

Project Administration Instructions

PAI 5.12
Revised September 2007
Page 1 of 7

IMPLEMENTING SMALL PROJECTS WITH COMMUNITY PARTICIPATION

A. Introduction

1. This PAI will help staff in streamlining the various phases of projects with Community Participation. This Guide on Implementing Small Projects with Community Participation has the following contents:

- A. Introduction
- B. Background
- C. Eligibility Criteria
- D. Project Selection Procedures
- E. Project Management
- F. Procurement
- G. Project Implementation
- H. Project Completion
- I. Fund Flow
- J. Audit

- Appendix 1: Sample Questionnaire for Community Participation
- Appendix 2: Sample of an Implementation Agreement
- Appendix 3: Sample Draft Standard Contract
- Appendix 4: Sample Organization Chart
- Appendix 5: Sample Selection Criteria for NGOs
- Appendix 6: Sample Fund-Flow Procedure.

2. To address ADB's overarching goal of poverty reduction in the region, ADB's operations have focused towards developing projects, which to a large extent directly address the needs of the disadvantaged communities. Many projects are aligned towards rural and urban development encompassing many sectors such as health, education, irrigation, gender development, rural infrastructure, slum development, and microfinance. To achieve these social objectives, it is desirable to invite local communities and service providers, such as nongovernmental organizations (NGOs) and Community Based Organizations (CBOs), to participate through the various phases of project implementation. To implement such projects much contracting will have to be done at the community level, which could be risky. Accountability is a matter of concern and an adequate monitoring mechanism is necessary to reduce the possibilities of things going wrong. Thus, to streamline the various phases of project implementation, a guide has been prepared to enable staff to design and administer community-based procurement effectively. Staff are encouraged to refer to this "Guide" for better practices and provide inputs to the Central Operations Services Office (COSO). Though these instructions are for small community-based contracts, suggestions related to project selection have also been presented. The Guide is general in nature since no two projects can be similar, especially those dealing with grass-roots issues. Processing missions should exercise flexibility in designing such projects but should ensure that certain checks are in place to address accountability and sustainability. Nonetheless, this Guide could form a basis for designing and administering community-based projects and contracting. In this Guide,

examples from rural projects were taken as these were easily available but all types of community-based projects, including urban sector projects, are included.

B. Background

3. Experience has shown that active and dedicated participation of the key stakeholders in the design and implementation of projects, especially those at the grass-roots level, contribute significantly to the sustainability of developmental activities, through increased ownership and more effective use of grass roots level inputs. *The Framework for Mainstreaming Participatory Development Process* lists additional benefits such as (i) more appropriate intervention, (ii) better implementation and sustainability, (iii) better utilization and increased ownership, (iv) greater efficiency and better planning, (v) greater transparency and accountability, and more importantly (vi) increased equity and empowerment through greater involvement of the poor, women, and other disadvantaged groups. However, participation also involves risks, such as (i) being time and resource intensive; (ii) logistically difficult; (iii) conflicts among stakeholders; (iv) consultative groups not duly represented; (v) higher expectations; (vi) domination by powerful and more educated elite; and (vii) lack of adequate capacity.

4. A number of Borrowers are emphasizing decentralization of project management which will result in more projects being implemented by the community. Such initiatives are welcome, but this also raises a number of concerns such as capacity of the community to implement projects, and vulnerability to local politics. The process of selection of the right community becomes critical and equally important is the need for close monitoring and audit of actual implementation of sub-projects. Ultimately, the loan is made to the Borrower and implemented by the Executing Agencies (EAs) or Implementing Agencies (IAs). It is therefore imperative that the Project Implementation Units (PIUs) should be actively involved in selecting, monitoring, supervising, and auditing such projects. However, certain procurement aspects do encroach upon other generic issues on community participation. Therefore, with an effort to maintain balance between full decentralization and adequate supervision, this Guide, though meant to address primarily procurement issues, does suggest certain essential requirements that should be addressed during project-based design such as eligibility criteria, selection, fund-flow, and auditing related to community-based subprojects. These suggestions are based on consultations with staff of ADB, World Bank, EAs and IAs, NGOs, consultants, and study of various related documents and reports. Mission leaders should note that in accordance with paragraph 3.13 of ADB's *Guidelines for Procurement*, the procedures adopted under community participation in procurement have to be included in the Loan Agreement between ADB and the Borrower for the related Project. Specific provisions such as the need for capacity building of the communities, monitoring, procurement, quality control and audit and the procedures to be adopted should also be included in the Loan Agreement.

