

ASIAN DEVELOPMENT BANK

GRANT IMPLEMENTATION MANUAL

FOR THE

JFPR GRANT ASSISTANCE TO THE

SOCIALIST REPUBLIC OF VIETNAM

FOR

Promoting Silk Income for the Rural Poor in Central Highlands

(JFPR No: 9033)

May 2005

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LIST OF ADDRESSES AND PERSONNEL CONCERNED

A. Asian Development Bank

1. Within the Asian Development Bank (ADB) the department responsible for implementation of the Project is the MKAE.

Director, MKAE	Mr. Urooj Malik, Telephone No. (63-2) 632-6234
Sr. Project Officer (directly supervising the implementation of the Project)	Dr. Manoshi Mittra Tel. No.: (632-) 632-6991 e-mail: mmittra@adb.org
Asst. Project Analyst	Điện thoại: (63-2) 632-6991 e-mail:nloria@adb.org
Disbursement Control Officer	Ms Catherine Dychiao Telephone number: (63-2) 632- 4443
Address	Asian Development Bank P.O. Box 789 0980 Manila, Philippines
Facsimile	(632) 636-2444 (ADB's main fax)
Telephone	(632) 632-4444
ADB Websites	http://www.adb.org
Consulting Services:	http://www.adb.org/procurement/default.asp
Consulting Services:	http://www.adb.org/procurement/default.asp http://www.adb.org/procurement/bidding.asp
Disbursements:	
	http://www.adb.org/documents/handbooks/loan-disbursement/default.asp

B. EXECUTING AND IMPLEMENTING AGENCIES

2. The Ministry of Agriculture and Rural Development (MARD) of Vietnam is the Executing Agency for the project. Within MARD, the Central Project Management Unit (CPMU) shall be responsible for the day-to-day implementation. The contact person for the EA is:

Mr. Nguyen Ngoc Binh, Head of Forestry Department, Project Director

Mr. Luong Van Tien, Director of Project Management Unit for forestry projects,
Deputy Director of Central Project Management Unit

Tel. No.: (844) 8438689 or (844) 8438814

Fax No.: (844) 8438793

Email: ntavan@netnam.vn_

Officers of PPMUs:

- Gia Lai Province: Mr. Nguyen Van Phong, Deputy Director of Provincial Department of Agriculture and Rural Development. Telephone number: 059.823.710. Fax: 059.826.173.
- Kon Tum Province: Mr. Nguyen Kim Phuong, Head of Provincial Department of Forestry. Telephone number: 060.661.791. Fax: 060.861.877.
- Dac Nong Province: Mr. Nguyen Dinh Hoa, Head of Provincial Department of Forestry. Telephone number: 050.544.211. Fax: 050.544.213.

3. The Implementing Agencies (IA) for the project are: the Department of Agriculture And Rural Development (DARD) of Gia Lai, Dac Nong and Kon Tum provinces with support from the Women Unions, Silk Farmers Association, NGOs, and Consultants.

C. EXCHANGE OF COMMUNICATION

4. All official letters/correspondence/fax and internal communication regarding implementation arrangements, accounting procedures, or audit shall be signed by:

Mr. Nguyen Ngoc Binh , Project Director

and addressed to:

Dr. Manoshi Mittra, Project Officer, MAKE, ADB

D. CLOSING DATE

Closing Date¹ 30 November, 2007

¹ This date is the closing date for withdrawals from the JFPR account. Goods must have been delivered and services rendered on or before this date to be eligible for payment by ADB. No payments from the JFPR Grant can be made after the closing date. However, when there is no formal request for extension of the closing date, the JFPR account may still be kept open for a period of three months beyond the closing date in order to complete disbursement of outstanding contracts under the JFPR Project. This would also allow the Executing Agency and Implementing Agencies time to collect and submit documentation and invoices pertaining to expenditures incurred before the closing date.

REFERENCE MATERIALS

1. Handbook on Management of Project Implementation (green), 1988
2. Guidelines for Procurement under ADB Loans (blue) February 1999 and later supplements
3. Procurement of Goods, Works and Services under Projects Financed by the ADB (light yellow), 1 March 1996 and later supplements
4. Handbook on Policies, Practices and Procedures Relating to Procurement under ADB Loans (orange), CPSO, revised in February 1990
5. Handbook on Problems in Procurement for Projects Financed by the ADB (blue/yellow), CPSO, reprinted October -1995
6. Guide on Bid Evaluation, CPSO (peach), June 1998
7. Guidelines on the Use of Consultants by ADB and its Borrowers (green), October 1998
8. Loan Disbursement Handbook (blue), January 2001 and supplements
9. Handbook for Users of Consulting Services (yellow), 1993
10. Anticorruption Policy dated 11 June 1998
11. ADB's Policy on Cooperation with NGOs, April 1998 (orange)
12. ODA Financial Management Guidelines, Issued by ADB and Ministry of Finance of Vietnam, December 2004.

ABBREVIATIONS

ADB	-	Asian Development Bank
CPRGS	-	Comprehensive Poverty Reduction and Growth Strategy
DARD	-	Department of Agriculture and Rural Development
DOI	-	Department of Industry
EA	-	Executing Agency
HEPR	-	Hunger Eradication and Poverty Reduction
IA	-	Implementing Agency
ICM	-	Implementation Completion Memorandum
INGO	-	International Non-Government Organization
JFPR	-	Japanese Fund for Poverty Reduction
JSWSM	-	Japan Society for Wild Silk Moths
LCB	-	Local Competitive Bidding
MARD	-	Ministry of Agriculture and Rural Development
MOF	-	Ministry of Finance
MOLISA	-	Ministry of Labor, War Invalids, Social Affairs
MPI	-	Ministry of Planning and Investment
MRDP	-	Mountain Rural Development Program
NGO	-	Non-Government Organization
OCO	-	Office of Cofinancing Operations
PPC	-	Provincial People's Committee
PSC	-	Project Steering Committee
TA	-	Technical Assistance

GRANT PROCESS HISTORY

1. The Government of the Socialist Republic of Viet Nam has requested the Asian Development Bank (ADB) for technical assistance (TA) for Promoting Silk Income for the Rural Poor in Central Highlands. The project originated from the Japan Society for Wild Silk Moths (JSWSM) which submitted a proposal to the ADB for support from the Japanese Fund for Poverty Reduction (JFPR). On 30 October 2003, subsequent to the approval of the Government of Japan, the ADB approved a grant of US\$620,000 from the JFPR for this purpose. The project is related to, and will be implemented in association with the Forest Livelihood Improvement in the Central Highlands of Viet Nam project.² An inception workshop will be held in June 2005 in Pleiku city, Gia Lai province. The workshop will be chaired by the Provincial People Committee (PPC) of Gia Lai, and will include the participation of the PPC of Kon Tum and Dac Nong, ADB, the CPMU, the three Provincial Project Management Units (PPMUs), NGOs, consultants, and other relevant stakeholders.

² TA VIE-3818: *Forest for Livelihood Improvement in the Central Highlands Project*. Approved Dec 2001 for US\$800,000

I. GRANT DESCRIPTION

a. *Grant Area and Location*

1. The project is to be implemented in the Central Highlands of Viet Nam which is characterized by high incidence of poverty, low human development, poor access to services, and vulnerability to external shocks including illness and death in the household, adverse changes in economic conditions, and natural disasters. The project is expected to target specifically poor ethnic minority groups and female heads of households in six communes of three highland provinces of Gia Lai, Dac Nong and Kon Tum. Project communes will be officially identified after the inception workshop.

b. *Grant Objectives*

2. Poverty rate among ethnic minorities in Viet Nam remains very high. According to the Central Institute for Economic Survey ethnic minorities accounted for 28% of the poor people in the nation while they accounted for only 14% of the total population. Projections from the same source show that according to the current economic model, the proportion of poor ethnic minorities will increase to 34% in the next 10 years.³ It has been consistently observed that ethnic minorities are more vulnerable to poverty and that indigenous households, together with female-headed households, are poorer than the average, and are more likely to remain poor or to become increasingly poor.⁴

3. Ethnic groups and minorities represent a significant proportion of the population of the project area, and are considered the single most vulnerable group to poverty due to lack of adequate agriculture land, irrigation facilities, and limited access to input, extension services and markets. The Government of Viet Nam has made reduction of poverty in mountainous areas an integral part of its Comprehensive Poverty Reduction and Growth Strategy (CPRGS)⁵ with such programs as the Hunger Eradication and Poverty Reduction program (HEPR), the Mountain Rural Development Program (MRDP), and the foundation of the Committee for Ethnic Minorities (CEM), all providing a clear focus on the needs of ethnic minorities inhabiting in the remote and mountainous areas of Viet Nam.

4. The problems of the poor populations of the upland areas are overwhelming. They have a limited land base and are often forced to practice shifting cultivation and/or destructive forest exploitation for subsistence. Besides not being sustainable, these practices often have disastrous consequences such as flooding in adjacent lowlands, erosion, irreversible loss of valuable soil and forest resources, and a loss of biodiversity as forest areas are increasingly encroached and wildlife becomes scarcer. Providing these populations with alternative and sustainable income opportunities from the forest is critical in helping them achieve a sustainable livelihood with improved quality of life and is a high priority of the Government.

5. The objective of the project is to achieve improved sustainable income for the poor populations of the mountain areas of the Central Region of Viet Nam through diversification of their livelihoods. The project targets specifically poor ethnic minority groups and female heads of households in the highland districts of the three provinces of Gia Lai, Dac Nong and Kon Tum. The project is expected to achieve its objective through the introduction and promotion of eri silk production (see Project Framework in **Appendix 1**)

³ Asian Development Bank (ADB). June 2002. *Indigenous People/Ethnic Minorities and Poverty Reduction - Viet Nam*. ADB Manila

⁴ idem

⁵ Socialist Republic of Viet Nam, 2002

6. Building on the successful experience of previous Government and donor funded programs/projects, the project promotes a participatory process which encourages beneficiaries to play an active role and assume ownership of initiatives to improve their livelihoods. One of the key elements of the Government's poverty reduction strategy is to encourage diversification and sustainable livelihoods through introduction of new income generation opportunities and to support capacity building of poor target groups to self management.

c. Grant Components

7. The project aims to: (i) support eri silk production for sustainable poverty reduction among poor and disadvantaged ethnic minorities; (ii) support the development of essential infrastructure for eri silk production and marketing; (iii) build capacity of poor ethnic minority households through training and transfer of technology; (iv) link remote areas to new national and international markets; (v) diversify livelihoods; (vi) support a process of socially inclusive participatory planning involving the poor, ethnic minorities, and female heads of households; and (vii) develop ways of setting up sustainable livelihoods for replication in the associated project. The project includes four major components:

1. Deployment of Experts and Support Staff.

8. Eri silk experts from Japan will be deployed in each province to: (i) supervise the setting up of three eri silk centers, one in each province; (ii) provide training and capacity building in eri silk production, dyeing, weaving, management, and quality control to local counterparts from DARD, Department of Investment (DOI), local NGOs, and Women's Unions in the three provinces; (iii) oversee the setting up of the training programs; (iv) supervise the provision of infrastructure; (v) arrange the input supply chain; (vi) develop quality control mechanisms; and (vii) ensure the setting up of the revolving fund for cocoon purchase, and marketing arrangements. A local research agency will carry out baseline surveys and poverty impact assessment.

9. Eri silk experts will train a minimum of 90 provincial level staff of DARD and DOI in eri silk production, dyeing, weaving, management, and quality control. Experts will prepare training plans and implement training programs in all three provinces for beneficiary to be set on a sustainable basis. At least 500 eri silk producers will be fully trained and able to produce quality cocoons, prevent contamination and earn equitable income from silk production. The experts will supervise the establishment of three eri silk production centers, one in each province, and will ensure that they will be fully functional and operational. An input supply chain will be established and marketing links will be set up both domestically and internationally.

2. Training Stakeholders, Poor Beneficiaries, Women for Eri Silk Production; and Setting up a Revolving Fund for Cocoon Purchase.

10. Under this component (i) a workshop will be organized with participation of provincial and local government, mass organization, and NGOs; (ii) project beneficiaries will be identified through a participatory approach; (iii) planning and dissemination of project information to beneficiaries will be carried out through the participatory process; (iv) groups of beneficiaries will be formed; (v) poor beneficiaries and women will be trained in cocoon production, egg production, spinning, dyeing, and weaving; and (vi) a cocoon purchase revolving fund will be set up with Women Unions in 3 project provinces.

11. At the project outset an inception workshop will be organized to inform provincial and district people's committees of the three districts and representatives of six communes of the three provinces about the project design, methodology, and implementation schedule.

3. Setting up Eri Silk Centers, Providing Equipment and Facilities.

12. Under this component, civil works and equipment for eri silk production and processing will be procured and made available to the producers and silk processors. Three centers, of approximately 100 sq. meters each, will be set up under the project one in each province. The centers will be provided with facilities and equipment for cocoon production, egg production, spinning, dyeing, and weaving.

4. Project Management, External Audit, Baseline Survey, and Poverty Impact Assessment

13. Under this component, a baseline survey will be carried out at the outset of the project to create a database of the initial socioeconomic conditions of potential beneficiaries. A project impact assessment will be carried out upon project completion using the same indicators measured during the baseline survey. Project management and external audit services will also be provided.

II. COST ESTIMATE, FINANCIAL PLAN & ALLOCATION OF PROCEEDS

a. Cost Estimates

14. The total cost of the project is estimated at US\$740,000 including a Government counterpart fund of \$55,000 to be provided largely in kind, and salaries for Government counter partners, provision of project offices, land acquisition, and participation in workshop/meetings. A beneficiary contribution amounting to US\$65,000 is also included in the total cost of the project. Beneficiary contribution will be provided mainly in-kind through participation in training and community development and labor contribution. The remaining US\$620,000 representing 84% of project cost, will be provided by the ADB from the JFPR. A detailed cost estimate table is attached as **Appendix 2**. The breakdown of the grant by expenditure categories is in Table 2.1 below.

