </tbody> </table>		Item	Amount (\$'000)	Consultants – international	567	Consultants – national	117	Travel	90	Reports and communications	10	Training, seminars, conferences	30	Miscellaneous administration	10	Contingencies	76
Item	Amount (\$'000)																		
Consultants – international	567																		
Consultants – national	117																		
Travel	90																		
Reports and communications	10																		
Training, seminars, conferences	30																		
Miscellaneous administration	10																		
Contingencies	76																		

<p>2.2 Prepare recommendations for alternative charging options</p> <p>2.3 Prepare model text to incorporate financial authorizations into legal instruments as needed</p> <p>2.4 Provide assistance for national adoption</p> <p>3. Financial procedures review and recommendations Start: Q1 2011 Complete: Q3 2011</p> <p>3.1 Review outputs of previous financial review</p> <p>3.2 Analyze current financial management practices and identify remaining improvements</p> <p>3.3 Update PASO Financial Procedures Manual</p> <p>4. Audit of PASO financial performance Start: Q1 2011 Complete: Q3 2011</p> <p>4.1 Conduct a financial audit for fiscal year 2010</p> <p>4.2 Assess implementation of previous recommendations and audit findings</p>	
--	--

ADB = Asian Development Bank, ICAO = International Civil Aviation Organization, PASO = Pacific Aviation Safety Office, Q = quarter, TA = technical assistance.
 Source: Asian Development Bank.

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Total Cost
A. Asian Development Bank^a	
1. Consultants	
a. Remuneration and per diem	
i. International consultants (27 person-months)	567.00
ii. National consultants (39 person-months)	117.00
b. International and local travel	90.00
c. Reports and communications	10.00
2. Training, seminars, and conferences	30.00
3. Miscellaneous administration and support costs	10.00
4. Contingencies	76.00
Total	900.00

^a Financed by the Asian Development Bank's Technical Assistance Special Fund (TASF-IV).
Source: Asian Development Bank estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

A. Introduction and Background

1. The Pacific Aviation Safety Office (PASO) is an international organization founded to provide aviation regulatory oversight on a collaborative regional basis. Members are Australia, the Cook Islands, the Fiji Islands, Kiribati, Nauru, New Zealand, Niue, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu. The Asian Development Bank (ADB) will provide a grant for technical assistance (TA) to create a harmonized operating environment for aviation and improve financial sustainability. Consulting services are required to implement the TA.

2. An aviation legal review has been conducted through TA funded on a grant basis by the International Funding Facility for Aviation Safety, administered by the International Civil Aviation Organization (ICAO). Outputs included a review of national laws and regulations, a needs assessment of potential legal reforms, and recommendations for improvement. TA is required to implement these recommendations, establish a harmonized regulatory environment in participating member countries, and improve financial management.

B. Scope of Work

3. The overall goal of consulting services is increased safety and security compliance rates, reduced compliance costs, and increased financial sustainability of PASO. TA will be provided to national civil aviation administrations and PASO staff to draft and adopt legal and regulatory reforms. An update to financial management systems and the PASO Financial Procedures Manual and a comprehensive audit of financial performance is also required.

C. Implementation Arrangements

4. The executing agency for the TA will be ADB, which will be responsible for implementation. The general manager of PASO will serve as the TA coordinator. The PASO Council of Directors will serve as the project steering committee.

5. About 27 person-months of international consulting services and 39 person-months of national consulting services will be required on an intermittent basis. The recruitment of a firm to provide these services, using the quality- and cost-based selection process and simplified technical proposals, will be preferred. Recruitment of an individual for 3 person-months will be adopted for audit services. Consulting services will be recruited in accordance with ADB's *Guidelines on the Use of Consultants* (2010, as amended from time to time).

D. Terms of Reference for Consultants

1. Aviation Legal Specialist and Team Leader (international, 18 person-months)

6. An aviation legal specialist is required to establish the legal and regulatory basis for harmonization in each developing member country (DMC) of PASO. Required expertise includes thorough familiarity with ICAO standards and recommended practices (SARPs), ability to ensure consistency with the New Zealand Civil Aviation Regulations (NZCARs), demonstrated ability to analyze national and international legal frameworks, legal drafting experience, and experience in these fields in Pacific DMCs.

7. Based on the completed initial aviation legal review of national legislation and regulations, the specialist will draft recommended revisions to laws and regulations so that each Pacific DMC is able to become compliant with international requirements and is able to adopt a harmonized regulatory environment based on the NZCARs. Specific tasks include the following:

- (i) Prepare a strategy for implementing national legal and regulatory reforms in each participating country, in accordance with previously identified requirements and recommendations, to ensure the highest degree of harmonization between Pacific DMCs.
- (ii) Draft standardized text for inclusion in national laws and regulations to enable recognition of PASO as an authorized provider of regulatory and oversight services and to enable national civil aviation administrations to adopt PASO recommendations.
- (iii) Prepare drafting instructions for amendments to national laws and regulations to facilitate the adoption (and modification where required) of a harmonized regulatory environment based on the NZCARs.
- (iv) Prepare drafting instructions for amendments to national laws and regulations to facilitate the adoption of revenue measures recommended by the financial management specialist.
- (v) Draft standardized text for inclusion in national laws and regulations to facilitate accession to the Pacific Islands Civil Aviation Safety and Security Treaty for those countries that are not yet parties to the treaty.
- (vi) Provide assistance to participating governments as requested to facilitate enactment and entry into force of legislation and regulations.
- (vii) Prepare a final report to PASO management that documents all findings, recommendations, proposed processes for implementation of reforms, and actual changes to laws and regulations.
- (viii) Conduct a final workshop with PASO staff to ensure common understanding of all recommendations, responsibilities, and procedures for implementation.