C. Eligibility Criteria

5. Selection of a community-based subproject will depend on the objectives of the Project. Alternately, the needs of the community will guide the design of the Project. Project documents should clearly identify the sectors and type of subprojects that will be supported, in consultation with the target communities. Some indicative important criteria for subproject selection are shown below. Mission leaders may modify, add, or delete some of those listed as appropriate

- (a) The proposed subproject should have been identified for implementation through

- community participation.
- (b) The estimated cost of the subproject should be less than \$10,000. The limit can be increased to \$30,000 if the community has previously implemented a project successfully. However, a workable higher ceiling can also be considered in relation to the entire Project, especially in countries where the cost of construction material is high due to importation costs.
 - (c) The proposed subproject should benefit the target beneficiaries.
 - (d) The proposed subproject should address the needs of the community in terms of priority.
 - (e) Due consideration should be given to locating, designing, implementing, and operating the subproject in order to minimize any adverse impacts on the environment and indigenous people. Suitable mitigation measures should be incorporated in the Project decision that could be undertaken within the capacity of the community.
 - (f) Normally, no resettlement should be necessary. However, if absolutely necessary, suitable safeguards in accordance with ADB's Policy on Involuntary Resettlement should be adequately addressed.
 - (g) The community should demonstrate adequate capacity to execute or supervise the project. If not, acceptable arrangements should exist to appoint a capable qualified service provider.
 - (h) Construction methods should be labor intensive.
 - (i) The community should indicate its willingness to participate with counterpart funds or in kind, such as labor and should confirm such to ensure suitability of the facilities by organizing recurrent operation and maintenance (O&M) works, if required.
 - (j) Projects requiring continuous recurring costs to operate, such as vehicles and generators, are not eligible unless cost recovery mechanisms are built in.
 - (k) The scope of work should be simple so that implementation by the community is the most practical solution.
 - (l) The community, NGO or service provider should not have been declared ineligible by the government due to unsatisfactory performance or otherwise in earlier executed projects.
 - (m) The community, or its nominated representative, should be authorized legally to sign a contract for procurement purposes and should follow approved procurement procedures.
 - (n) A realistic implementation plan should be prepared and approved by all concerned parties.

D. Project Selection Procedures

6. Depending on the objectives of the project, processing missions should initiate dialogue with the Borrower, the implementing agencies, NGOs and target communities to identify the possibility of including small-scale subprojects within the scope of the Project. This consultation should start at the initial stages of project formulation. Success of a project involving a participatory approach largely depends on an intensive publicity campaign to reach out to the target communities. This can be accomplished through direct mail, press releases, signage, media advertising, workshops and meetings. Missions may also identify other suitable methods depending on a thorough analysis of each situation. Notwithstanding these methods, it should be recognized that the poor and vulnerable communities may lack the necessary skills and resources to design and present viable project proposals. In such cases, the local governments, NGOs, or other potential sponsoring agencies may be encouraged to extend their services, on payment if required, especially in areas from which response is low, and to provide training and other assistance to

such people to support capacity-building. Alternately, the PIU may engage local NGOs as service providers to undertake, among other activities, mobilization of community groups, skills training and establishment of participatory planning processes at the village or community level to identify priority investments. Suitable funding for these services could be identified out of the project funds. It may be necessary even to recruit national level NGOs to provide advice and training to local NGOs or even overall management. Simplified processes for selection of local and national NGOs will have to be worked out with COSO. Consulting services components of these subprojects are likely to be small-value contracts. It is suggested that when a team of consultants is recruited as service providers, the biodata format may be followed; and when individuals have to be recruited, the procedure for selection of individual consultants may be followed. Again, these agreed procedures should be suitably incorporated in the Project design and the Loan Agreement.

7. A selection committee comprising representatives of the PIU and EA, district authorities, NGOs, local government, and representatives of the community shall assess the feasibility, viability and applicability of the project. The community should be represented by an elected group of persons, which can be called the Managing Committee (MC). The MC should comprise a wide spectrum of the community including adequate representation from women and the disadvantaged. All subprojects shall be subject to endorsement by the PIU or EA, as applicable. Care should be taken to ensure that MC elections are fair and transparent and all sections of society are allowed to express their views in the decision making process. Subproject selection criteria should be fully transparent and fair. Assessment guidelines should be finalized in advance and should also be based on a thorough evaluation of the project proposals or through data collection based on responses to standard questionnaires or wide consultation, or both. Acceptable scientific assessment methods may be adopted. Mission leaders should consult specialists from RSPR (Poverty Reduction and Social Development Division) in this regard. A sample checklist for implementation of school building by the community is at Appendix 1. However, selection processes may vary depending on the project but the basic tenets to be taken into consideration are transparency, fairness, capacity- evaluation, project viability, gender and sustainability. A flexible approach is recommended. Once a subproject is approved, the PIU or EA and MC will enter into an implementation agreement. A sample is provided at Appendix 2.

E. Project Management

8. Though decentralization is welcome, the PIU or EA, or both, will have to assume certain responsibilities of overseeing the projects implemented through community participation, such as the following:

- (a) oversee the award of contract and signing of the contract agreement, if necessary, in certain situations, also countersigning the contracts,
- (b) allocate funds for each subproject,
- (c) monitor progress and quality of works regularly,
- (d) release funds to MCs or to contractors as per schedule or stage-wise completion,
- (e) certify subproject completion,
- (f) provide regular progress reports on subproject implementation status and fund utilization to the government and ADB,
- (g) prepare statements of expenditures, maintain proper accounts, and conduct selective audits, and

- (h) provide advice to MCs, communities, NGOs, contractors, and other groups concerned regarding ADB's policies and guidelines, especially on procurement, indigenous people, involuntary resettlement, and gender.

