

*Hanoi, 15<sup>th</sup> January 2007*

**CIRCULAR**

**Guidelines to implement the Production Development Component and Agro-Economic Structural Shift, and Improvement of Farming Practices for Extremely Difficult Communes in the Ethnic Minority and Mountainous Areas under Program 135 for the period 2006 - 2010.**

Pursuant to the Government Decree No. 86/2003/NĐ-CP dated 18/7/2003 on functions, mandates, responsibilities, power and structure of the Ministry of Agricultural and Rural Development;

Pursuant to the Decision No. 07/2006/QĐ-TTg dated 10/01/2006 by the Prime Minister approving the Socio-Economic Development Program for Extremely Difficult Communes in Ethnic Minority and Mountainous Areas for the period 2006-2010;

Ministry of Agricultural and Rural Development (MARD) issues the Circular guiding the implementation of the Component “Support to Production and Agro-economic structural Shift and Improvement of Farming Practices for Extremely Difficult Communes in Ethnic Minority and Mountainous Areas” (hereafter referred to as Production Development Component) as follows:

**PART 1. GENERAL PROVISIONS**

1. The Component Support to Production shall be implemented in extremely difficult communes, communes in border areas and former revolutionary bases; extremely difficult villages and hamlets located in Zone II communes under Program 135 phase II for the period 2006 - 2010 in accordance with the list approved by the Prime Ministers. The provisions specified in this Circular and in the Inter-circular No. 676/2006/TTLT-UBDT-KHĐT-TC-XD-NNPTNT dated 08/08/2006 guiding the implementation of the Socio-Economic Development Program for Extremely Difficult Communes in Ethnic Minority and Mountainous Areas for the period 2006-2010 shall be observed during the implementation of the Component.

2. The Production Component shall implement activities to accelerate production, promote economic structural shift, improve farming practices for

ethnic minorities, and improve investment effectiveness to help poor households escape from poverty.

3. The selection of production activities, planning, implementation, monitoring and evaluation shall be carried out in a transparent, democratic and participatory manner to take advantage of people's initiatives and creativeness.

4. The aspects of Production Component to be developed shall contribute to the P135 overall and specific objectives and shall be associated with commune, district and provincial socio-economic development plans.

5. Integrate with other components of Program 135. Experience from other programs and projects in the targeted areas shall be integrated and applied to maximize the effectiveness of the Program 135.

6. Diversify contributions from national and international organizations and individuals and local budgets and mobilize people and community contributions in the project areas to implement the program (in cash, kind and labor).

7. Communes will be further decentralized to be investment owners on the basis of training and capacity building for local management staff. The Provincial People's Committee (PPC) and District People's Committee (DPC) shall be responsible for guiding and providing training for communes in management and implementation of the Component.

## **PART II. SPECIFIC PROVISIONS**

### **1. Targets:**

Beneficiaries are poor households and groups of households as follows:

*1.1. Poor households:* As specified in the Decision 170/2005/QĐ-TTg dated 8/7/2005 by the Prime Minister adopting the poverty line for the period 2006 – 2010.

*1.2. Groups of households:* Beneficiary groups of households shall meet the following criteria:

- Consist of poor households and others, living in the same village, having a common interest in production development and volunteering to help one another.

- Have commitment or regulations defining clear responsibilities, rights and contributions (in labor, kind and cash...) of each group member to

implement the component and have a plan to use the allocated budget to improve incomes and generate jobs for group members.

- Have a group leader appointed by the group to manage the group.
- The proportion of poor households is determined by the Commune People's Committee (CPC) based on local conditions.

The households and groups of households shall be selected on a transparent, democratic and participatory manner where priority is given to the poorer to receive investment first. The CPC chairman shall prepare a list of households and groups of households through the Standing People's Council to submit to the DPC for approval

## **2. Content of the Component**

Based on the local socio-economic conditions, natural resources, traditional handicrafts, human resources, basic infrastructure; market demand and production practices... CPCs shall guide people to choose appropriate types of support to diversify and increase incomes. The support can take the form of materials, production knowledge and market information, including the following:

### *2.1. Support for agro-forestry, fishery and industrial extension;*

- Disseminate advanced technologies, techniques, market information and prices; printing, publishing and disseminating production procedures for crops, domestic stocks, post-harvesting, processing of agro-forestry products ...;
- Provide training and vocational training to improve rural and agricultural economic management skills and knowledge.
- Organize study tours to learn good practices in the area or in other areas.
- Develop demonstration models of advanced technologies in agricultural, forestry and fishery production

### *2.2. Support to develop and replicate production models;*

- Models of advanced technology transfer in: farming, livestock, aquaculture and agro-forestry and fishery processing;
- Models of production based on processing and post-harvesting of and market-demand for agro-forestry and fishery products;
- Models of rural agricultural economic structural shift.