Table 2.1 Breakdown of Grant Expenditures per Category

Grant Category	Amount	%
	US\$	
1. Civil Works	32,007	5
2. Facilities and Equipment	81,200	13
3. Training of Beneficiaries	32,200	5
4. Consulting Services ^{a/}	178,200	30
5. Project Management	134,900	22
6. Other Project Inputs ^{b/}	92,200	15
7. Impact Assessment/ Audit	16,000	2
8. Contingencies	53,293	8
Total	620,000	100

^{a/} Including NGOs

^{b/} Including revolving fund

^{c/} Including budget for project management of NGO and the EA.

b. Financing Plan

15. While the JFPR grant provides for 84% of the total cost of the project, government and beneficiary participation will make up the remaining 16% as follows. The Government will provide a total of US\$55,000 or 7.4 % of the total cost of the project through provision of counterpart staff, project offices, land acquisition for building and construction, and participation in workshops and meetings. Beneficiary contribution will amount to an estimated US\$65,000, or 8.7% of the total project cost.

c. Fund Flow Arrangements

16. The JFPR fund will be disbursed into a Project Imprest Account of Department of Forestry (MARD) and to be operated by the CPMU. With the exception of the expenditures for consultants and NGO, Government and beneficiary contribution, all project expenses will be paid from the Imprest Account. Fund flow arrangements are shown in **Annex 6 of Appendix 7**.

d. Allocation of Grant Proceeds

17. The allocation of grant proceeds by project components is in Table 2.2 below.

Table 2.2 Allocation of Grant Proceeds to major project components

Unit: USD

No.	Project Components	Amount
1.	Budget for ADB contract with NGO	344,760
2.	Contingency for ADB's contract with NGO	34,476
3.	Budget for project implementing agencies	240,764
3.1	Civil works	32,007
3.2	Equipment and tools	14,720
3.3	Other tools for production	74,530
3.4	Training and workshops	32,200
3.5	Revolving fund	23,000
3.6	Audit	6,000
3.7	Impact assessment	10,000
3.8	Project management ⁶	29,493
4	Contingency for IAs expenditures	18,814
	Total	620,000

⁶ Project expenditures financed by JFPR will be applied with norms which Coordination Unit of Forest Sector Support Project (FSSP) is using as EU guidelines on payment of actual expenditures under its development cooperation in Vietnam in June 2001 and adjusted in September 2003.

III. IMPLEMENTATION ARRANGEMENTS

a. Executing and Implementing Agencies

18. The executing agency (EA) for the project will be the Ministry of Agriculture and Rural Development (Directly by the Department of Forestry). Department of Forestry will oversee all project activities, facilitate local coordination, and monitor the linkage between the JFPR project and the associated Forest for Livelihood Improvement in the Central Highlands project (FLICH). Within MARD, the unit responsible for FLICH will be responsible for the implementation of the JFPR project to ensure adequate and complete coordination between the two projects. Department of Forestry will hold a project management meeting with participation of all relevant agencies at least twice a year to review project implementation progress and provide guidance to the project management team with policy issues. Department of Forestry or an authorized agencies of MARD will be responsible to approve the criteria for area selection and selection of beneficiary farmers. Department of Forestry, as authorized by the MARD, will also approve all contract awards for civil works, and procurement of equipment and facilities, as well as recruitment of consultants and experts (unless those are recruited directly by the ADB). DARDs will approve civil contract awards, recruitment of design consultant and engineering supervisors. MARD will ensure the setting up of project implementation structures at central and provincial level through the DARDs in the three provinces. Through CPMU (see below), MARD will submit quarterly progress reports to ADB and audited statements of account. The MARD will approve the implementation plan to be prepared by JSFWS and submit to ADB. MARD will set up project accounts both at the center and in the provinces for the flow of funds from ADB for project implementation. It will ensure that project accounts are audited satisfactory to ADB requirements. It will set up the counterpart team for project implementation. The MARD will ensure that all DARDs acquire suitable sites for eri silk centers to be constructed. Any land acquisition will be carried out in satisfaction of ADB's Policy on Involuntary Resettlement, and GOVN policy on land acquisition and compensation, resettlement.

19. Day- to- day management of implementation of the project will be the responsibility of a Central Project Management Unit (CPMU) to be set up by MARD with core staff come from the Project Management Unit of FLICH. The CPMU will consist of one Project Director, one Deputy Project Director, one Project Coordinator, one Project Accountant and one Project Secretary, other staff as required. The Project Secretary will be a full time position, while other positions will be on a part time basis. The CPMU will be provided an office of 25 sq meters in MARD as part of the Government counterpart contribution.

20. The Implementing Agencies (IA) for the project consist of the three provincial DARDs, eri silk Farmer Associations, Women Unions, and selected NGOs. The DARD in each project province will be responsible to coordinate and implement project activities related to beneficiary organizations, training, setting up of production, inputs supply, quality control mechanisms, and marketing arrangements. DARD will also allocate staff for project implementation including training, extension, transfer of technology, organization of farmers, cassava plantation development, setting up of eri silk centers, organization of construction of the centers and erection of equipment, eri silk cocoon production, production of silk yarn, and associated processes, production of finished products, purchase and sale of goods, setting up of the revolving fund and its management, replication of activities under counterpart project through extension of area and production. The DARD will ensure the availability of staff for extension services, and set up satisfactory arrangements for regular extension services to eri eilk farmers. For purpose of day to day management of the project, each DARD of Gia Lai, Dac Nong, Kon Tum province will set up a Provincial Project Management

Unit (PPMU) within DARD. The PPMUs will consist of one Project Director, one Project Accountant working on a part time basis, and some other staffs. Each PPMU will be provided with an office of 25 sq meter in DARD as a part of the Government counterpart contribution

21. Women Unions (WUs) of the three project provinces will be assigned to manage the Revolving funds. The WU as an IA will be responsible for working with the DARDs and NGOs to organize and mobilize women farmers for participatory planning, training, production, processing of eri silk products and sale. Along with the EA and DARDs and NGOs, It will also be responsible for the setting up and management of the cocoon purchase revolving fund. Detailed procedures for management of the revolving funds will be defined when the NGOs are engaged as described in **Appendix 12**. In addition, the commercial state owned enterprise GENERALEXIM will be responsible to assist the project by carrying out procurement and marketing of cocoon and yarn. The Provincial Eri Silk farmer associations will be responsible to support PPMU implementing training, production, input supply and marketing.

b. Non-Government Organizations and Consultants

22. The Japan Society for Wild Silk Moths (JSWSM), a Japanese NGO, will be responsible to supervise the setting up of eri silk centers; build capacity for eri silk production, dying, weaving, management and quality control; oversee the setting up of the training programs; and provide technical, marketing support and backstopping to the project. Key roles and duties of this NGO can be referred to **Appendix 12**. Other NGOs such as The African Economy and Development; The Vietnamese Traditional Handicrafts and Research Center (HRPC), and Craft Link are also included in the project through JSWSM's contract with ADB.

23. An independent research team from institute, university or domestic consulting firm will be recruited by ADB and will consult with ADB to undertake the baseline survey and carry out independent participatory poverty reduction impact assessments of selected target areas, to determine socio economic characteristics, poverty, ethnicity, gender and poverty, food security, access to social services and infrastructure, livelihoods patterns, access to agricultural land, forests, shifting agriculture, handicraft production, eri silk worm rearing traditions, cassava plantation, weaving traditions, presence of mass organizations, literacy levels, etc. The aim of the baseline survey and report is to develop an information base and indicators that can be used to measure project impacts on poverty at the completion of the JFPR project.

c. Project Organization

24. As discussed above, the three PPMUs will be set up to manage project implementation at provincial level. JSWSM, a Japanese NGO, will be the key NGO for this project, and will have a site office in DARD of Gia Lai province. DARD in Gia Lai will provide one office of at least 25 sq meters for JSWSM as part of the Government counterpart contribution. It is mandatory that the NGO site office be located near the PPMU office. In Dac Nong and Kon Tum, JSWSM staff will be allowed to use the office of the PPMU when needed. The Organization Chart of the project is in **Appendix 3**.

IV. IMPLEMENTATION SCHEDULE

25. The project will be implemented over a period of 30 months. Experts and consultants will be deployed during the entire project period to provide training and capacity building to government and stakeholders; supervision of provision of equipment and facilities and the

setting up of three eri silk centers; oversee the training programs; arrange input supply; and develop quality control mechanisms. Training of provincial staff and silk producers in organization and production of eri silk will be carried out throughout the entire duration of the project. Setting up and provision of equipment and facilities for the three centers will be carried out during the first 12 months of the project. The baseline survey will be carried out during the first 4 months of the project and the impact evaluation will be carried out during the last 3 months of the project. A Project Implementation Schedule is attached as **Appendix 4**.

V. PROCUREMENT

a. Procurement of Goods and services

26. Procurement of Goods and Services and Civil works will be carried out in accordance with ADB's *Guideline for Procurement*. The majority of procurement will be for equipment, civil works, and consumable items. Direct purchase/single bid negotiation will be acceptable for off-the-shelf items valued at less than US\$100,000 or, for specialized equipment of proprietary nature which can only be procured from one source. Civil works items will be procured through Quotation procedures based on the selection between at least three bidders. A detailed Guidelines on Procurement is in **Appendix 6**.

27. All procurement will be carried out with due attention to economy and efficiency. All items to be procured will be from member countries of ADB, and all ADB requirements in respect to fraud and corruption will be strictly enforced (see **Appendix 11**). All purchases will relate directly to the annual work plan and budget approved by the executing agency. Community participation in procurement will be encouraged to meet project sustainability or achievement of specific social goals, such as increase use of local know-how or materials, and employment of local labor in labor intensive civil work activities.

b. Recruitment of Consulting Services and NGOs

28. The JSWSM will be directly selected and contracted by the ADB to build capacity for eri silk production and provide technical and marketing support to the project. Except for the JSWSM, consultants and NGOs will be selected jointly by ADB and CPMU to provide technical training and capacity building services. The CPMU and ADB will also jointly select and contract an independent research institute or NGO to undertake baseline survey and carry out independent participatory poverty reduction impact assessment.

29. Project consultants and NGO will be recruited by the ADB in accordance with ADB's *Guideline for the Recruitment of Consultants*. Terms of reference for major consultants are in **Appendix 5** and the Guidelines for recruitment of consultants is in **Appendix 6**.

c. Capacity Building Program

30. International consultants in eri silk production, dyeing and weaving, marketing, and coordination will provide training and capacity building to provincial staff and ethnic minority beneficiaries. Staff at the provincial level will be trained in eri silk production methods, and in community participatory management. At least 500 eri silk producers will be fully trained in production of cocoon, preventing contamination, and eri silk production techniques.

31. Staff of DARD at province and district levels, along with related commune officers will be trained in project implementation. DARD staff along with commune members will work at community level to identify and organize potential beneficiaries from remote and poor communities through a participatory process. Potential beneficiaries, particularly ethnic minority households and rural poor women will be organized for eri silk production at

commune, district, and provincial levels. Targeting mechanisms will be developed to ensure that poor households and women who are head of household will constitute a majority of the beneficiaries. Ethnic minority and women producers will be organized in their own groups. At provincial level an eri silk farmers' association will be formed. Using participatory approaches, activity plans will be drawn up for eri silk farmers' groups including training and skills building. Through these groups, training and skill building activities will be planned, as well as the provision of input, financing, and infrastructure requirements. At least 500 eri silk farmers will take part in training programs to be organized in the provincial centers in Kon Tum, Gia Lai and Dac Nong. These will be followed by training programs in the three eri centers in the three provinces. Numbers of training program will be defined later by CPMU, PPMUs with technical assistance from NGO and Consultants.

VI. DISBURSEMENT PROCEDURES

a. For JFPR funds:

32. Funds for the project will be disbursed through one project imprest account. To expedite project implementation and the timely release of funds for eligible country-level expenditures, an imprest account will be established with the EA. The authority-to-operate the imprest account will be vested with the Director of the CPMU under MARD. The imprest account will be established, operated and liquidated following procedures agreed upon by the Government and ADB in accordance with ADB's *Loan Disbursement Handbook* dated January 2001 and the supplements. Imprest Account procedures will apply to all project expenditures. The NGOs and Consultants will be paid directly from the ADB

b. Bank Accounts and Fund flows Arrangement:

33. MARD will open a project account at the AgriBank. Three second generation Imprest Accounts will be established at the provincial level of the same bank. Upon approval of the project activities, the CPMU will arrange for immediate transfer of the funds to the lower level for disbursements as per the agreed arrangements.

- The First Generation Imprest Accounts (FGIA) will be maintained in Ha Noi for the project and will be operated by the CPMU. The imprest account in US\$ will be opened at AgriBank (VBARD). MARD will assign a Project Director who will be representative of EA as the Account Owner.
- Three Second Generation Imprest Accounts (SGIA) will be maintained for each respective project provinces of Dac Nong, Gia Lai and Kon Tum. The PPMUs will open their imprest accounts in US\$ at the branch of AgriBank at the provincial town. The Directors of the PPMUs will be the representative of DARD in each province and will be designated as the Account Owners.

34. ADB will transfer progress-based funds to the FGIA. From this imprest account, JFPR funds will be transferred as required to three SGIA accounts at provincial level.