2. Legal Advisers (national, up to 36 person-months)

8. National legal advisers, preferably with expertise or experience in aviation law, are required to assist the international consultant team with advice on specific national laws and processes. Required expertise includes familiarity with national aviation legal frameworks, demonstrated analytical ability, and legal drafting experience. The need for and recruitment of national advisers in each participating country will be determined by the team leader. Specific tasks include the following:

- (i) Assist with preparation of drafting instructions for amendments to national laws and regulations, consistent with existing legal frameworks, to facilitate the adoption (and modification where required) of a harmonized regulatory environment based on the NZCARs.
- (ii) Advise national legal and aviation authorities on processes for inclusion of standardized text and specific instructions in national laws and regulations.
- (iii) Provide assistance to governments as requested to facilitate enactment and entry into force of legislation and regulations.

3. Regulatory Specialists (international, two positions, 3 person-months each)

9. Two regulatory specialists are required to provide technical support for the PASO member states, PASO staff, and the aviation legal specialist in preparing a harmonized regulatory environment and guidance material to conduct surveillance in each Pacific DMC. The outcome will be ensuring that the member state's national aviation authorities are able to engage and use PASO's services efficiently.

10. One specialist will focus on regulatory issues in one of the PASO technical areas (flight operations, airworthiness, or aviation security). The specialist is required to have current and internationally recognized qualifications in one or more of these disciplines, familiarity with the other disciplines, and experience in the safety regulation of civil aviation. Familiarity with ICAO SARPs and the NZCARs is required.

11. One specialist will focus on the organization and management of national civil aviation authorities and on PASO systems to support them. The specialist is required to be thoroughly familiar with the obligations of states under the Chicago Convention and ICAO Annexes and be familiar with (or able to ensure consistency with) the New Zealand model of safety regulation and NZCARs as they are adopted and applied in the Pacific DMCs.

12. Both specialists are required to have demonstrated ability to report findings and recommendations in internationally accepted formats, and experience in these fields in Pacific DMCs. Specific tasks, common to each specialist, include the following:

- (i) Review existing ICAO audit results, provided by national civil aviation authorities (CAAs). Review PASO work programs and national strategies.
- (ii) Recommend standardized compliance and enforcement documents to be adopted by national authorities, based on the harmonized regulatory environment.
- (iii) Recommend organizational structures, work planning, record-keeping procedures, and financial management systems for the national CAAs.
- (iv) Review and recommend improvements to PASO internal procedures for planning and administration of the annual work plan for each technical discipline.
- (v) Document recommended improvements through updates to PASO internal manuals and external guidance material, and conduct on-the-job training with PASO staff in revised procedures.
- (vi) Assist the aviation legal specialist in developing the legislation and regulations described above.
- (vii) Assist the team leader to prepare a final report to PASO management documenting all work done, together with findings and recommendations.

4. Financial Management Specialist (international, 3 person-months)

13. A financial management specialist is required to examine the financial performance and systems available in PASO to ensure sustainability. Specific tasks include the following:

- (i) Review past audited financial statements of PASO to assess historical financial performance, and fee structures to determine whether PASO has planned sufficiently to ensure sustainability.
- (ii) Identify financial management capacity and determine whether budgeting systems, planning, financial and management accounting, cost accounting, internal controls and audit systems, and data processing are sufficient.

- (iii) Based on the review, update the Financial Procedures Manual in accordance with good practices for financial management appropriate to the scale and structure of PASO.
- (iv) Prepare recommendations for institutional strengthening of financial management along with a time-bound implementation plan.
- (v) Document recommended improvements through updates to PASO internal manuals, and conduct on-the-job training with PASO staff in revised procedures.

5. Auditor (national, 3 person-months)

14. An auditor is required to examine the 2010 financial statements and advise the PASO Council of Directors on recent performance. Specific tasks include the following:

- (i) Review past audit reports to identify areas for particular attention and due diligence in future audits.
- (ii) Conduct an audit for PASO's 2010 fiscal year and prepare an auditor's report.
- (iii) Assess whether recommendations for budget management and expenditure control have been implemented and documented, and prepare recommendations for necessary follow-up.
- (iv) Assist in the preparation of recommendations for the updated PASO Financial Procedures Manual.

E. Reports

15. The consultants (except for the auditor) will submit, as a team, consolidated reports in English for distribution (two hard copies for distribution to PASO and ADB, and electronic versions for dissemination to participating governments):

- (i) Inception report, within 4 weeks of the start of the TA. In accordance with the terms of reference (TOR), it will outline the consultants' approach, methodology, and work plan, as well as cost implications for consulting services. The report will provide a clear bar chart of all activities under the TA and recommend changes to the implementation arrangements. It will also identify issues and decision-making requirements, if any, to facilitate TA progress.
- (ii) Quarterly progress reports. The report will use the same format as the final report and will summarize recommendations and concepts being developed under the TOR. It will provide detailed background to the TA and identify issues and decision-making requirements, if any, to facilitate progress.
- (iii) Draft final report, on completion of the TA. It will provide (a) a summary of the TA activities; (b) documentation of all data, analyses, and recommendations developed under the TOR; (c) stakeholder assessments; (d) assessment of the effectiveness of the TA activities; and (e) conclusions.
- (iv) Final report, 1 month after receipt of the comments on the draft final report from the Governments and ADB.

16. The auditor will submit a separate audit report in English for distribution (two hard copies for distribution to PASO and ADB, and electronic versions for dissemination to participating governments).