2.3. *Support seed, livestock and materials for production (applicable to poor households);*

- Animal inputs: cattle, small livestock, poultry and fish species; food crops, industrial, forestry and fruit trees and medical plants of high productivity and appropriate quality to local conditions.

- Chemical fertilizers, veterinary medicine, insecticides, pesticides and other materials.

2.4. *Support procurement of equipment for processing and post-harvesting.*

- Dryers, equipment for post-harvesting and processing of agro-forestry products.

- Equipment, tools for processing and post-harvesting of agro-forestry and fishery products.

The percentage of support value for each aspect: assortment, size of tools and equipment for processing and post-harvesting of agro-forestry and fishery products shall be determined by the Provincial People's Committee (PPC) in accordance with local economic conditions.

### **3. Component Management**

#### *3.1 Project owner*

DPC Chairman decides to assign CPC chairman to be the project owner. As for the communes which do not have enough capacity, DPC will assign a relevant district department (Department of Agriculture, Department of Economics...) to manage the project.

#### *3.2 Project management unit (PMU)*

The Project owner shall use P135 PMU at the commune and district levels which will be tasked with the management of the production component. New PMUs shall be established in accordance with the Inter-Circular No. 676/2006/TTLT-UBDT-KHĐT-TC-XD-NNPTNT in communes or districts without existing PMUs.

Tasks of a PMU include:

- Prepare project proposal, detailed budget estimates and work plans.
- Select and sign contracts with individuals, organizations, entities for procurement of services under authorization of the project owner.

- Coordinate with the commune monitoring board to monitor project implementation.
- Manage quantity, quality, progress and budget of the project.
- Prepare progress reports.
- Appraise, approve and make payment in accordance with contracts.
- Handover completed aspects of the project.
- Carry out other tasks as assigned by the project owner

### *3.3 Commune supervision board*

Use commune supervision board for P135 to supervise. The board shall be responsible for supervising implementation of the project from the stage of project preparation to the end including handover and making payment.

## **4. Procedures for preparation, appraisal and approval of projects and investment plans;**

### *4.1. Preparation, appraisal and approval*

The component shall be implemented with P135 recurrent and development investment budget and other integrated budget sources.

#### a. Projects using recurrent budget:

The recurrent budget is used for such activities as: support to agro-forestry, fishery and industrial extension; seed, livestock and materials for production. Based on the technical-economic targets approved by relevant authorities, PMUs will only prepare detailed budget estimates to submit to the DPC for appraisal and approval.

#### b. Projects using development investment budget:

Development investment budget will be used for such activities as: support to establish and replicate production models; procurement of equipment and tools for processing and post-harvest in accordance with Circular 676/2006/TTLT-UBDT-KHĐT-TC-XD-NNPTNT dated 08/08/2006 as follows:

Prepare a detailed technical and economic report specifying: project title, contents, project owners, location, scope, duration, budget estimate.

The project owner shall select a legal consulting entity to prepare the technical and economic reports to submit to the DPC for appraisal and approval.

The cost for preparation and appraisal of technical and economic reports shall comply with Circular No. 01/2006 TT-BXD dated 17/5/2006 by the Ministry of Construction guiding the preparation and management of investment budgets for infrastructure under SEDEMA for 2006-2010.

#### *4.2 Project implementation*

##### 4.2.1 Preparation of investment plan

The steps for preparation of an investment plan include:

a. Village, commune: Meetings with people to identify needs for support. Village leaders shall compile the needs of all households and groups of households to submit to the commune people's committee and make public for people's supervision.

b. CPC: Based on village socio-economic development plans and needs of villages to develop annual and overall work plans for the period 2006-2010 to submit to DPC for approval.

c. DPC: Synthesize commune annual plans and overall plan for 2006-2010 to submit to the PPC for appraisal and approval.

d. PPC: Based on the allocated budget from the state government and mobilized budgets, approve district annual plans.

##### 4.2.2 Investment implementation

a. The project owner shall choose a contractor directly for development investment budget. PMU shall select and enter contracts with individuals, entities and organizations to provide services in accordance with detailed budget estimate and approved economic and technical reports. The use of competitive bidding for contracting should be encouraged.

b. After signing procurement contracts to deliver services, PMU in cooperation with the contractors shall implement project activities for households and groups of households. The households and groups of households are responsible for all commitments to implement the project.

c. PMU, Commune Monitoring Board and beneficiaries shall monitor project implementation.

##### 4.2.3 Acceptance and handover.

###### a. Acceptance

The project owner shall evaluate and accept completed items; evaluation and acceptance board consists of:

- a representative from PMU,
- a representative from the consultancy company/service provider
- a representative from commune monitoring board and representatives of beneficiary villages

The project owner shall invite other relevant individuals to participate as per certain cases.