35. For NGO(s) and project consultants who have been recruited by ADB, ADB will pay them directly based on the payment schedule and milestones specified in the signed contracts between the NGO/Consultants and the ADB. Refer to **Annex 6 of Appendix 7** for flow of JFPR funds.

c. Disbursement Procedures

36. The amount of individual advances to FGIA will be based on the work plan to be developed by CPMU. In any case, the advanced amount shall not exceed the total planned

expenditures for the following 6 months based on the workplan. Each advance from FGIA to SGIA will not exceed \$20,000. Statements of expenditures (SOE) submitted by PPMU to CPMU will be used by the CPMU to liquidate and replenish the advance. Any unused balance will be refunded to ADB before the close of the Project.

37. Replenishments of the FGIA will be subject to the liquidation of expenditures. Regular liquidation and replenishment of the account is important to ensure sufficient availability of funds to the project. The amount of any withdrawal application submitted to ADB for liquidation should not be less than \$20,000 equivalent. All withdrawal applications (W/A) will be carefully monitored and will be approved by the Project Director of CPMU. Replenishment of the FGIA will be done through W/A for the following months, based on the level of fund liquidated for the preceding period. The designated commercial bank is the AgriBank which will provide monthly statement of imprest account to the CPMU, who will claim liquidation on the basis of the statement and other supporting documents.

38. A summary of disbursement procedures is given in **Appendix 7**, including procedures for the maintenance and operation of the imprest account.

d. Accounting Accounts, Records and Audit of Imprest account

39. The CPMU shall ensure that all amounts received for, or in connection with, the Imprest Account and amounts withdrawn there from are recorded in a separate account in accordance with sound accounting principles. Accounts will be established and maintained in accordance with generally accepted accounting principles. For more detailed guidances on accounting practices, refer to ODA Financial Management Guidelines, co-issued by ADB and Ministry of Finance in December 2004 under TA 3722 VIE. The CPMU shall retain all accounts and records including orders, invoices, bills, receipts and other original documents evidencing the expenditures paid out of the Imprest Account for a minimum of one year after the Closing Date or such other date as ADB may agree. The CPMU shall enable ADB representatives to examine such accounts and records during disbursements and review missions or at any possible time.

40. The use of the JFPR account and SOE procedures should be the subject of annual audit by auditors acceptable to ADB, and a separate audit opinion on the use of the JFPR account and SOE procedures should be included in the audit reports. All PPMUs will submit documentation supporting project expenditures to the CPMU which will maintain records of all such documentation for ADB's verification. Audits will be organized and supervised by the CPMU. The audited reports and related financial statements will be submitted to ADB no later than 9 months after the closure of fiscal year. Since payments to the NGO and Consultants will be channeled directly from ADB, such expenditures will not be included in the scope of annual audits. Further on recruitment of Auditors is discussed in Chapter 10 of the Guidelines mentioned in paragraph 39 above.

41. The audit reports shall contain certified copies of audited accounts and financial statements and the report of the auditors relating to these - including their opinion on the use of the JFPR Funds as well as on the use of procedures for imprest accounts and SOEs - in English and Vietnamese languages. A sample form of auditor's opinion is in **Annex 4 of Appendix 7**.

e. Counterpart Funds from Government and Local Communities

1. Government counterpart funds

42. Total Government counterpart funding is valued at US\$ 55,000. This includes (i) provision of 5 office facilities of 25 sq meter each at the CPMU, and each of the PPMUs; (ii)

payment for recurrent expenditures including: salary, petroleum, electricity; air ticket, internet bill, per diem, fresh water, for all counterpart staff. These expenditures are excluded from ADB fund and (iii) installation of 2 lines for telephone and facsimile for each office. Total value of counterpart fund of USD 55,000 is allocated as following: USD10,000 for CPMU is allocated from the counterpart fund; each Project Provincial People's Committee will arrange USD 15,000 from its budget.

43. The Government counterpart contribution will be channeled through the Government's Treasury System. Separate fund flow arrangements between Government and ADB-JFPR financing will guarantee transparency and accountability. Any expenditure of counterpart funds by EA/ IAs will be reviewed by National / Provincial State Treasury respectively by existing procedures of State treasury.

f. Community in kind contribution:

44. Local communities will contribute in-kind to the project through participation in training courses, community development and labour. Total community contribution converted into cash is equivalent to US\$ 65,000 and to be shared equally among 3 project provinces, US\$ 21,667 for each, respectively.

VII. REPORTING REQUIREMENTS

a. Grant Status Report for OCO

45. The ADB grant manager will submit a grant status report to the ADB's Office of Cofinancing Operations (OCO), in accordance with the JFPR requirements. The status report will be based on the quarterly progress reports from CPMU. Format for Grant Status Report is in **Appendix 8**.

b. Quarterly Progress Reports

46. The CPMU are responsible to submit quarterly progress report to ADB on physical and financial progress of project implementation as well as status of procurement. Format for quarterly progress report is in **Appendix 9**.

c. Audited Grant Accounts

47. Annual audited project accounts will be submitted to ADB within 9 months from the closing of the fiscal year. A summary of ADB auditing requirement can be referred in the ODA Financial Management Guidelines, co-issued by ADB and Ministry of Finance of Vietnam under TA 3722 VIE, December 2004 (more details can be referred to paragraph 39 above)

d. Performance Monitoring and Evaluation Report

48. The farmers' groups (via the village representatives), district and provincial counterparts and participating agencies will provide monthly monitoring data to the PPMU, addressing key Project impact indicators. The PPMU will consolidate the data into a report which is submitted to the CPMU.

49. The Project Performance Monitoring and Evaluation System (PPMS) will provide real time and quantitative data as the basis for disseminating Project results to all stakeholders. The PPMS will be based on the baseline survey undertaken at the outset of the project and will monitor a number of indicators to measure: i) monthly household cash incomes; ii) volumes and quality of eri silk produced; iii) market prices of eri silk; iv) availability and use of micro credit facilities; v) number of ethnic minority and women fully trained in production and

marketing of eri silk; vi) number of minority household involved in eri silk production; vii) number of poor women involved in eri silk production; and number of groups of silk farmers formed. The summary Project Framework is in **Appendix 1** and based on this framework, NGO JSFWS has to include in its report indicators for evaluation as well as results in a suitable manners acceptable to ADB and the CPMU.

e. Implementation Completion Memorandum

50. A grant Implementation Completion Memorandum (ICM) will be submitted by the CPMU to MARD and ADB within 3 months of project completion. The format for the implementation completion memorandum is in **Appendix 10**.

VIII. GRANT MONITORING AND EVALUATION

51. A baseline survey will be carried out during the initial 4 months of project implementation to establish socio-economic conditions in the project area. A domestic research institute will be selected to carry out the baseline survey. At project completion, a poverty impact assessment will be conducted using the same indicators measured during the baseline survey to determine the extent of improvements brought about by the project in terms of economic status of beneficiaries, their capacity to engage in new livelihoods, skills levels, and access to credit and markets. Annual monitoring and evaluation exercise will also be carried out at the end of year 1 and 2 of the project to determine whether the project is meeting, or likely to meet its objectives.

IX. ANTI-CORRUPTION POLICY

52. All ADB requirements in respect to fraud and corruption will be strictly enforced. In particular, the ADB has identified four basic elements of good governance: accountability, participation, predictability, and transparency. ADB's anti-corruption Policy defines corruption as the "misuse of public or private office for personal gain." It is one of the most enduring problems confronting governments. Corruption varies in nature, scope, and scale, and diverts enormous resources that could benefit more people, particularly the poor. The policy emphasizes strengthening the essential preconditions for effective public administration to ensure that the building blocks for transparent, predictable, and accountable administration are in place: (i) appropriate legal framework and effective enforcement mechanism; (ii) professional, competent, motivated, and meritocratic civil service; (iii) transparent procurement practices; (iv) effective internal control systems; and (v) well functioning independent audit office. A summary of the ADB anti-corruption policy is attached as **Appendix 11**.

Appendix 1. Project Framework

Design Summary	Performance Indicators and Targets	Monitoring Mechanisms	Assumptions and Risks
<p>GOAL: Sustainable livelihood and poverty reduction for poor ethnic minorities and women of the Central Region provinces of Gia Lai, Dac Nong and Kon Tum through diversification of livelihoods.</p>	<p>- Livelihood and income of at least 500 ethnic minority and women silk farmers increased by at least \$450-500 (VND 7- 8 million)</p>	<p>- Poverty impact assessment report</p>	
<p>PURPOSE: Successful introduction and development of eri silk production for income generation</p>	<p>- At least 500 ethnic minority and women fully trained and able to earn income from eri silk production</p>	<p>- quarterly progress reports and project completion report</p>	<p>- Ethnic groups and woman are motivated and interested in eri silk farming - market for eri silk production can be developed</p>
<p>OUTPUTS:</p> <p>1. Capacity building in Eri Silk production</p> <p>2. Provision of necessary infrastructure and facilities</p> <p>3. Project management</p>	<p>- at least 500 ethnic minorities and women beneficiaries trained and engaged in eri silk production</p> <p>- 3 eri silk center established and fully functional</p> <p>- project organization in place and functional</p> <p>- Project steering committee meeting at least twice a year</p> <p>- CPMU established</p>	<p>- quarterly progress reports and project completion report</p> <p>- progress reports and ADB inspection missions</p> <p>-Progress reports and ADB inspection missions</p> <p>- Minutes of the PSC meetings</p> <p>- progress reports and ADB inspection missions</p>	<p>- Ethnic groups and woman are motivated and interested in eri silk farming - micro-credit is available to silk farmers - government continues to support the development of silk centers</p>
<p>ACTIVITIES:</p> <p>1. Capacity Building</p> <p>1 a) Ethnic minorities and women silk producers organized in groups and associations</p>	<p>- at least 300-500 ethnic minority and women farmers formed in groups</p>	<p>- Progress reports, project completion report</p>	<p>- Ethnic minority and women are willing to form into eri silk farmer groups</p>

Design Summary	Performance Indicators and Targets	Monitoring Mechanisms	Assumptions and Risks
<p>1 b) Workshop with provincial and local government, mass associations and NGOs</p> <p>1 c) Training programs for ethnic groups in eri silk production and marketing</p> <p>1d) Establishment of revolving fund for cocoon and eggs production.</p> <p>2. Provision of necessary infrastructure</p> <p>2 a) Setting up of three eri silk centers in the three project provinces</p> <p>2 b) provision of equipment and facilities for cocoon and production, spinning, dyeing and weaving</p> <p>2c) Establishment of international and domestic markets for eri silk products</p> <p>3. Project Management</p>	<ul style="list-style-type: none"> - at least 90 staff trained at province level - at least 500 ethnic minorities and women beneficiaries trained and engaged in eri silk production - at least 500 eri silk home based enterprises fully functional and supplying eri silk products - Revolving fund established and managed by Women Union - silk producers groups obtain micro-credit - 3 eri silk center established and fully functional - at least 500 eri silk producers provided with necessary equipment and inputs - Market studies conducted - International and domestic market links developed - Baseline survey carried out - Progress reports provided quarterly - Impact assessment carried out 	<ul style="list-style-type: none"> - Progress report and ADB inspection missions - Progress reports - Progress reports - Progress reports - Reports from Women Union on number of loans - Progress reports and ADB inspection missions - Progress reports - Market study reports - Number of international and domestic market outlets - Baseline survey report 	<ul style="list-style-type: none"> - Government staff can be identified to fill the project management and promotion roles - Eri silk farmers are willing to take micro-credit to support their operations - Domestic and International Market exist for eri silk products

Design Summary	Performance Indicators and Targets	Monitoring Mechanisms	Assumptions and Risks
	<ul style="list-style-type: none"> - Project completion submitted 	<ul style="list-style-type: none"> - Progress reports - Impact assessment report - Project completion report 	
<p>INPUTS:</p> <p>Consultants and NGOs</p> <p>Equipment</p> <p>Training</p> <p>Civil works</p> <p>Beneficiary participation</p> <p>Private Sector Contribution</p>	<ul style="list-style-type: none"> - Consultants and NGOs recruited by ADB and CPMU - Research centers recruited to carry out baseline survey and impact assessment - Equipment provided - Number of workshop and training taking place - Contractors engaged for civil works construction - Beneficiary groups involved in participatory process - Domestic institutions provide micro financing 		