F. Procurement

9. Normally local procurement procedures and guidelines should be followed. Processing missions should carefully review this aspect to ensure that these procedures are not in contravention of ADB's *Procurement Guidelines* and are transparent and fair. The MCs will normally be responsible for procurement. To the extent possible, the MC should purchase the construction materials such as cement, steel, stone aggregate, and sand in bulk through shopping procedures by inviting at least three quotations, preferably from local suppliers. Bulk procurement action should be judiciously exercised to avoid pilferage. Labor component of the subprojects can be extended by the members of the community, provided adequate expertise exists, who should be reimbursed adequately for the services rendered. It should be ensured that children are not employed for the subprojects. In case the MC cannot identify adequate skilled labor within the community, the work can be let out by inviting quotations from three local contractors, or as suitably decided by the processing missions, taking into consideration local situations wherever practicable. In exceptional cases, if sufficient contractors are not available, the contract can be awarded on direct-assignment basis, after ascertaining the capability of the proposed contractor and reasonability of rates. Here also, to the extent possible, members of the local community should be employed by the contractors as labor. The contract should be in the local language and simple, adequately addressing the main issues such as scope of work, date of start, completion period, payment terms, progress and quality review, defect-liability period, responsibilities of the MC and contractor, including review, inspection, payment procedures and contract termination. A sample contract is at Appendix 3 for reference.

G. Project Implementation

10. The MC shall be responsible for the implementation of the subproject including supervision of contractors' performances, wherever applicable. A sample organization chart is at Appendix 4. Wherever required, the community shall nominate either among its own members or a local specialist as project-in-charge who will oversee the day-to-day supervision of the project. The MC will submit monthly progress status to the PIU and EA and release payments to the contractor as per contract provisions. It is possible that some subprojects may be located in remote areas, which do not have adequate banking facilities. In such situations, the PIUs will handle the project finances and pay the contractors directly. The MC should also apprise the community on the status of project implementation either by way of general meetings, posting on notice boards or both. On completion of the project, the MC or if otherwise agreed, a more representative group from the stakeholders, shall prepare a comprehensive completion report and detailed accounts which will be submitted to the PIU for review and approval.

11. As indicated under project selection, some communities may lack the adequate capacity to design and implement such projects but are adequately knowledgeable about local needs and concerns. In such cases, the PIU and EAs may invite local NGOs with established records of implementing community-development projects to implement project activities in the villages. Sample criteria for selection of NGOs is at Appendix 5. Such NGOs should preferably assign one person to work full-time on the Project. Suitable remuneration may be provided out of the project funds. Some of the tasks that may

be entrusted to the local NGOs are as follow:

- (a) undertake social assessments of villages to determine the optimal composition of groups to ensure optimal poverty and gender impacts of subproject investments;
- (b) undertake training of MCs;
- (c) help elect, nominate MCs in target communities;
- (d) train MC members according to the curriculum developed;
- (e) identify agencies that can form partnerships with communities to implement investments and help the communities to adopt innovative techniques;
- (f) assist MCs in establishing and working with communities to form partnerships with government and private agencies to identify innovative opportunities to develop village investments;
- (g) establish links with competent expertise at the appropriate level to validate the technical, financial, environmental, social, and gender feasibility of the investments and innovations proposed by communities;
- (h) monitor consolidation of village investments by MCs; and
- (i) monitor and report the implementation of village investments and the use of funds by communities.

H. Project Completion

12. On completion of the contract, the MC should advise the PIU and EA who will, if required, depute a representative for inspection, to be conducted jointly with members of the MC and the service provider. If the inspection team concludes that a project has been implemented satisfactorily, a completion certificate will be issued by the MC, countersigned by the contractor, PIU and EA representative and the service provider. In case of defects, the contractor shall be provided in writing the list of defects that have to be made good. A time limit for correction of the defects should also be indicated. On final acceptance, final payments and retention money should be released with the approval of the PIU or EA to the contractor. As the scope of this Guide is limited mainly to contracting, issues regarding handing over to the communities to take over responsibilities for O&M and sustainability are not addressed in this Guide but should be adequately addressed by the processing missions.

I. Fund Flow

13. Fund-flow mechanisms should be developed on a case-to-case basis and carefully documented during Project design. Care should be taken to ensure that fund utilization is transparent, in order, and subject to adequate auditing. ADB-financed Projects, utilizing state funds, require accountability. Whenever banks are available locally, all transactions should be through previously approved banks. As indicated in paragraph 9, if banks are not available in the vicinity, funds should be handled by the PIU which will make direct payments to the suppliers and contractors based on the certification of the MCs, if required with the assistance of technically competent personnel, and actual measurements of works. Members of the communities who provide labor are eligible for payments. The contractors, duly witnessed by the MCs and NGOs, will make such payments directly to the labor. NGOs will be paid directly by the PIUs. Statement-of-expenditure procedures should be followed. A sample fund-flow procedure is at Appendix 6.

J. Audit

14. The PIU's and EA's internal audit organizations or an externally appointed auditor will conduct selective audits of the subprojects under the loan which has community participation. This audit report should form a part of the overall audit of the Project and should be submitted to ADB in accordance with loan covenants.