#### b. Handover

In case the project owner is the district level, upon acceptance of completed items, the project owner shall handover all completed items to the CPC. The CPC shall hand these over to households and groups of households who directly manage and use the items.

In case the project owner is the commune level, the project owner shall handover to households and groups of households who directly manage and use the items.

### **PART III. IMPLEMENTATION ARRANGEMENTS**

#### **1. Ministry of Agriculture and Rural Development**

Delegates to the Department of Cooperatives and Rural Development to coordinate with relevant departments and agencies to:

- Compile detailed local budget allocation plans for the Production Component to submit to MARD and send to CEMA to consolidate into an overall P135 budget allocation plan to submit to MPI and MOF to submit to the Prime Minister for approval;

- Check, supervise the progress of the implementation of the Production development component and propose solutions, mechanisms and policies to achieve P135II objectives

- Develop and issue manuals; training framework, training materials and user guides for common assets of households constructed with component budget support and other necessary elements to implement the production component.

- Consolidate implementation results and prepare semi-annual and annual reports to submit to the program standing agency;

## **2. Provincial People's Committee:**

*2.1. Direct the DPC, relevant provincial departments and agencies to implement the component in the localities and be responsible for the results and use of budget.*

- Develop the overall plan for the Production development component for the period 2006-2010 and annual plans.

- Detail guidelines to make it suitable to local conditions

- Approve support levels, technical and economic targets and unit prices for different component aspects.

- Organize training on component implementation for the district and commune levels and relevant departments and agencies in the province.

- Consolidate implementation results and prepare quarterly, semi-annual and annual reports to submit to MARD.

- Organize evaluation workshop to review and make recommendations on policies and solutions for component implementation.

*2.2 Direct DARD (Sub-Department of Rural Development and Cooperatives, advise PPC in state management of Production Development Component and be in charge of the following:*

- Develop an overall plan for the Production development component.

- Lead and coordinate with relevant provincial departments and agencies in identifying support levels for each component aspect and targeted group, defining economic and technical targets to submit to PPC for approval as a basis for the preparation and approval of budget estimates and making payments.

- Guide the districts and communes in developing projects and investment plans. Consolidate district plans, developing detailed budget allocation for districts to submit to DPC and report to P135 Provincial Steering Committee, MPI and MOF and submit to PPC for approval.

- Provide detailed guidance on support rates from the Component, assortment and size of tools and equipment for post-harvesting, processing of agro-forestry and fishery products in accordance with local economic conditions.

- Take the lead, consolidate, disseminate and replicate production models in the localities.

- Check and monitor implementation of the Support to Production component project in the province.

- Consolidate implementation results and prepare quarterly, semi-annual and annual reports to submit to MARD and the P135 provincial standing agency.

### **3. District People's Committee:**

Report to PPC and be responsible for the overall performance of the Production Development Project at the district level, to ensure good targeting and effective use of investment budget.

- Provide guidance to communes to develop, appraise and approve projects and investment plans and consolidate the plans to report to DARD and the P135 provincial standing agency.

- Be project owners when assigned by the PPC

- Take the lead, monitor and supervise the implementation of the component at commune level and develop, evaluate and disseminate demonstration models.

- Consolidate project results and prepare quarterly, semi-annual and annual reports to submit to Provincial DARD and the P135 provincial standing agency.

### **4. Commune People's Committee:**

- Report to the DPC and be responsible for the overall performance of the production development component at commune level, and the results and effective use of investment;

- Disseminate and promulgate Program 135 for the period 2006-2010 and the production development component.

- Develop local socio-economic development plans and guide people to choose types of support from the component.

- Be project owners if assigned by the DPC;

- Develop projects to submit to the DPC for appraisal and approval;

- Lead the implementation of projects at household and group levels;

- Check and monitor project implementation to ensure that grass root democracy is observed;

- Prepare quarterly, semi-annual and annual reports to submit to the DPC.

5. This Circular shall take effect 15 days as of the date of Official Gazette release, and previous legal documents conflicting with this Circular shall be void.

Any problems emerging during the implementation of this Circular should be reported to the Central Standing Body of Program 135, which will revise and improve the Circular accordingly.

***Recipients:***

- The Prime Minister;
- Deputy Prime Ministers;
- Ministries and Ministerial and Government Agencies;
- Office of the Central Committee of the Communist Party and its Department;
- Office of NA;
- Office of the President;
- Office of the Government;
- Economic Department of the Central Committee of the Communist Party;
- CEMA and Committees of the NA;
- Supreme Court;
- People's Supreme Procuracy;
- Mass organization at central level
- Department of Document Checking, Ministry of Justice
- Provincial DARDs in P135 area
- Sub-department of Cooperative in provincial DARD in P135-II area
- Government Website
- Official Gazette;
- For filing

**On behalf of the Minister  
Vice-Minister**

**Ho Xuan Hung**  
(signed and sealed)