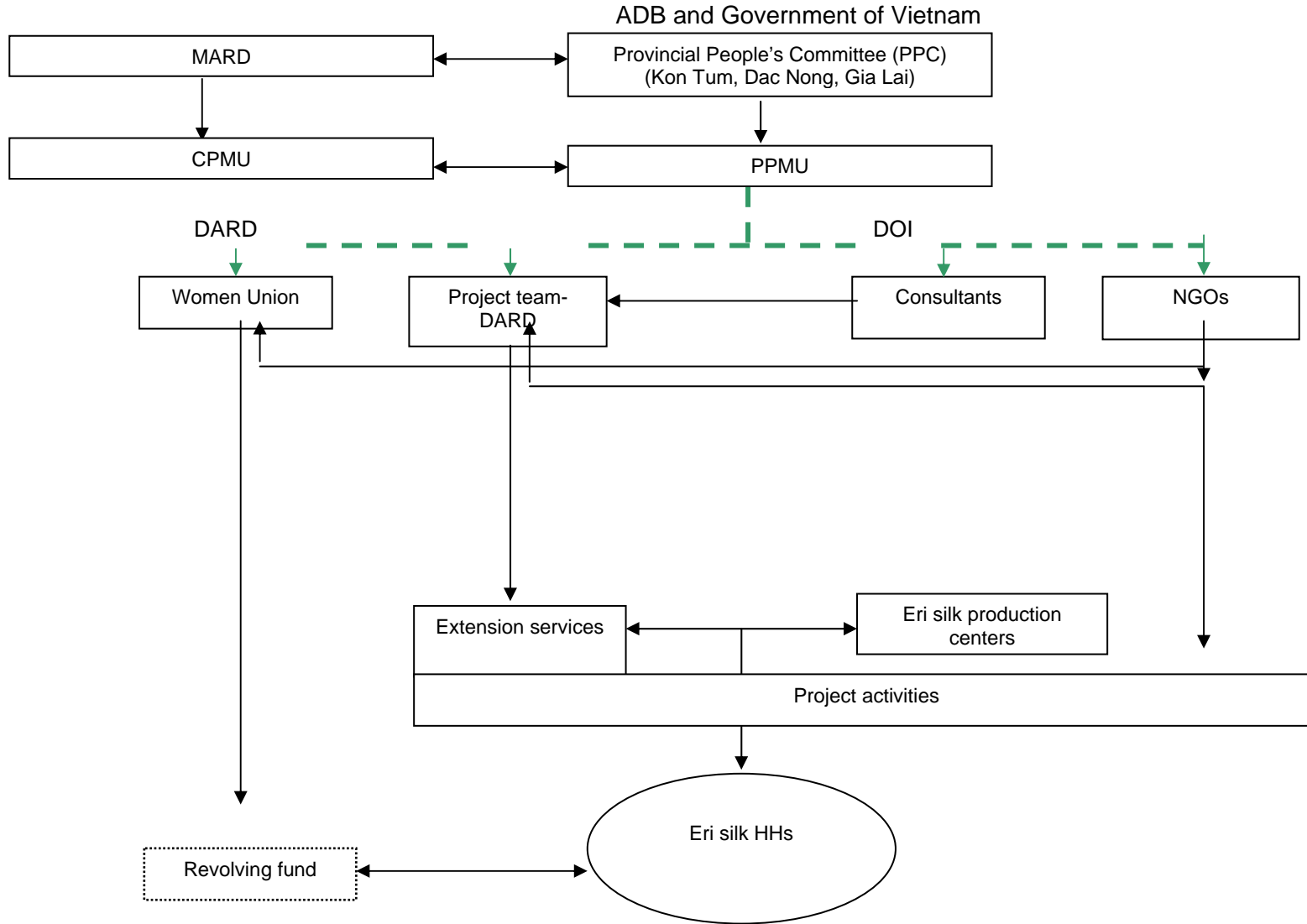
Appendix 2. Detailed Cost Estimates

Unit: USD

Components and activities	Total cost	JFPR	Counterpart fund of GOV	Community contribution
(1)	(2) = (3) +(4)+ (5)	(3)	(4)	(5)
Component A- Expert and support staff deployment	344,760	344,760		
International expert	123,500	123,500		
Domestic expert	50,740	50,740		
Travel expenses such as air tickets and allowance, office operation, cost for report preparation	170,520	170,520		
Component B- Establishment of eri silk centers and supplies of equipment and facilities	184,257	144,257		40,000
Civil works: construction of 3 eri silk centers (one in each province)	32,007	32,007		
Equipment and tool	14,720	14,720		
Equipment for cocoon production	114,530	74,530		40,000
Revolving fund for cocoon procurement	23,000	23,000		
Component C- training courses and workshops	32,200	32,200		25,000
Training, workshops	32,200	32,200		25,000
Component D- Project management, audit and impact assessment	100,493	45,493	55,000	
Project management of implementing agencies	84,493	29,493	55,000	
External audit	6,000	6,000		
Poverty impact assessment	10,000	10,000		
Subtotal	686,710	566,710	55,000	65,000
Contingency	53,290	53,290 /a		
Total	740,000	620,000	55,000	65,000

a/including USD 34,476 as contingencies for contract with NGO of and USD 18,814 as contingencies for the remaining expenditures.

Appendix 3: Organization Chart



Appendix 4. Implementation Schedule

Project Month	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32															
Calendar Year	2005										2006										2007																										
Calendar Month	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov															
Activity																																															
1 Preparation Stage																																															
1.1 Preparation of Grant Implementation Manual																																															
1.2 Formation of Organization																																															
1.3 Establishment of Project Office (Hanoi)																																															
1.4 Socio-economic Survey																																															
1.5 Identification of Target Farmers																																															
1.6 Establishment of Eri-silk Center (Kon Tum)																																															
1.7 Establishment of Eri-silk Center (Gia Lai)																																															
1.8 Establishment of Eri-silk Center (Dak Nong)																																															
1.9 Purchase of Necessary Tools																																															
2 Eri-culture Technical Training																																															
2.1 Feed Material Plantation and Production																																															
2.2 Cocoon Production Technique																																															
2.3 Cocoon Selection Technique																																															
2.4 Eri-silk Production Technique																																															
2.5 Hand-spun Yarn Production Technique																																															
2.6 Natural Dying Technique																																															
2.7 Weaving Technique																																															
2.8 Quality Inspection Technique																																															
3 Cocoon Production																																															
3.1 Egg Breeding																																															
3.2 Cocoon Production																																															
3.3 Cocoon Selection																																															
4 Market Development and Trading																																															
4.1 Market Development Program																																															
4.2 Market Development Exercise																																															
4.3 Experimental Purchase																																															
4.4 Experimental Trading																																															
4.5 Actual Trading																																															
5 Project Management and Monitoring																																															
6 Workshop and Exhibition																																															
6.1 Workshop																																															
6.2 Exhibition																																															

Appendix 5. Terms of Reference

A) International Specialists

1. Team Leader (6 man- months)

The Team Leader will be responsible to coordinate all start up activities including supervising and guiding the preparation of the work plans of each international and domestic specialists. The Team Leader will also be responsible to oversee and guide the initial implementation of all aspects of the project. In particular the Team Leader will:

- Review and revise the work plan and schedule of all international and domestic specialists;
- Set up the NGO Office in the CPMU at MARD, and the three PPMUs;
- Organize an inception workshop with the participation of village, communes and districts officials, province staff, civil society organizations, mass organizations including Vietnam Women Union, Farmer Union, to disseminate information about the project to the stakeholders;
- Prepare an inception report detailing the work program, implementation schedule, schedule of deployment of specialists, and funding plan, as well as identifying key policy and implementation issues for resolution with the Government and the ADB during the inception mission;
- Attend the Inception mission and provide guidance and advice to the Government and the ADB regarding implementation of the project;
- Assist and provide guidance to Ethnic Minorities Committees in the selection criteria for target areas and farmers;
- Provide guidance regarding the participatory mechanism for dissemination of information to all potential stakeholders;
- Provide advice regarding the participatory process for planning, decision making, and implementation and monitoring of the project;
- In cooperation with the Project Management Specialist, provide advice to DARDs regarding the establishment of the three Silk Centers;
- Coordinate with the poverty impact assessment team;
- Prepare the training plan for counterpart staff of MARD and the three DARDs in cocoon and eri silk worm production;
- Advise on in the setting up of the Farmers Unions and Farmers Groups;
- Provide guidance to the Farmers Union for the preparation of the training plan for silk farmers;
- Report on progress of project implementation to the CPMU and ADB on a quarterly basis; and
- Outline the arrangements for setting up and operation of the revolving funds with the Women Union;

2. Project Management Specialist (3.5 man-months)

The project management specialist will advise staff of the EA and IAs regarding project implementation, management and long term management of Eri Silk production and marketing. In particular the Project Management Specialist will:

- Prepare a procurement and construction program for the three eri silk centers;
- Prepare bid documents including tenders, and bid evaluation criteria;
- In cooperation with the Team Leader, will advise DARD regarding appropriate site location for the three eri silk centers;
- Provide design and list of equipment to be procured, for the three provincial silk centers;
- Supervise construction and installation of equipment for the three provincial silk centers;
- Provide on-the-job training in project implementation and administration to staff from DARD; and
- Provide inputs regarding project management and implementation matters to the inception report and quarterly reports.

3. Eri Silk Specialists (2 persons) 1 man-month each

Two Eri Silk Experts will be deployed, to provide technical and marketing support and capacity building services. The experts will constitute the centre of knowledge in eri silk production and will provide expert advice and guidance to local government and non-government agencies as well as silk producers in various aspects of silk production, quality control, and marketing as well as project management. In particular, the experts will:

- Supervise the initial operation of eri silk centres in each province;
- Assist the Project Management Specialist in the procurement of equipment for eri silk production;
- Provide training to staff of MARD and DARD in cocoon production, and operation of eri silk production centers;
- Assist in the identification of infrastructure development and supervise provision of necessary infrastructure;
- Arrange the input supply chain;
- Identify potential domestic and international purchasers and design a comprehensive marketing system for eri silk products;
- Develop quality control mechanisms;
- Ensure the setting up of the revolving fund with Women Union for cocoon purchase and marketing arrangements;
- Provide various data as required regarding project performance indicators, and overall achievement of project objectives to the M&E Specialist and the PMCU.

B) Domestic Specialists

1. Resident Project Manager (30 man- months)

- Provide guidance and oversee the operation of the revolving fund with Women Union for cocoon purchase and marketing arrangements;

- Supervise and coordinate the activities of all domestic specialists;
 - Oversee implementation of the procurement program;
 - Oversee production activities;
 - Oversee implementation of the training program; and
 - Assume responsibility and report on progress of project implementation to the PMCU on a quarterly basis after the end of the international Team Leader's assignment;
- 2. Production Supervisor (6 man-months)**
- Supervise and advice on production at the silk centers;
 - Advice and train staff on use of equipment at the silk centers;
 - Supervise experimental cocoon production;
 - Prepare guidelines for cocoon production;
 - In cooperation with the International Eri Silk Specialists, will help develop guidelines for quality control and inspection;
 - Train farmers and producers in quality control and inspection
- 3. Silk Worm Trade Specialists (5 man-month)**
- Conduct test purchase and sale of silk products;
 - Assess the need and opportunities for purchase and sale of silk products;
 - Set up appropriate marketing organization and systems
 - Develop and establish business and accounting arrangements
- 4. Dyeing Specialist (4.5 man-month)**
- Provide training and capacity building in eri silk dyeing and quality control to staff from DARD, DOI, local NGOs and the Viet Nam Women Union;
 - Identify available materials for natural dyeing and recommend appropriate dyeing methods;
 - Train farmers in dyeing techniques;
- 5. Weaving Specialist (4.5 man-month)**
- Provide training and capacity building in eri silk weaving to farmers and the Viet Nam Women Union;
 - Train farmers in various hand spinning, weaving, and designing of silk textiles;

Appendix 6. Guidelines on and Recruitment of Consultants and Procurement of Goods, Services

Under the project, procurement will consist mostly of small purchase including: small contracts valued at the equivalent of US\$ 100,000 or less to procure office equipment, hardware, and material for the EA, NGO, etc; contracts valued at equivalent US\$ 100,000 or less to procure Consumables items; three contracts valued at equivalent US\$ 11,000 or less to procure small works; and six consulting contracts for design and construction supervision valued at equivalent US\$ 300 or less. Also, consulting and training contracts and one contract with an NGO from Japan are being planned, as well as a number of small contracts with local NGOs.

All procurements under this project shall strictly follow the *Guidelines for Procurement under Asian Development Bank Loans and the Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers*. Given the nature and conditions of this project, below are specific guidelines related to procurement and selection of consultants and NGOs.

A- Selection of Consultants and NGOs

Selection of Consultants and NGOs under this project shall be in accordance with the *Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers*. The Japan Society For Wild Silk Moths (JSFWSM), an NGO from Japan, shall be selected by ADB through Direct Selection. JSFWSM will provide technical assistance to the 3 project provinces regarding improved techniques for eri silk production and marketing. Other Vietnamese NGOs may be selected jointly by the EA and ADB to carry out various project activities as deemed necessary. Design consultants and construction supervisors will be selected by PPMUs.

B - Selection of Supervision Consultant and Design Consultant for Civil works Contracts

Given that the value of design and construction supervision contracts under this project are very small (about US\$ 11,000 X 2 % = US\$ 220 per each contract), it is planned that the Consultants be directly selected by PPMU using the procedure described below:

Selection of Design consultants:

Step 1: the PPMU shall prepare the Terms of reference (TOR) and general information regarding the project, clearly describing the responsibilities and scope of works of Consultant, and the expected implementation time specified in the contract, etc.

Step 2: the PPMU selects a design consulting firm in each of 3 project provinces with adequate track record and provides the selected firm with the TOR, and requests the firm to submit a simple proposal including Curriculum Vitaes (CV) of experts who will be directly involve in the survey (if any), design, and preparation of cost estimates for civil works.

Step 3: The PPMU shall review the CVs to assess whether the proposed personnel has adequate qualifications (e.g have more than 70 % of total scores)⁶ If the CVs do not meet the requirements, PPMU has to find better consulting firm.

Step 4: If the proposed candidates are found to have adequate qualifications, the PPMU negotiates and signs contract directly with the selected firm.

⁶ PPMU can contact Mr. Tran Van Chi, Director of CRLIP Kon Tum, with office located in Kon Tum DPI to obtain sample of evaluation sheet and criteria for reference.

Selection of Construction Supervision Consultant:

The same procedures described above will apply for selection of Construction Supervision Consulting firms. The PPMU can also elect to select an individual Civil engineer, holding a Supervision Certificate, after satisfactory evaluation of his/ her CV (e.g. the CV scores a total of more than 70 % of total points of the evaluation criteria).

The Contract with Supervision consultant must be signed before commencement of civil works contract.

C- Procurement of Goods:

In general Direct Purchase method can be used and is allowed by ADB in any of the following situations:

- When buying small or off-the-shelf items generally valued at less than \$100,000;
- When standardization is important and equipment and spare parts required for expansion or repair of existing equipment must be procured from the original supplier or from a supplier of identical goods;
- When the equipment is proprietary in character and is obtainable only from one supplier;
- When critical items are to be procured from specialist supplier.

Specifically, under the Project, Direct Purchase procedures can be used but shall also meet Vietnamese procedures. In this case, the CPMU/PPMU need to follow the following steps:

Step 1- The CPMU/PPMU obtains Quotations from at least 3 suppliers and evaluates them to select the best quotation in terms of price and commercial conditions.