**A SAMPLE QUESTIONNAIRE FOR COMMUNITY PARTICIPATION IN CONSTRUCTION
(Schools)
(To be circulated in the local language)**

A. General

1. School : _____ Village: _____
2. Commune: _____ District: _____
Province: _____
3. Category of School: ___ Primary ___ Secondary ___ Senior Secondary
4. Classification: ___ Remote ___ Rural ___ Urban
5. Distance from nearest provincial office: _____ kilometers
6. Distance from nearest urban center: _____ kilometers
7. Student enrolment: _____
8. Name of Director or Head Principal: _____
9. School Management Committee: _____

	Name	Designation
a.	_____	_____
b.	_____	_____
c.	_____	_____
d.	_____	_____

B. Needs Analysis

10. How many students are presently enrolled in the existing school? _____
11. What is the expected increase in enrolment? _____
12. How many additional classrooms will be required? _____
13. How many teachers are presently available? _____
14. How many additional teachers will be required in the next five years? Please indicate year-wise requirements? _____
15. Do agreements exist with the government authorities for appointment and financing of the additional teachers, furniture, and books, etc.? Please attach relevant documents. _____
16. Do children from poor families attend school? _____
If yes, what is the number of such children? _____

17. What steps does the committee proposes to take to increase enrolment of children from poor families?

C. Community Participation

18. Is the School Committee ready to own responsibility for the construction of the new school?

Yes / No

19. If yes, provide the name of the person responsible of the construction.

20. Does this person have experience in supervising building construction?

Yes / No

21. If yes, indicate experience.

_____ years

22. Are there experienced building contractors operating in the
(a) community?
(b) district?
(c) province?

Yes / No

Yes / No

Yes / No

23. If yes, provide names of some of these contractors.

24. Can the community contribute in kind for the construction of the school?

Yes / No

25. If yes, please explain the form of contributions.

26. Has the community any previous experience with international donors?

Yes / No

27. If yes, please provide details.

28. Can the community maintain the new school?

Yes / No

29. If yes, what is the source of financing?

30. Name and communication details of the nearest reputable bank or microcredit institution.

31. Distance from school.

_____ kilometers

32. Indicate availability of construction materials in the near vicinity.

Material	Distance in km
_____	_____
_____	_____
_____	_____
_____	_____

33. Indicate availability of adequately experienced local labor.

Please indicate the names of three persons of the school committee who will be authorized to sign the agreement as well as checks on behalf of the school, if the school is selected for community participation.

- _____
- _____
- _____

Principal

Chairman, School Committee

**SAMPLE AGREEMENT FORM FOR CONSTRUCTION OF SCHOOL BUILDINGS
THROUGH COMMUNITY PARTICIPATION**

(This is a sample agreement used in a recent project and may be suitably amended, taking into consideration local and project-specific issues, and advice of the Project Counsel, on a case-to-case basis.)

1. Articles of Agreement

This deed of agreement is made on _____ [date] _____ between the (Project Implementation Unit (PIU)) _____ by its authorized representative (hereinafter referred to as the first party) and the School Construction Committee/Village Education Committee/Parent Teacher Association/Block Resource Committee _____, Village _____, Block _____, District _____ (hereinafter referred to as the second party) to execute the work of construction of ¹_____ (hereinafter referred to as works) on the following terms and conditions.

2. Cost of Contract

The total cost of the works (hereinafter referred to as the "total cost") is _____, as reflected in Appendix 1. **Out of the total cost, a sum of _____ would be borne by the second party and/or other beneficiaries. [** delete if not applicable].

3. Disbursement of Funds

- 3.1 The second party shall open a bank account in the name of the subproject (to be operated by two to three members of the managing committee [MC]) with the branch of a nationalized or scheduled Cooperative Bank as soon as this Agreement has been signed and shall provide its account number to the first party.
- 3.2 The second party shall notify the first party in writing of the names and addresses of those who will jointly operate the Bank account mentioned in Clause 3.1. Such signatories shall not be changed without the prior consent of the first party.
- 3.3 Payment to the second party for the construction work will be released by the first party in the following manner:

Advance (Mobilization advance upon start of work)	:	25% of the total cost
On reaching first stage *	:	25% of the total cost
On reaching second stage *	:	25% of the total cost
On reaching third stage *	:	15% of the total cost
Completion of the whole work (fourth stage)	:	10% of the total cost.

[* All stages should be agreed in advance and should be annexed to the agreement]

The above payment schedule is indicative and may be suitably adjusted on a case-to-case basis. Since this is an agreement between the PIU and the MC, no retention money is envisaged

3.4 Funds will be released at each stage by the first party on submission of a request by the MC.

4. Maintenance of Accounts

4.1 The second party shall maintain separate accounts for all the expenditures incurred and the payments made therefore by the first party from time to time for execution of the work. Such accounts shall be available for inspection by the first party or any other visiting team deputed for the purpose.

4.2 If at any time the first party determines that the second party is engaging in corrupt or fraudulent practices in any manner under or in relation to the contract, the first party shall be entitled to stop the right of the second party to make withdrawals from the bank account. Only after the second party either remedies the situation or compensates adequately for such corrupt or fraudulent practices, to the satisfaction of the first party, the second party will then be entitled to seek withdrawals from the bank account in agreement with the first party.

5. Completion Time

The works should be completed in _____ [months/weeks/days] from the date of this Agreement. In exceptional circumstances, the time period stated in this clause may be extended in writing by mutual consent of both parties.