Step 2: The CPMU/PPMU submits the Quotation and evaluation report to the competent Authority for review and approval;

Step 3: The CPMU/PPMU signs the contract with supplier (if needed) and purchases goods at the price and commercial conditions quoted in the Quotation.

ADB does not require prior review for this type of procurement but the CPMU/PPMU shall retain all relevant documents in file for inspection by ADB staff as required.

D- Procurement of Works:

D.1 BACKGROUND INFORMATION

In the project, it is planned that only three small civil works contracts valued at less than US\$ 11,000 each will be awarded to build three Silk centers, one in each project province. A simple but transparent and competitive procedures to select bidders shall be used. The capacity of the potential bidders in Central Highlands of Viet Nam is considered weak and this factor has been considered during preparation of these Guidelines.

These Guidelines are prepared for the guidance of the PPMU procurement staff and Consultants who are contracted or invited by the PPMU to carry out the procurement process (i.e.: preparation of bidding documents; bid evaluation; contracting; etc.).

These Guidelines reflect ADB procurement procedures for this particular procurement method and refers to Government's procurement regulations where appropriate.

The procurement method consists of the comparison of at least 3 quotations from eligible contractors, who have expressed interest in the proposed works. A particularity of this type of

small works procurement is that there is no bid security, no bid performance security, no advance payment and the price quoted is on a lump sum basis.

D.2 DETAILED GUIDANCES

Before carrying any steps described below, the PPMU shall ensure that the detailed design, and cost estimates of the proposed works are approved by the relevant authorities of the 3 project provinces.

Design-cost estimate must be approved before request for quotation is sent to interested bidders. Provincial People's Committee or its authorized agency (e.g. DARD) will approve the design-cost estimate as well as completed works.

Step 1: Preparation of Request for Quotations (RFQ)

The PPMU shall prepare a Request for Quotations (RFQ) as described in the attached Sample Request for Quotations (**Annex 1**). The PPMU should provide as much detail as possible in the "Introduction of construction work" and "Technical Specifications" to ensure that bidders are fully informed of the nature and conditions of the works. This in turn will enhance the likelihood that quotations will be responsive and realistically priced. The RFQ shall be signed by the Director of the PPMU or an authorized person.

Contractors are considered eligible to bid if they: (i) do not belong either to the Ministry of Defense or the People's Committee of the Province calling for quotations, and (ii) contractors can provide documented evidence that they have implemented at least two projects of similar nature and of at least the same value in the 3 last years.

Step 2: Sending Request for Quotations

The signed RFQs shall be provided to all eligible contractors who have expressed interest against a non-refundable fee of VND 500,000 (five hundred thousand Viet Nam Dong). The PPMU needs at least 3 eligible contractors to provide their quotations.

The PPMU shall allow 10 to 15 working days, from the date of issuance of the RFQs to allow bidders to prepare their quotations. If a bidder requests for a site visit, the PPMU should promptly arrange to provide access to the work site. Any clarification from the PPMU regarding the project, bid documents or site conditions should be in writing. The PPMU's reply shall also be in writing and shall be sent to all bidders at least 3 days before the deadline of submission. The name of the bidder(s) who requested clarifications shall not be mentioned in the reply.

Step 3: Receipt of Quotations from Bidders

Quotations can be submitted via mail, courier, or be hand delivered. The price quotations shall be opened publicly following current legal procedures at the time and date stated in the Request for Quotations. The minutes of the opening of Quotations will be signed by all bid evaluation members and will be kept in file at the project office. Bidders are welcome to attend the public opening of the quotations, but all costs associated with their attendance will be born by the bidders.

Step 4: Evaluation of Quotations

The PPMU will determine the lowest responsive quotation from the qualified bidders. The price quotation is on a lump sum basis, therefore there will be no allowance for arithmetic errors in the price quotations. If a discount is offered, it will be considered as the last official quotation.

If anything in the price quotations appears doubtful or unclear the PPMU will request the bidder(s) for clarification in writing. The quotation price and conditions cannot be changed under any circumstances after the bid opening.

The PPMU may cancel the bidding process (with the approval of ADB) if it finds that there was collusion between bidders and/or if the quotations received are unrealistically different from the cost estimates.

Step 5: Contract award and signing

The contract shall be awarded to the lowest responsive bidder. The contract will be signed at the earliest opportunity after the award.

Note: This type of procurement could be carried out without prior approval by ADB. However, all records must be kept by the PPMU for inspection by ADB staff as required.

Annex 1 of Appendix 6

Promoting Silk Income for the Rural Poor in Central Highlands Project

Implementing Agency of ... [*name of province*]

REQUEST FOR QUOTATIONS (RFQ)

(For Small Works)

Contract Name: Construction of Eri Silk Centre

Contract No:

Month... Year

REQUEST FOR QUOTATIONS

. . . [Date, Month, Year] . . .

To: . . . [Name of firms, organization] . . .

1. The Government of Viet Nam has received a Grant No: 9033 of US\$ 0.62 million from the Japanese Fund For Poverty Reduction (JFPR) through the Asian Development Bank (ADB) for Promoting Silk Income for the Rural Poor in Central Highlands (Silk Project). Part of this Grant is to finance eligible expenditures relating to civil works to be carried out under the project in [...put name of province] province.
2. On behalf of the Employer, we, the Implementing Agency (IA), kindly requests your firm/organization to prepare and submit a Price Quotation for construction of ___No.___ sub-project(s) namely: [... fill in name(s) of sub-project(s) in here....], located in [... fill in the location of sub-project(s) in here...]
3. We enclose herewith the following documents for your reference:
 - **Instructions to Bidders;**
 - **Form No 1-Price Quotation Letter;**
 - **Form No 2 - Bill of Price Quotation;**
 - **Form No 3- Form of Contract; and**
 - **Attachment 1 - Drawings**
4. Bidders are required to submit the Price Quotations to the following address:...(put address of IA).....not later than time date herewith referred to as the closing date/time. The Price Quotations should be placed in a sealed envelop. Any Price Quotation received after the above-mentioned closing date/time shall be rejected as non-responsive and returned to the bidder unopened.
5. Quotations will be evaluated in accordance with terms and conditions specified in the Instructions to Bidders. Award of the contract will take place within 15- 30 days from the opening of the bids. The contract will be awarded to the successful Bidder whose quotation has been determined to be the lowest evaluated and responsive.

Director of PPMU

(Sign and Seal)

INSTRUCTIONS TO BIDDERS

1. Introduction

(The IA indicates clearly the name of the Works, its location, the Employer, and funding ratio (%) from the different sources i.e: ADB Grant, GoVN funds and local contribution funds, if any):

2. Estimated time for Completion

Construction of the Works is planned to commence on . . . [date]. . . and shall be completed by . . . [date]. . .

3. Technical Specifications

[In this part, the IA shall specify major technical specifications to allow the bidder to fully understand the scope, extent, and nature of the Works]

4. Qualification of the bidder

The bidder shall submit the following documents in support of its qualifications:

- 4.1. Copy of certified registration of business;
- 4.2. Reference of at least 2 civil works contracts of similar nature and of value equal or greater than the present contract which were completed in the last three years .

5. Quotation Price

5.1 The quantity specified in the Bill of Quantity and the work items are for reference only. The bidder must base its bid on the attached drawings and specifications, and on its own field assessment of the actual work quantities. Unit prices and total prices must be calculated for the entire work based on the outcome of field investigations. The quotation should include all costs, overheads, profit, insurance, performance liabilities, taxes and duties (including Value Added Tax).

5.2 The quotation offered for all the works by the bidder shall be a lumpsum amount, which will be fixed for the implementation of the contract. The unit prices and the total amounts of work items will be only for reference to calculate the percentages of works completed in comparison to the Contract Price, and the amount to be paid to the Contractor.

6. Preparation and Submission of Price Quotation:

6.1. The bidders should carry out field investigations and collect all necessary information. The bidders shall bear the full cost of the field trips and preparation of quotations.

6.2. Each bidder can submit only **one quotation**. The documents shall be typed or written in indelible ink and shall be signed by the bidder or the authorized representative of the bidder.

6.3. The quotation documents shall include:

- (a) **Price Quotation Letter** (see and use **Form No 1**);
- (b) **Bill of Price Quotation**, including prices (see and use **Form No 2**);
- (c) **Construction method and arrangements**; and
- (d) **Qualification documents** (as per Clause 4 above).

6.4. The quotation should be placed in a sealed envelope, including 1 Original and 2 Copies and should be submitted to IA at the following address [*fill in address*] not later than

the closing date/time mentioned in the Request for Quotations above. The Employer has the rights to accept or reject any quotation received after the deadline for submission. The quotations shall be opened publicly immediately after the closing date/time for submission of quotations. Minutes of the opening of Quotations will be signed by all bid evaluation members and will be filed at the project office. Bidders are welcome to attend the opening of quotations, but any cost incurred for attending the opening will be born by bidders.

6.5 Any clarification regarding the RFQ should be submitted to the IA in writing within 5 days from the date of receipt of RFQ. The reply from IA will be sent to all bidders in writing.

7. Evaluation and Award of Contract

7.1. Prior to any bid evaluation, the eligibility of each bidder will be assessed. To be qualified the bidder must not belong either to the Ministry of Defense or the People's Committee of [.....] Province, and must have presented documented evidence that it has implemented at least 2 contracts of similar nature to the works to be carried out valued at least at VND one billion, during the last 3 years. If not qualified, his quotation will be rejected as non-responsive.

7.2. Quotations from all contractors which have been considered eligible under para 7.1 above will be assessed for completeness and substantial responsiveness. If a quotation is not substantially responsive, i.e. it has major deviations and/or has limitation on implementation conditions or specifications, the quotation will be rejected as non-responsive. Only substantially responsive quotations will be considered further.

7.3 The bidders may be asked to provide clarifications on their quotations. All communications and records on this shall be in writing.

7.4 The bidder who has the lowest and substantially responsive quotation will be awarded the contract and will be notified by IA.

7.5 If the successful bidder defaults on the contract he shall be disqualified for all further contracts under the Project.

7.6 The Employer, despite the above mentioned provisions, reserves the rights to accept or reject any bid, and to annual the entire bidding process at any time prior to announcement of the winner and contract award.

8. Warranty

A period of defect liability of 12 months from the time of completion will be in effect. During this period, the contractor will be responsible to promptly repair, at his own expenses, after receiving the Notice from the Employer, any defect in the construction works which may arise. The Employer shall retain 5% from each payment to the contractor during construction as guarantee that the contractor shall satisfy the Employer's requirements. The Employer reserves the rights to use part or all of the amount of 5% of retention money to carry out necessary repairs which the contractor may fail to carry out. The Contractor may at his option provide an equivalent amount of 5% in bank guarantee with conditions satisfactory to the Employer.

9. Fraud and Corruption

9.1. Corrupt and fraudulent practices during the bidding process shall be settled under the existing bidding regulations of the Government of Viet Nam.

9.2. The ADB requires that the Borrowers (including beneficiaries of ADB Loans and Technical Assistance), as well as Bidders/Suppliers/Contractors under Bank-financed

contracts, observe the highest standard of ethics during the procurement and execution of such contracts. In pursuance of this policy, the ADB:

- (a) defines, for the purposes of this provision, the terms set forth below as follows:
 - (i) "corrupt practice" means behavior on the part of officials in the public or private sectors by which they improperly and unlawfully enrich themselves and/or those close to them, or induce others to do so, by misusing the position in which they are placed, and it includes the offering, giving, receiving, or soliciting of anything of value to influence the action of any such official in the procurement process or in contract execution; and
 - (ii) "fraudulent practice" means a misrepresentation of facts in order to influence a procurement process or the execution of a contract to the detriment of the Borrower, and includes collusive practice among Bidders (prior to or after bid submission) designed to establish bid prices at artificial non-competitive levels and to deprive the Borrower of the benefits of free and open competition;
- (b) will reject a proposal for award if it determines that the Bidder recommended for award has engaged in corrupt or fraudulent practices in competing for the contract in question;
- (c) will declare a firm ineligible, either indefinitely or for a stated period of time, to be awarded a Bank-financed contract if it at any time determines that the firm has engaged in corrupt or fraudulent practices in competing for, or in executing, a Bank-financed contract.

9.3. ADB will reject proposal(s) for contract award if it determines that the firm(s) recommended for award has engaged in corrupt and fraudulent activities in the bidding process. ADB shall declare a firm ineligible, either indefinitely or for a stated period of time, to be awarded any Bank financed contract if it, at any time, determines that the firm has engaged in corrupt or fraudulent practices in bidding process under contracts financed by the ADB.

FORM NO 1

PRICE QUOTATION LETTER

Date:

To: Provincial Project Management Unit ...[name of province]

Ref.: Bidding for the work construction [name of works] in response to the Request No.
dated.

On behalf of . . .[name of bidder]. . ., I/ We, the here undersigned, would like to submit this Price Quotation to perform the works as described in your Request for Quotations including attached Instructions to Bidders, Contract provisions, Technical Specifications, and Drawings:

Quotation price:

..... VND (in number)

..... VND (in letter)

This quotation together with your Letter of Acceptance shall form a Contract binding the two Parties:

We enclose herewith:

Bill of Quantity with price

On behalf of the bidder

Representative

[Signature, full name, seal (if any)]

FORM NO 2:

BILL OF PRICE QUOTATION

No.	Items	Unit	Total Quantity	Unit Price	Value	Note (if any)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Total Price (VND): <i>(in numbers and in words)</i>						

FORM NO 3: Form of Contract

This contract form is for bidders' reference, therefore bidders should not complete and/ or sign this Form of Contract at this time. Only the successful bidder will be required to complete this form.

CONSTRUCTION CONTRACT

1. This contract is made on: daymonth.....year 2005 between the Provincial Project Management Unit ----- (*hereinafter referred to as the Employer*)

- Office Address :
- Telephone number:
- Fax number:.....
- Bank account number :..... in the bank:
- Represented by Mr/ Ms:Title:

and ----- (*hereinafter referred to as the Contractor*)

- Office Address :
- Telephone number:
- Fax number:.....
- Bank account number :..... in the bank:
- Represented by Mr/ Ms:Title:

to do the civil works ----- (*hereinafter referred to as the Works*) under the terms and conditions as follows:

2. The Value of Contract:

The total value of the Works (known as the contract value) is a lumpsum amount of: --
----- Viet Nam Dong.

3. Payment Schedule:

The Employer shall make payments to the Contractor under the existing regulations on capital construction as follows:

- Payment No1: 50% of the Contract Price on conditions that (i) the Works is at least 60% completed, (ii) Minutes of Acceptance are properly signed by all relevant parties.
- Payment No 2: 45% of the Contract Price on conditions that (i) the Works is wholly and satisfactorily completed, (ii) Final Minutes of Acceptance is properly signed by all relevant parties.
- Final Payment: 5% of the remaining Contract Price after issuance of the Defect Liability Certificate.

Payments to the Contractor shall be made within 14 days from the approval date by the Employer of the Request for Payment of the Contractor.

4. Commencement and Completion of the Works

The Contractor shall commence the Works within ----- days from the date of contract signing.

The works shall be completed within ----- (*days*) from the date of commencement

Once construction work is completed, a notification letter, the Letter of Inspection, shall be submitted by the Contractor to the Employer. Within 3 working days from the date of receipt of the Letter of Inspection from the Contractor, the Employer shall undertake a site inspection to ensure that the Works have been completed in accordance with the specifications prior to taking over the completed Works.

5. In case the completion schedule is affected by such events as listed below and cannot be completed as planned, the Employer, shall take necessary action to extend the validity time of contract.

- (a) The construction site is not handed over by the Employer as agreed;
- (b) The Employer orders to postpone any part of the Works or fails to hand over the drawings, requirements or technical guidelines for timely completion of the Works as planned;
- (c) The actual site conditions are found to be significantly different than those estimated in the design; or
- (d) The Employer does not make payment as agreed ____ within 30 days from the approval date of request for payment of the Contractor.

6. In case of delays in completion of the works caused by the Contractor, a penalty will be applied, and the amount of the penalty is calculated as follows:

0.25% of contract value X number of days delayed

The penalty money will be deducted from any payment due to the Contractor. In case the amount of the penalty exceeds 2% of the contract value, the Employer shall have the rights to terminate the contract and take appropriate actions to rectify the matter.

7. Obligations of the Employer:

- Authorized representatives of the Employer shall have direct responsibilities for monitoring and supervising construction;
- The construction site will be handed over to the Contractor within 15 days from signing of the contract;
- The Works shall be supervised by professional supervisors (engaged by IA), who are assisted by community supervisors;
- Authorized representatives of the Employer shall meet the Contractor at least once per month, to review the monthly progress reports prepared by the Contractor, and to discuss other issues relating to contract implementation. The two parties may carry out joint site visits.
- Authorized representatives of the Employer shall keep records of site visits and minutes of discussions and send them to the Contractor. The Contractor, shall take necessary actions under the guidelines and correct defects/ shortcomings notified by representatives of the Employer on a timely basis. In case requirements by representatives of the Employer are not timely carried out by the Contractor, the Employer shall have the rights to suspend the Contractor from further work. In such case, the Employer may, take measures to correct such defects/ shortcomings and the Contractor shall bear all costs relating to this action.

- The Employer shall make payments to the Contractor under the terms of payment specified in this contract.

8. Obligations of the Contractor

The Contractor shall:

- Commence and complete the Works as defined in the Bill of Quotation;
- Employ qualified workers, technical staff and managers in a timely manner to ensure timely implementation of the contract, as well as use appropriately materials and equipment under the requirements of the contract and existing regulations;
- Regularly monitor the quality and progress of implementation of the Works;
- Conform to all technical guidelines issued by representatives of the Employer and technical personnel sent by the Employer;
- Ensure that the Works are being carried out within the technical specifications, drawings and the total value of the contract;
- Prepare and submit monthly progress reports to the Employer;
- Be responsible for work safety throughout Contract implementation;
- Be fully responsible for insurance and compensation regarding labor accidents to employees at work, insurance for the Works and machinery, and other risks arising from implementation of the Works;
- Be responsible for warranty under Item 8 of the Instructions to Bidders.

9. Changes:

There will be no change in the quotation price.

10. Dispute Settlement:

The two parties shall try settling any disputes relating to the contract through mutual discussion. In case an agreement cannot be reached, the Economic Arbitration of province _____ shall be the Arbitrator. The decision/verdict of the provincial Economic Arbitration Court will be final and binding to the two parties.

11. Other attached documents for the contract

The followings are non-removable documents of the contract:

- (1) Letter of Acceptance;
- (2) Price Quotation Letter;
- (3) Bill of Quotation price;
- (4) Drawings and Technical Specifications; and
- (5) Other documents as required under the contract.

This contract is made in 8 copies, 4 of which are held by each party. The contract shall take its force from the date of signing.

On behalf of Employer

(Sign and Seal)

On behalf of Contractor

(Sign, full name and Seal (if any))

ATTACHMENT 1: DRAWINGS

[drawings are attached here for bidders, name and address of designers should NOT be provided]

Appendix 7. Checklist for Disbursements

7.1. What is statement of expenditure (SOE) procedure?

This is a procedure requiring no submission of supporting documents. Ceiling is \$10,000 per payment. The procedure derives its name from the Statement of Expenditure (SOE) form which is submitted with the Withdrawal Application (W/A). The SOE is used in lieu of the usual supporting documents and the Summary Sheet. It may also be used in connection with the liquidation or replenishment of the Imprest Account, if allowed by ADB (*page 31 of the Handbook*).

Three types of SOE are available:

- SOE form for contract items, mostly related to civil works (*Appendix 12 and 13 of the Handbook*);
- SOE form for non-contract items, mostly related to operating expenses and overhead (*Appendix 14 of Handbook*); and
- SOE form (free format) for items not provided in the other SOE forms (*Appendix 15 of the Handbook*)

7.2. Instructions for withdrawal from ADB to FGIA

Before the first W/A is submitted to ADB, the name of the authorized representative (s) must be provided to ADB, through the State Bank of Vietnam (SBV), including the authenticated specimen signatures of the representative(s).

1. The W/A should be signed by the authorized representative(s), sequentially numbered and should not exceed five digits (00001, 00002, etc.).
2. The cover letter of the W/A should include a sentence reconfirming that the contracts were awarded on the basis of tax exemption to ensure expeditious Grant disbursement by ADB.
3. The W/A forms and summary sheets to be used vary for the different procedures. A separate W/A for each currency requested should be submitted. Under the Project, SOE procedure will be used for contracts valuing less than US\$ 20,000 per contract or non-contract item such as operating cost.
4. The W/A to be submitted to ADB must be the signed original copy to the attention of Mr. XYZ, Control Officer; and copied to Dr. Manoshi Mitra, MAKE of ADB. However, supporting documents may be in photocopies.

7.3 Checklist of Activities for PPMU to Request CPMU for Transferring Funds from FGIA to SGIA/ or Beneficiary

PPMU can request CPMU to transfer funds from FGIA to its SGIA or directly to beneficiary's bank account by following main steps:

For the first advance amount:

- Make sure that bank account in VND is opened for this Project in Agribank;
- Prepare Estimate of Expenditures sheet (EOE sheet) following the Sample in Annex 1;
- Prepare W/A following the form in Annex 2;
- Director of PPMU signs on the W/A and this will be submitted to CPMU, attached by annexes.

- CPMU reviews these documents and transfers JFPR funds from FGIA to PPMU's SGIA or to beneficiary bank account.

For replenishment

- Prepares SOE(s) following the form(s) suggested by CPMU;
- Prepares W/A following the Form in Annex 2;
- Director of PPMU signs on the Withdrawal Application and this will be submitted to CPMU, attached by EOE sheet.
- CPMU reviews these documents and transfer JFPR funds from FGIA to PPMU's SGIA.

Disbursement Reporting:

PPMU prepares and submits disbursement report to CPMU on the monthly basis following Form

7.4 Payment Procedures

In general, payments will strictly be followed payment provisions in the signed Contract(s) or Purchase Order(s). For civil works contracts, no advance can be given to contractors and 50 % of contract value can be paid upon conditions that (i) the Work is at least 60% completed, (ii) Minutes of Acceptance is properly signed by all relevant parties. The second payment will be 45% of the Contract Price on conditions that (i) the Work is wholly and satisfactorily completed, and (ii) Final Minutes of Acceptance is properly signed by all relevant parties. Final payment by 5% of the remaining Contract Price can be done after issuance of the Defect Liability Certificate. For goods contracts, normally, payment will be done after goods delivery and procurement agency (CPMU/PPMU) checks and accepts goods in terms of quality and quantity and other commercial conditions in the signed contract/purchase order. For consulting/ NGO services, ADB makes payment directly to NGO/consultants based on payment provisions in the contracts signed between ADB and NGO/ consultants.

As discussed above, PPMU can request CPMU to pay (ies) directly from FGIA.

For payments using GOVN funds, CPMU/ PPMUs have to strictly follow regulations of State Treasury on using Government funds, project accountant(s) should contact with province's State treasury staff for detailed guidance.

7.5 Exchange Rate

Exchange rates applied for the disbursement from the FGIA will be based on the rate set by the designated commercial bank at the time of disbursement. EA will apply the buying rate of the designated bank at the time of transferring the fund from its FGIA to SGIA(s). This exchange rate will also be applied for the replenishment of the SGIA's.

7.6 Dispute Resolution.

Should there be any disputes between the contractors and the Implementation Agencies regarding the quality of work, performance release of payments on time, and other such matters, first there will be discussions on resolution between the two parties. However, if resolution is not achieved, then the contractor can use the arbitration facility by approaching the respective DARD who will attempt resolution. However, if the dispute persists, then the DARD will bring the dispute to the attention of the MARD in Hanoi for final arbitration and resolution.

Annex 1 of Appendix 7- Estimate of Expenditure

JFPR-Project

Province:

Address:

ESTIMATE OF EXPENDITURE

Component: _____

Date _____

Application: _____

Estimation Sheet No: _____

Contract No.	Contract signing Date	Description of Goods/ Works/ Services	Contract Amount	Estimated Amount of expenditures/a	Note
(1)	(2)	(3)	(4)	(5)	(6)
Total estimated expenditure					

^{a/} The estimated amount for the withdrawal. Refer to payment schedules, terms and conditions of payments.

By: PPMU
(Signature of authorized representative)

(Full name & Title of Authorized Representative)

Annex 2 of Appendix 7- Withdrawal Application Form

(Applicable for withdrawal from the FGIA to SGIA)

Number: _____

Date: _____

From: [put name of Director of PPMU]

JFPR-Project: Provincial Project Management Unit

Department of Agriculture And Rural Development

Address:, Province:.....

To: JFPR-Project: CPMU

Ministry of Agriculture And Rural Development

Address: No 2 Ngoc Ha Street, Hanoi

Attn: Mr/ Ms:.....

Dear Sir/ Madam,

1. In connection with the work plans of the project, please advance to the imprest account of (*name of province*) at the Vietnam Bank for Agricultural and Rural Development, (*name of province/district*) branch the amount:

in number: _____ VND

in word: _____

2. The undersigned certificates and agrees as follows:

- a. The said amount is required for payment of eligible expenditures as described in the attached Estimate of Expenditures Sheet(s) from (*date/month/year*) to (*date/month/year*)
- b. The expenditures described in the attached Estimate of Expenditures Sheets are to be made for the purposes of the approved project activities at (*province*)
- c. Promptly within 2 months after the payment(s), the undersigned will furnish proof satisfactory to the CPMU to liquidate and document the advance.
- d. For the expenditure to be liquidated on the basis of a Statement of Expenditures (SOE), all authenticating documents will be retained in the location shown on SOE Sheet (s) and will be made available for review by Auditors and the CPMU's staff or ADB staff upon request.

3. Payment instruction

a. Name and address of Payee's Bank and Account Number

▪ Bank name : _____

▪ Bank address : _____

▪ Payee's Account No: _____

b. Payee's Name and Address

▪ Payee's name : _____

▪ Payee's address : _____

c. Special instruction: (If applicable)

By: ____(*Director of PPMU*) ____
(Signature of authorized representative)

(Full name & Title of Authorized Representative)

MONTHLY REPORT OF EXPENDITURES/a

(From PPMU to CPMU)

Name of PPMU:

For the Month..... of 200..

Project Expenditure Category	Beginning to Date	This Period	Accumulated Expenditure	Cheque No. Footnote (b)	Description
(1)	(2)	(3)	(4 2+3)	(5)	
1. Equipment					
2. Facilities					
3. Civil works					
4. Office Equipment					
5. Training activities					
6. Design and construction supervision consultant					
7. Surveys and Studies					
8. Per diem and travel cost					
9. Administrative Costs					
10. Revolving fund					

Prepared by: _____ PPMU Accountant Approved by: _____ PPMU Director

Footnote (a): One copy of this document is retained by PPMU for reference.

Footnote (b): If there is more than 1 payment or cheque, please list all the cheque numbers on a separate sheet.

Annex 4- Sample form of Auditor's Opinion

Imprest Account

We have examined the Statement of Imprest Account of ADB JFPR Grant No _____VIE, for the period _____ up to _____ pursuant to the JFPR TA paper of the Grant signed between the Government of Vietnam and the Asian Development Bank on ____2004

Our examinations were made in accordance with generally accepted auditing standards emphasizing the adequacy and completeness of the supporting documents of the Imprest Account and other auditing procedures as we considered necessary in the circumstances.