6. Duties and Responsibilities of the First Party

6.1 The First Party shall be responsible for providing regular and frequent supervision and guidance to the second party for carrying out the works as per specifications. This will include written guidelines and regular visit of the authorized personnel of the first party, for checking quality of material and construction to ensure that it is as per the norms.

6.2 The PIU shall hold weekly meetings [*period to be modified as agreed for each project*] to monitor the progress of work and carry out random site inspections, as needed.

6.3 The First Party shall have the right to instruct, stop or suspend the construction at any stage if there is any deviation from the specification or violation of any of the terms of this Agreement and demand reimbursement of its payments.

6.4 The First Party shall guide and instruct the contractor, through the MC, on requirements concerning ADB's policies applicable on Involuntary Resettlement, 1995; Indigenous Peoples, 1998; and Guidelines for Incorporating Social Dimension in Bank Operations.

7. Duties and Responsibilities of the Second Party, represented by the MC

7.1 The second party shall

- (a) take up the works and arrange for its completion within the time period stipulated in Clause 5;
- (b) employ suitable skilled persons to carry out the works;
- (c) make labor payment as per schedule of labor payment for different items of work;
- (d) ensure that all purchases are as per specifications and required quality;
- (e) regularly supervise and monitor the progress of work;
- (f) abide by the technical suggestions or direction of supervisory personnel, including engineers, regarding building construction;
- (g) be responsible for bringing any discrepancy to the notice of the representative of the first party;
- (h) ensure that the works are carried out in accordance with specifications, drawings and also within the total sanctioned amount without any cost escalation;
- (i) keep the community informed of the progress of the works;
- (j) ensure that there is no improper utilization of the money or materials during construction;
- (k) maintain necessary insurance wherever practicable against loss of materials or cash or worker's benefits such as worker's compensation;
- (l) pay all duties, taxes and other levies payable by construction agencies as per law under the contract (first party will perform deductions in respect of such taxes as may be imposed under the law);
- (m) obtain all permits and licenses required under local laws;
- (n) ensure that no child labor is employed in any manner under the Contract and provide equal opportunities and pay for equal work for men and women;
- (o) ensure that the Contractor in carrying out the Contract complies with all and any applicable laws, rules and regulations; and
- (p) be responsible of the O&M works, if required.

7.2 In special circumstances, the second party may, after prior approval of the first party, entrust execution of the works on a piecework basis or otherwise to any appropriate agency.

8. Contract Variations

Only the first party can authorize any additions or subtractions to prices or quantities that imply the variation of the total amount of the contract. The first party may authorize variations in quantities, without modifying the unit price, of up to a maximum of 10% of the total contract price without amending the contract. The first party will not reimburse any such additional total costs not so authorized. The final contract value including all variations should not exceed the approved project cost.

9. Dispute Settlement

If any dispute arises between the parties over works relating to any aspects of this Agreement, the parties shall first attempt to settle the dispute through mutual and amicable consultation. If the dispute is not settled through such consultation, the matter may be referred for arbitration to the District Collector or Deputy Commissioner of the District.* (**Modify as appropriate for each project.*)

10. Termination

This Agreement may be terminated on the occurrence of either of the following:

- (a) by mutual agreement between the parties to this Agreement;
- (b) by the first party in any of the following cases :
 - (i) upon completion of the work to the satisfaction of the first party as evidenced by the MC;
 - (ii) if the second party engages in fraud or corrupt practices that adversely impacts on the Contract execution in the view of the first party;
 - (iii) if the second party is in breach of any of the provisions of this Agreement;
 - (iv) for any reason as reasonably justified by the first party in the interest of the Contract.

Signed and delivered by _____, President MC _____
on behalf of the Committee. In the presence of:

- (a) _____
- (b) _____

Signed and delivered by _____, authorized representative of the PIU, in
the presence of

- (a) _____
- (b) _____

SAMPLE DRAFT STANDARD CONTRACT

(This is a sample document that may be suitably modified as required.)

Project Contract Code Number : _____
Name of Project: _____
Project Number: _____
Bid Number: _____

This contract, which will be referred to as the "Contract" is made on _____ at _____

between

The Managing Committee (MC) of _____, which for the purposes of this Contract will be referred to as the "Owner" and will be represented by its Chairman and located at _____,

and

_____, which for the purposes of this Contract will be referred to as the "Contractor" and will be represented by _____ and located at _____.

1. Description and Location of Works: (here indicate in reasonable the scope of work)... which for the purposes of this Contract will be referred to as the "Works".

2. Responsibilities of the Parties

- 2.1 The Owner is responsible for financing, supervision, and disbursements of the Contract amount to the Contractor. The Owner will also have final responsibility for suspension or cancellation of the Contract.
- 2.2 The Owner will guide and instruct the Contractor through MC on requirements concerning ADB's policies applicable on Involuntary Resettlement, 1995; Indigenous Peoples, 1998; and Guidelines for Incorporating "Social Dimension in Bank operations.
- 2.3 The Contractor shall ascertain and conform in all respects with the provisions of any general or local act of government and such regulations and laws, which may be applicable to the Works.
- 2.4 The Contractor shall carefully plan and conduct the works in a manner, which will minimize any adverse or negative effect on the environment and natural resources.
- 2.5 The Contractor is responsible for implementing the project according to the specifications, designs, site plan and costs contained in the Contract and its attachments. The Contractor shall also be responsible for safe and recur storage of materials and

equipment, transport of materials and equipment, labor costs and other costs incidental to implementing the Contract. The Contractor retains all responsibilities for all labor and personnel employed by the Contractor, including all responsibilities for emergencies, health, accident liabilities and other social benefits.