In our opinion, the Statement of Imprest Account and supporting documents and information submitted with them can be fairly relied on to support the application for reimbursement/payment in accordance with the Bank's requirements as set out in the JFPR TA paper.

Statement of Expenditure

We have also examined the Statements of Expenditures submitted to the Bank during the period in support of applications for liquidation of the Imprest, pursuant to the above-mentioned JFPR Agreement. Our examination was made in accordance with generally accepted auditing standards and, accordingly included such tests of the accounting records, verification of assets and other such auditing procedures as we considered necessary in the circumstances.

In our opinion, the Statement of Expenditures submitted, together with the internal control and procedures involved in their preparation, can be relied on to support the applications for liquidations in accordance with the requirements of the above mentioned Agreements.

For Auditor

.....

Title:.....

Signatures & Dates

For Executing Agency

.....

Title:.....

Signatures & Dates

Annex 5 of Appendix 7

PROCEDURE FOR ESTABLISHING AND OPERATING THE IMPREST ACCOUNT

I. Imprest Account for JFPR Proceeds

1. The MARD (EA), through its CPMU, shall, for the purpose of this project, open and maintain an First Generation Imprest Account at a commercial bank designated by AgriBank in Hanoi for the deposit of JFPR funds and for making payments for Project expenditures, following detailed arrangements and actions agreed upon by the Government and ADB in accordance with ADB's *Loan Disbursement Handbook* revised in January 2001 (the Handbook).

II. Eligible Expenditures

2. Payments out of the Imprest Account shall be made exclusively for eligible expenditures in respect of the reasonable cost of goods and services required for the project and to be financed out of the proceeds of the JFPR Grant to meet expenditures for the purpose of the Project.

III. Currency of Denomination

3. The Imprest Account shall be denominated in US Dollar.

IV. Initial Advance and Ceiling

4. ADB shall, after the signing of the JFPR Agreement, on the basis of a Withdrawal Application-Imprest Fund (ADB-IFP-WA) and a statement from the EA setting out the anticipated expenditures for a period of six months (the Estimate of Expenditure Sheet) (ADB-IFP-EES) and evidence satisfactory to ADB that the Imprest Account has been duly opened, withdraw from the JFPR Account and deposit into the Imprest Account an initial amount. The initial advance to be worked out and agreed upon based on six months estimated expenditures will be regarded as a ceiling up to which ADB may deposit into the Imprest Account for replenishment purposes. This ceiling may be changed by the mutual agreement between ADB and the Government.

V. Liquidation and Replenishment

5. The EA shall furnish on a monthly or quarterly basis to ADB in respect of all payments out of the Imprest Account the duly filled-in (i) Withdrawal Application-Imprest Fund (ADB-IFP-WA); and (ii) Summary Sheet (Appendix 4 of the Handbook), together with such supporting documents and other evidence as ADB shall reasonably request, showing that each payment was made for eligible expenditures⁷. ADB also agrees to the use of the SOE procedure for liquidation of expenditures incurred not exceeding US\$10,000 per payment. The EA shall also furnish to ADB the Reconciliation Statement of Imprest Account prepared by the commercial bank⁸ (refer to Appendix 21 of the Handbook) . Details of debit entries of such bank statements of Imprest Account should be shown on the statements or separate sheet.

6. To replenish the Imprest Account, ADB will deposit into the Imprest Account an amount equal to payments made out of the Imprest Account for eligible expenditures on the basis of the withdrawal applications submitted as per para 4 above, but only to the extent that the amount of any such deposit, together with the balance remaining in the

⁷ When SOE is not allowed, EA submits to ADB all evidences of payment, invoices, bills of lading, or work certificates.

⁸ The AgriBank

Imprest Account as of the date of such deposit, does not exceed the equivalent of the prevailing ceiling unless ADB has agreed to the EA's request to increase the ceiling,

7. Notwithstanding the provisions of para 5 of this Annex, ADB may at any stage by notice to the EA suspend further replenishments to the Imprest Account if the EA has failed to comply with any of the provisions of this Annex.

VI. Ineligible or Unjustified Payment

8. Where any withdrawal or payment from the Imprest Account is determined by ADB (i) to have been utilized for any purposes not eligible, or (ii) not justified by the evidence furnished, the EA shall, promptly upon notice from ADB, and unless otherwise agreed by ADB, prior to any further replenishments, deposit into the Imprest Account an amount equal to the amount of such payment to the portion thereof not so eligible or justified, in the same currency as that in which the amount was withdrawn from the JFPR Account. Alternatively, ADB may offset the unjustified payment against new withdrawal applications for reimbursement.

VII. Closing of the Imprest Account

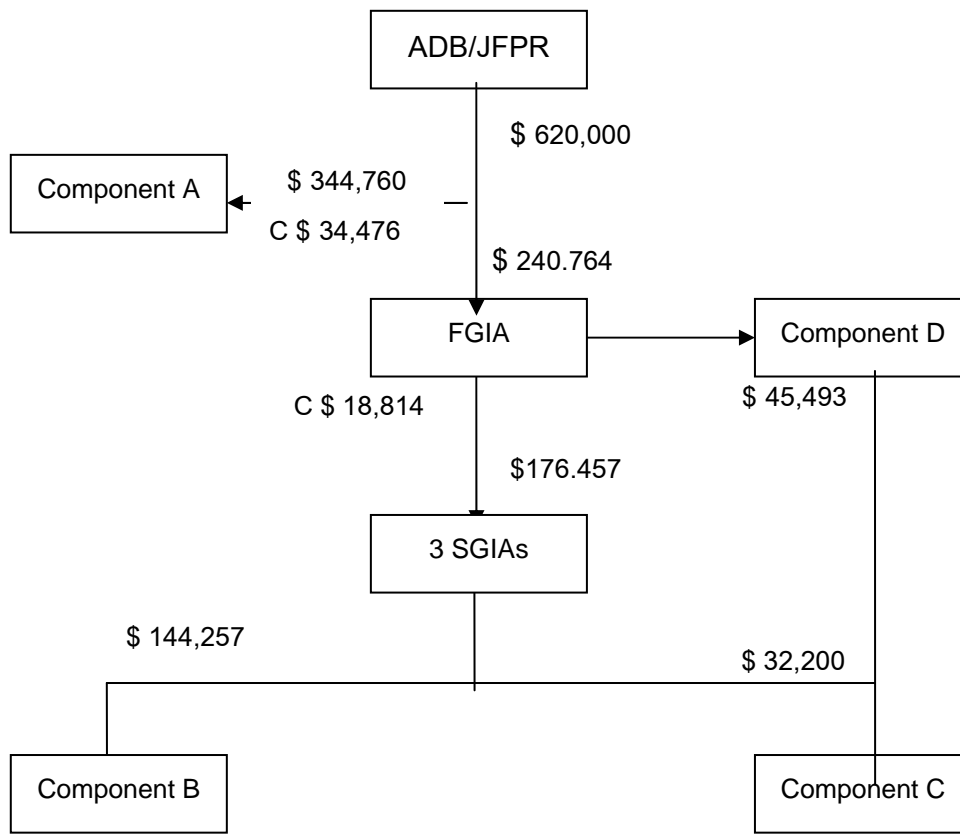
9. Notwithstanding the provisions of para 5 of this Annex, when ADB shall have determined that the project components to be financed with payments from the Imprest Account are near completion, ADB may reduce the amount of any replenishment as ADB may deem appropriate with a view towards gradually closing the Imprest Account.

10. In the event that (a) ADB determines that any amount outstanding in the Imprest Account will not be required to cover eligible expenditures, or (b) any amount remains outstanding in the Imprest Account after the Closing Date specified in the JFPR Agreement, the EA shall, promptly upon notice from ADB, and unless otherwise agreed by ADB, refund to ADB such amount then outstanding in the Imprest Account.

VIII. Other Issues

11. For matters not covered in this Annex, ADB's Guidelines on Imprest Fund and Statement of Expenditures Procedures will apply.

Annex 6 of Appendix 7- JFPR fund flow arrangement



Remarks:

- Component A: Deployment of expert and support staff
- Component B: Establishment of eri silk centers and provision of equipment and facilities
- Component C: Training courses, workshops
- Component D: Project management, audit, poverty impact assessment
- \$: The United State Dollar
- FGIA: First Generation Impress Account
- SGIA: Second Generation Impress Account
- C: Contingency

Appendix 8. Format for OCO Quarterly Status Report

JAPAN FUND FOR POVERTY REDUCTION (JFPR)

GRANT STATUS REPORT

(Note: To be received by OCO within one month after the end of the reporting period)

A. Basic Grant Data	DMC: Vietnam
Grant Number:	Name of Grant:
Approved Grant Amount: \$	Responsible Project Officer and Division {name, position, e-mail, phone}:
Grant Commencement Date (Date LoA was signed):	Original Closing Date / Revised Closing date (after extension):
Executing Agency {Names, Address, Contact Persons, E-mail, Phone, Fax}:	
Implementing Agency(ies) {Names, Address, Contact Persons, E-mail, Phone, Fax}:	

B. Grant Status	Period of Reporting {date from/to}:				
General Status (Summary)	A <input type="checkbox"/>	B <input type="checkbox"/>	C <input type="checkbox"/>	D <input type="checkbox"/>	E ⁹ <input type="checkbox"/> Specify: _____
Grant Development Objective:					
Grant Components	Targeted/Expected Output	Physical Accomplishments (%)	Rating ¹⁰ (HS,S,PS,U)	Notes - Remarks:	

C. Grant Utilization			
Grant Committed: \$	Cumulative Disbursements: \$	Balance: \$	Notes - Remarks:

⁹ A = Financially Closed; B = Implementation already started or is ongoing; C = LOA signed but implementation has not started yet; D = ADB has approved but LOA not yet signed; E = Others, (please briefly specify, e.g. extension, or issues that need to be flagged)

¹⁰ HS=Highly Satisfactory, S=Satisfactory, PS=Partly Satisfactory, U=Unsatisfactory

Annual Disbursements (from ADB to Grant Accounts):					
	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	
Projected:	\$	\$	\$	\$	
Actual:	\$	\$	\$	\$	
Procurement of Goods and Services:					Notes - Remarks:
	Goods		Services		
	No. of contracts	Total Amount	No. of Contracts	Total Amount	
Contracts Awarded:					
Outstanding Contracts:					

D. Major Issues / Problems {please add extra sheet if necessary}	
Problems / Issues	Action Taken / Proposed

Prepared By:	Name / Division / Signature	Comments
Project Officer:		
Cleared By:	Name / Division / Signature	Comments
1. Director General:		
2. Director:		

Appendix 9. Format for Quarterly Progress Report

- A. Summary
- B. Progress in Implementation
 - 1. Deployment of Silk Experts and Support
 - 2. Training Stakeholders and Beneficiaries
 - 3. Provision of Equipment and Facilities
 - 4. Project Management, Audit, and Poverty Impact Assessment
- C. Financial Progress
 - 1. Disbursements
 - 2. Utilization of Grant Funds
 - 3. Liquidation of Imprest account
- D. Status of Procurement
 - 1. Recruitment of Consultants
 - 2. Civil Works
 - 3. Equipment and Facilities
 - 4. Input and Supplies
- E. Work Program for next Quarter

Appendix:

- 1. Schedule of Deployment of Experts and Consultants
- 2. Utilization of JFPR Funds
- 3. Imprest Account Statement
- 4. Procurement Program
- 5. Link with Associated Project

Appendix 10. Format for Grant Implementation Completion Memorandum

JAPAN FUND FOR POVERTY REDUCTION IMPLEMENTATION COMPLETION MEMORANDUM (ICM)¹¹

I. BASIC INFORMATION			
1. JFPR Number and Name of Grant: Promoting Silk Income for the Rural Poor in Central Highlands; JFPR 9033 VIE			
2. Country (DMC): Vietnam		3. Approved JFPR Grant Amount: US \$ 620,000	
4. Grant Type: <input type="radio"/> Project / <input type="radio"/> Capacity Building		5-A. Undisbursed Amount \$	5-B. Utilized Amount \$
6. Contributions from other sources: US\$ 65,000 from community and 55,000 from GOV			
Source of Contribution:	Committed Amount	Actual Contributions:	Remark - Notes:
DMC Government	\$	\$	
Other Donors (please name)	\$	\$	
Private Sector	\$	\$	
Community/Beneficiaries	\$	\$	
7-A. GOJ Approval Date:		7-B. ADB Approval Date:	
		7-C. Date the LOA was signed (Grant Effectiveness Date):	
8-A. Original Grant Closing Date:		8-B. Actual Grant Closing Date:	
		8-C. Account Closing Date:	
9. Name and Number of Counterpart ADB (Loan) Project:			
10. The Grant Recipient(s): {Names, address, contact persons, e-mail, phone, fax numbers of the agency(ies) and/or institutions that signed the Letter of Agreement with ADB}			
11. Executing and Implementing Agencies: {Names, Address, Contact Persons, E-mail, Phone, Fax}			

¹¹ The ICM has to be prepared under responsibility of the ADB Project Officer with contributions from the Recipient, EA/IAs, and the grant project manager/coordinator at the PIU. A template of the ICM is available on network drive W:\TEMPLATE\OCOFJFPR

II. GRANT PERFORMANCE ASSESSMENT

12. Description (Background rationale):

{Extract information on background and rationale from the approved JFPR Grant Proposal and summarize}

13. Grant Development Objective and Scope:

{Briefly describe the Grant Development Objectives (purpose) and scope (outputs and activities). Assess the relevance of the Grant design (including appropriateness of objectives, components, implementation arrangements and schedule) and formulation (including extent of stakeholders' participation and ownership)}