- 2.6 The Contractor will ensure that no child labor is employed in any manner under the Contract.
- 2.7 The Contractor will ensure, to the extent possible, use of suitable labor, with equal opportunities for men and women and with equal pay for equal work, from the local community, who will be paid reasonable wages, not less than the minimum applicable wages. (Processing Missions to take particular care to lay down clear procedures on the availability, selection, and payment of local labor.)
- 2.8 The Contractor will implement the Contract in accordance with applicable ADB guidelines indicated in subclause 2.2 above.

3. Purposes

In accordance with the decision of the meeting held on _____ [date] _____, the Owner will provide funds for the implementation of the Contract in accordance with the documents attached hereto.

4. Attached Documents

The following are appended and form part of the Contract:

- 4.1 Bid Form
- 4.2 Designs, specifications, site plan, project cost
- 4.3 Mandates, designations and other legal documents
- 4.4 Project Bill of Quantities
- 4.5 Schedule of Construction.

5. Financing and Disbursements

- 5.1 The amount of the Contract is up to the sum of _____.
- 5.2 The Owner will release payments in accordance with the payment schedule attached, on receipt of a request from the Contractor, and subject to measurements and quality acceptance.

6. Performance Bond and Defects Liability Period

(Normally, such community-based contracts should not have provisions for performance bonds. Nevertheless, it is proposed to include this draft clause here for reference. A suggested sample is provided)

- 6.1 Within 7 days of the signing of the Contract, the Contractor shall furnish the owner a performance bond in the amount of 10% of the Contract price to guarantee the faithful performance of the Contractor's obligation under the Contract. Such performance bond

will be denominated in [currency], in cash, bank drafts, or in the form of a bank guarantee or irrevocable letter of credit (LC) issued by a reputable bank acceptable to the Owner and valid upon the completion of the defects and liability period. The LC should be in the form as provided as a sample in the bidding document or another form acceptable to the Owner.

- 6.2 The Owner will return the performance bond fee to the Contractor, on satisfactory completion of a defects liability period after the accepted hand over of the Works. In the event of incomplete or defective work, the performance bond will first be used to cover the cost of rectification of satisfactory completion of such Works.
- 6.3 The Contractor shall be responsible for rectifying all defects for a period of 6 months from the date of completion of the works, which must include one full rainy season.

7. Advance Payment

- 7.1 The Owner will make an advance payment to the Contractor upon signing of the Contract and subsequent receipt of performance bond in the amount of 10% of the Contract price.

8. Project Supervision

- 8.1 The Owner will supervise directly the implementation of the project till completion.
- 8.2 The Project Implementation Unit of _____ will have the right to review and inspect the Works and accounts to verify correct implementation of the Project.

9. Disbursement Procedures

- 9.1 All disbursements under this Contract will be carried out by means of money transfer order, issued in favor of the Contractor, in the name of _____, Account No. _____, [Name of Bank] _____.
- 9.2 All disbursements will be made only after carrying out the following procedures.
- The Contractor requests disbursement from the Owner by means of a monthly (or more often) invoice of implementation.
Requested disbursement is approved by the Owner.
- 9.3 For all disbursements up to the final disbursement, the Owner will withhold 5 percent of each disbursement as a repayment of the work advance. All outstanding advances shall be adjusted from the final payments.

10. Contract Termination

This Contract may be terminated on the occurrence of either of the following:

- (a) by mutual agreement between the parties to this Agreement; or
- (b) by the Owner in any of the following cases :
 - (i) upon completion of the Works to the satisfaction of the Owner;
 - (ii) if the Contractor engages in fraud or corrupt practices that adversely have an impact on the Contract execution in the view of the Owner;
 - (iii) if the Owner is in breach of any of the provisions of this Agreement;
 - (iv) for any reason as reasonably justified by the Owner in the interest of the Contract.

11. Amendments to the Contract

Amendment to the provisions of this Contract can be made only with the consent of all parties to the Contract.

12. Prohibitions

- 12.1 The Contractor is prohibited from subcontracting any Works component, otherwise the Owner shall have the right to cancel this Contract and shall not reimburse the costs of construction work and material to the Contractor.
- 12.2 The Contractor is prohibited from requesting free counterpart work from beneficiaries for activities being paid by the Contractor. In case of such contraventions, the Owner shall have the right to stop disbursements and suspend or cancel this Contract.

13. Authorized Signatures

Any request or report directed to any of the parties to this Contract must be signed by designated representatives of the parties.

14. Duration of the Contract

The Contractor commits to completion of the implementation of the Works within _____ months to be counted from the ground breaking ceremony date. In the case of noncompliance with this provision, the Contractor is subject to a penalty of _____ of the total Contract amount per day of delay, **the maximum amount of penalty shall not exceed 5 per cent of the Contract Price**, except in the case of force majeure, in which case the Owner will evaluate the additional time to be allowed and so inform the Contractor.