14. Key Performance Indicators {list each original indicator as mentioned in the approved JFPR Grant Proposal}	Accomplishments Rating (HS,S,PS,U ¹²)	Evaluation of each Indicator: {rate the accomplishments, describe any changes and evaluate each indicator for its relevance, achievements and sustainability}
i)		
ii)		
iii)		
iv)		
v)		

15. Evaluation of Inputs (Adequacy of formulation, terms of references, inputs and performance of the Recipient(s), EA, IA(s), NGOs and ADB, performance of consultants, other inputs, review missions):

{Evaluate, among others: (i) The economy of input provision (the relative cost of input provision); (ii) the productivity of the inputs (conversion into outputs); (iii) the quality of the inputs; (iv) reasons for deviating from planned inputs and activities; (v) client satisfaction with the inputs provided; (vi) the performance of ADB, the Recipient, the EA, IA(s) and NGOs as highly satisfactory (HS), satisfactory (S), partly satisfactory (PS), or Unsatisfactory (U); (vii) any other inputs.}

¹² HS=Highly Satisfactory; S=Satisfactory; PS=Partly Satisfactory; U=Unsuccessful

16. Evaluation of Outputs and Results (Reports generated, institution building, training, analysis of quality, comparison with terms of references, sustainability and exit strategy):

{Evaluate performance issues, such as (i) efficiency in the production of outputs (cost and process); (ii) effectiveness or efficacy (compare actual to planned results); (iii) quality of outputs (refer to qualitative benchmarks where possible); (iv) recipient and client (beneficiaries) satisfaction with the outputs/ results; (v) timeliness of delivery of outputs; and (vi) effectiveness of the exit strategy and related transfer of activities for sustainability.}

17. Overall Assessment and Rating (HS,S,PS,U):

{Provide an overall assessment including the issues of sustainability, and categorize the Grant activities as highly successful (HS), successful (S), partly successful (PS), or unsuccessful (U) following OED's guidelines.}

18. Major Lessons Learned:

{Discuss the significant lessons learned that can help improve the formulation and implementation of similar JFPR grant investments and as an input for recommendations and for scaling-up the pilot interventions under this Grant, particularly in relation to the overall objective of poverty reduction.}

19. Recommendations and Follow-up Actions:

{Include project-specific and general recommendations (scaling up) of any interventions, activities and action required, and make suggestions for changes to policies and strategies that can improve the effectiveness of the counterpart loan, future JFPR grants, and/or that can generally be applicable to ADB practices.}

20. Additional Remarks, Comments and Suggestions:

{Present here any additional remarks, comments and suggestions that have not been dealt with or mentioned in earlier paragraphs, but which may contribute to this memorandum.}

III. PREPARATION AND APPROVAL		
Prepared by:	Name of Person and designation / Name of Institution / Signature	Date
1. Representative from the Recipient:		
2. Manager, JFPR-GIU¹³:		
3. Project Officer, ADB: {the Project Officer consolidates the inputs from the Recipient and the PIU}		

Approved	Name of Person and designation / Name of Institution / Signature	Date
1. Director General, Department, ADB:		
2. Division/Country Director, ADB:		
3. Head of the Recipient:		
4. Head of the Executing Agency:		
5. Head of Implementing Agency:		

¹³ GIU=grant implementation unit (formerly called PIU=project implementation unit)

Appendix 11. Summary of the ADB Anticorruption Policy

Reference Internet Link:

<http://www.adb.org/Governance/Review/adb-anticorruption-policy.pdf>

A. Background

1. The Anticorruption Policy defines corruption as the “misuse of public or private office for personal gain.” It is one of the most enduring problems confronting governments throughout history. Corruption varies in nature, scope, and scale, which make it more difficult to curb. It diverts enormous resources that could benefit more people, particularly the poor.

2. In the global setting, the UN Convention Against Corruption in 2003 highlighted the need for international cooperation to prevent and criminalize corruption. ADB has played a significant role in developing the anticorruption movement in the Asia Pacific region. Starting with the Anticorruption Policy in 1998, it launched, in partnership with the Organization for Economic Development and Cooperation, the Anticorruption Action Plan for Asia and the Pacific in 2000. This has further strengthened ADB’s resolve to push for transparency, predictability, and accountability in its developing member countries.

B. Anticorruption Policy: Curbing Corruption in ADB

3. ADB’s governance policy, Governance: Sound Development Management, recognizes that accountability, transparency, and predictability are critical principles in the fight against corruption. The policy emphasizes strengthening the essential preconditions for effective public administration to ensure that the building blocks for transparent, predictable, and accountable administration are in place: (i) appropriate legal framework and effective enforcement mechanism; (ii) professional, competent, motivated, and meritocratic civil service; (iii) transparent procurement practices; (iv) effective internal control systems; and (v) well functioning independent audit office.

4. In line with the overall governance agenda, the Anticorruption Policy provides the following major objectives and reform activities:

Objective No. 1: Supporting competitive markets and efficient, effective, accountable, and transparent public administration

5. At the core of ADB’s anticorruption effort are policy dialogue on economic liberalization and public administration reform. These are part of ADB’s broader program of strengthening governance and capacity building. Open discussion of policies with DMCs aims to eliminate market distortions and reduce opportunities for rent seeking by firms or officials.

6. Further, ADB has supported various policy reforms in DMCs to improve market competitiveness and to strengthen governance capacity. Specific reforms include: (i) strengthening disclosure measures; (ii) intensification and highlighting corporate governance; (iii) strengthening information systems; (iv) procurement and internal audit function reforms; (v) enhancing merit and promotion systems; (vi) and legal and judicial reforms.

Objective no. 2: Supporting promising anticorruption efforts case-by-case, and improving the quality of dialogue on governance issues

- Promote development of national anticorruption strategies, including anticorruption agencies;
- Improve the ability of the courts to try corruption cases;
- Respond to requests from legislators and government officials for legal or technical support drafting anticorruption statutes or professional codes of conduct; and
- Strengthen the legal mechanisms for review of administrative action.

Objective no. 3: Ensuring ADB projects and staff adhere to the highest ethical standards

7. ADB's Anticorruption Policy calls for robust internal measures to increase the integrity of its operations. It identifies five areas of action: (i) maintaining the integrity of ADB lending and TA operations; (ii) strengthening ADB's procurement policy; (iii) updating ADB's staff code of conduct and creating independent internal reporting mechanisms to address allegations of corruption among staff or within operations; (iv) improving the quality of oversight and management of loans and TA grants; and (v) ensuring that all staff are familiar with the Anticorruption Policy and follow its intentions.

8. In light of these major goals, the Anticorruption Policy suggests the following changes in ADB programming and project management:

- Expand ADB assistance on issues of governance and capacity building, with particular attention to promoting market liberalization and public administration reform.
- Emphasize strengthening key institutions for advancing transparency and accountability in the DMCs (such as supreme audit agencies, procurement agencies, regulatory agencies, ombudsman offices, etc.)
- Use TA to support select regional initiatives and research on advancing accountability and transparency in Asia and the Pacific.
- Increase the quality of supervision during project implementation and strengthen project review missions, highlighting projects most at risk.
- Organize a series of training seminars, workshops, etc., on ADB's Anticorruption
- Policy on how staff can best advance integrity in ADB operations and in collaborative work with the DMCs.
- Publish a brochure and other materials describing ADB's Anticorruption Policy for public distribution.

9. In addition, the Anticorruption Policy recommends administrative changes in ADB operations at department and office levels:

- Enforce current procurement guidelines more rigorously to avoid unnecessary delays, extensions, and excessive change orders.
- Designate OAG as the first point of contact for alleged incidents of corruption among ADB projects and staff, and instruct OAG to work out procedures for consulting with relevant ADB departments.

- Increase OAG's staff complement enabling it to fulfill its responsibilities under this policy
- Strengthen project monitoring and supervision, and provide extra resources needed to perform these tasks.
- Train select OAG staff, financial analysts, and project implementation officers in forensic accounting and other investigative techniques.
- Conduct a series of seminars informing ADB staff about the Anticorruption Policy, including revisions to Administrative Order No. 2.02; Section 4 regarding the staff code of conduct, which Management approved on 28 May 1998.

10. So far, the Anticorruption Policy has undergone several transformations based on revisions and updates of ADB policies and staff guidelines, realignment with the New Business Process in programming and project management initiatives, and internal operational and administrative changes.

11. In whole, the policy guides ADB's effort to prevent corruption in its operations and in DMCs. Some of the specific areas the policy strengthens are:

- Guidelines for Procurement under Asian Development Bank Loans and Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers
- Regulations on Ordinary and Special Operations
- Project Administration Instructions and Loan Disbursement Handbook to strengthen financial controls
- Promotion of market liberalization and public administration reform in programming and project management
- Advancing transparency and accountability in DMCs by strengthening institutions and supporting regional initiatives and research
- Quality of project supervision and review missions

Appendix 12- Key Roles and Duties of the NGO

The Japan Society for Wild Silk Moths (JSFWS) will play an important role in the implementation of the project. Specifically, JSFWS will:

- a) support eri silk production among ethnic minority populations in the central highlands to promote improved sustainable income for the poor populations of the mountain areas of the Central Region of Viet Nam through diversification of their livelihoods;
- b) support the development of essential infrastructure for eri silk production and marketing in poor and remote areas;
- c) help build capacity of poor ethnic minority households through training and transfer of appropriate technology;
- d) link remote areas to new national and international markets;
- e) support socially inclusive participatory planning; and
- f) develop ways of setting up a sustainable eri silk production and marketing industry that can be replicated by the counterpart project;

General Approach and Methodology:

1) **Participatory planning:** The project will be implemented through a process of participatory planning and decision-making. The Committee for Ethnic Minorities (CEM) will work through the network of hamlets and villages, communes and districts, provinces, civil society organizations, mass organizations including Vietnam Women Union, Farmer Union, to facilitate the planning and selection process for target areas, and target farmers. Criteria for selection will be disseminated through a participatory mechanism. Based on the outcomes of the process, participatory planning, decision making, implementation and monitoring will be adopted in the counterpart project.

2) **Training:** Intermediary extension workers of DARD will be trained to disseminate eri silk production and cassava farming techniques in the target areas.

3) **Organizing core farmers:** The selected farmers will form Eri Silk farmers associations in each area and province. These core groups will be responsible for area expansion.

4) **Revolving fund:** A revolving fund will be set up for purchase and sale of eri silk products. The fund will be set up with WUs to ensure sustainability of silk worm activities after the end of the project.

5) **Quality Control:** Grading criteria will be established and registered as industrial standards.

Deployment of staff:

To carry out the above functions effectively JSFWS will provide all required personnel listed in its contract on a timely basis. The team will include a Team Leader, one Project Management Specialist, and two Silk Weaving and Dyeing Specialists. The Team Leader will be fielded for a period of 6 months as per the agreed schedule. The Project Management Specialist will also be deployed for a 3.5 man-month period, and the two Silk Weaving and Dyeing Specialists will be fielded for a period of approximately 1 man-month/person.

Domestic consultants will also be recruited from the domestic NGOs, including a full time resident Project Manager, a Production Supervisor, and experts on Trade, Dyeing,

Weaving, Production and Organization. Remuneration for the various experts will be paid directly to JSFWS and the NGOs from the JFPR fund.

Within one month of contract signing, JSFWS will submit an Inception Report to ADB and the EA, including a detailed implementation and funding plan. JSFWS will participate in the Inception mission in June 2005, including workshops, field visits, meetings and discussions with the EA and IAs in the provinces. It will establish local project offices in each of the three provinces; JSFWS will be provided offices within the DARD offices to ensure coordination.

Data Collection:

JSFWS will coordinate with the research teams that will carry out the baseline survey (see below) to establish the existing socio- economic conditions in the project area. The availability of cassava areas will be measured, and likely candidate farmers for the core group will be identified. Strategic locations to set up key project operations centers in the three provinces will also be selected.

Developing the counterpart teams and farmer organizations:

JSFWS will be responsible to train counterpart staff from MARD and the three DARDs. Target farmers and households will be selected for training and technology transfer. JSFWS will prepare and supervise the training plan and implementation schedule in consultation with the EA and IAs

Construction of Project Facilities:

JSFWS will advise IAs (DARDs) regarding appropriate site selection for eri silk centers, provide design, and list of equipment to be procured, supervise construction, and installation of equipment for the three provincial centers.

Revolving Fund for Cocoon Purchase:

In consultation with the EA and IAs, JSFWS will outline the arrangements for setting up and operation of the cocoon revolving fund with WU. The operation of the revolving fund will be tested to ensure sustainability.

Establish Marketing System:

JSFWS will identify potential domestic and international purchaser, and design a marketing system. Experimental cocoon production will be conducted and production guidelines will be prepared.

Extension Services:

JSFWS will train the extension services units of the three DARDs regarding cocoon production. JSFWS in conjunction with DARD extension staff will supervise the collection of cassava leaves, distribution of eri silkworm eggs to selected farmers, and train farmers in yarn production including handspun yarn production, and quality control and grading.

Weaving and Dyeing:

JSFWS in conjunction with the IAs will identify available materials for natural dyeing, recommend appropriate dyeing methods, and train farmers in dyeing, hand spinning, weaving, and designing silk textiles.

Quality Control:

JSFWS will establish quality control methods, prepare guidelines for quality control and inspection, and its implementation.

Marketing of Eri silk products:

JSFWS will in conjunction with IAs conduct test purchase and sale of products, examine the systems for purchase and sale, set up appropriate mechanisms, develop the market, carry out workshops/ exhibitions, establish appropriate marketing organization, establish business and accounting arrangements, and build the capacity of the IAs and EA, mass organizations, NGOs through the above activities;

Reporting:

JSFWS will submit project implementation progress reports every quarter including technical, socio- economic, and financial reporting, to ADB and the CPMU of MARD