15. Addition, Revisions and Variations

- 15.1 Any additions or subtractions to prices or quantities that imply the variation of the total amount of the Contract can be authorized only by the Owner. The Owner may authorize variations in quantities, without modifying the unit price, of up to a maximum of 10% of the total Contract price without amending the Contract. The Owner will not reimburse any such additional total costs not so authorized.

15.2 The Contractor will not make any claims to the Owner on the basis of incomplete knowledge or errors in the project design or specifications during or after the implementation of the Contract.

16. Settlement of Disputes

Any conflicts or dispute arising out of or in connection with the interpretation or implementation of this Contract, which cannot be settled amicably by the parties, shall be decided through judicial proceedings in accordance with the _____ laws.

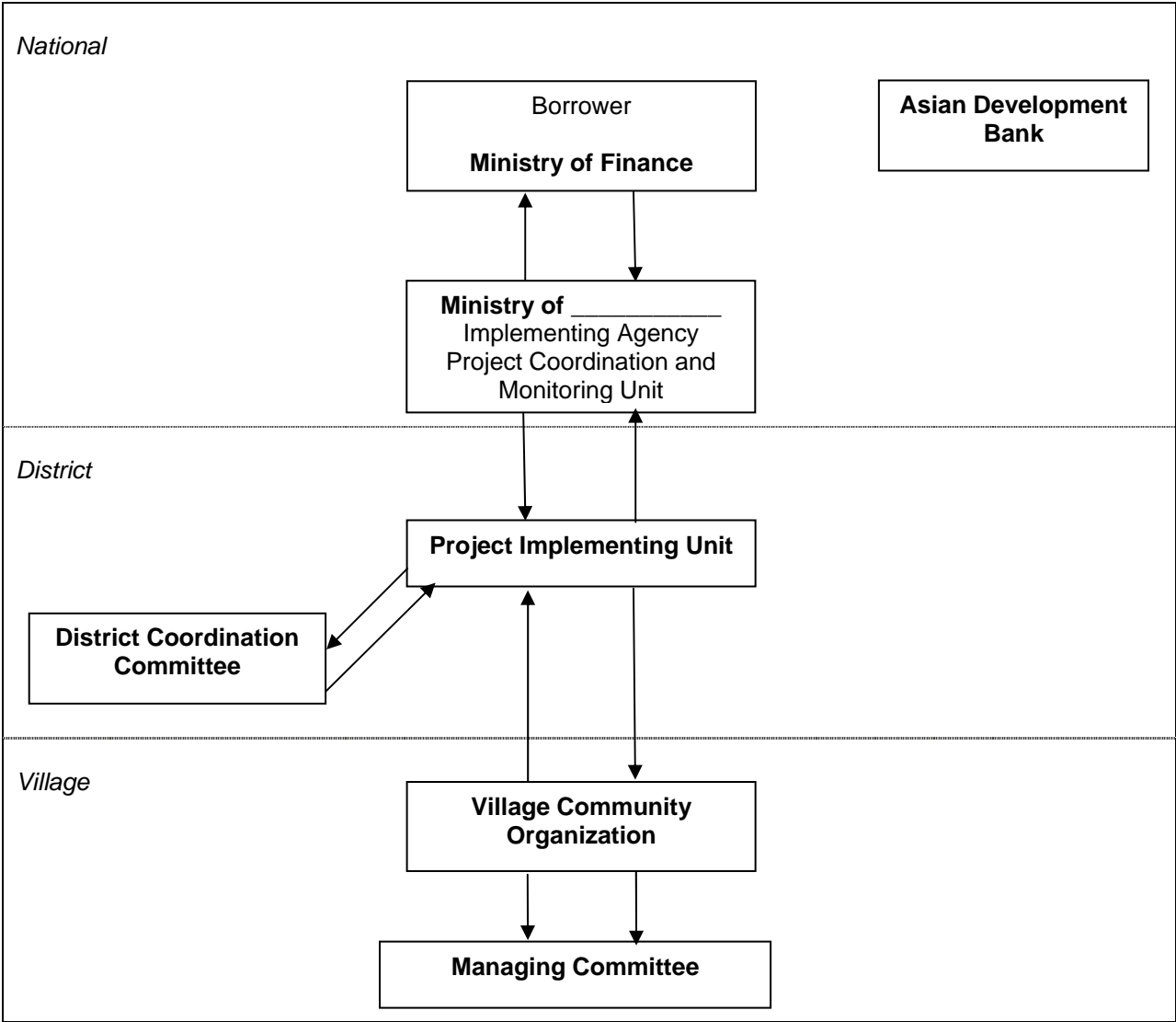
17. The present Contract shall take effect when signed by all parties.

Signed on this _____ day of _____ at _____.

The Managing Committee
of _____ Community

The Contractor

SAMPLE ORGANIZATION CHART FOR PROJECT IMPLEMENTATION



Note: This is a sample organization chart. The processing mission may develop a more comprehensive project management system, which may include involvement of consultants and NGOs as well as other officers at the provincial, district, and subdistrict level, local government and municipalities

SAMPLE SELECTION CRITERIA OF NONGOVERNMENTAL ORGANIZATIONS

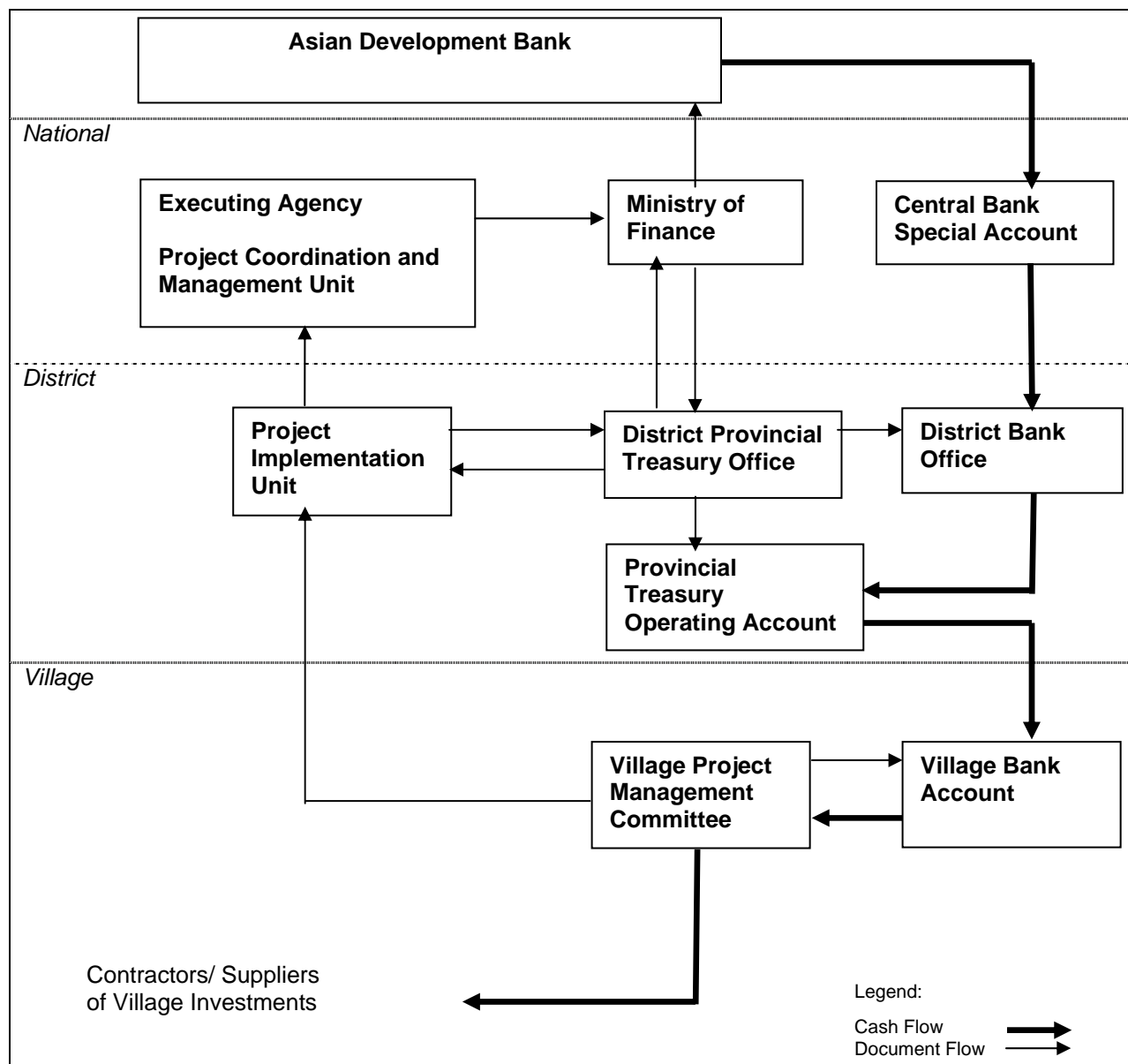
Nongovernmental organizations (NGOs) should

- (i) be local community organizations or local branches of national NGOs, working for the social development of weaker sections of the community;
- (ii) be legally registered as per local laws (registration certificate must clearly indicate the mission and objectives);
- (iii) not be objectionable to the relevant government department or ADB;
- (iv) have guided at least five village-level community-development programs;
- (v) maintain audited accounts (this could be considered restrictive but in the interest of transparency, this requirement should be retained);
- (vi) have active management;
- (vii) hold open meetings as needed;
- (viii) have experience in addressing gender issues;
- (ix) submit a clear statement of understanding and responsibilities;
- (x) have adequate number of field staff;
- (xi) have prior experience with the community similar communities, or both, or implementation of comparable activities at the community level; and
- (xii) should not have political or commercial interests.

Note: Submission by NGOs should also include the following information:

- Number of permanent staff,
- Year of registration and years since establishment (this is to exclude instantly formed NGOs), and
- Existence of permanent office.

INDICATIVE DISBURSEMENT FLOW CHART FOR VILLAGE INVESTMENTS



Note: This is only an example. Processing Missions should also take into consideration that not all PIUs maintain bank accounts with provincial treasury officer. Alternate systems such as maintenance of a first generation imprest account may be maintained by the EA and a second generation imprest account by the PIU. MC will submit approved invoices and certificate of work completed to PIU for payment to contractors. PIU will maintain documents and submit SOE to EA and EA will prepare withdrawal application to ADB for replenishment or liquidation of imprest account.