

Project Administration Manual

Project Number: 48127-002
Loan and/or Grant Number(s): {LXXXX; GXXXX }
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LAO PDR: Second Strengthening Higher Education Project

ABBREVIATIONS

ADB	=	Asian Development Bank
ADF	=	Asian Development Fund
AFS	=	audited financial statements
CQS	=	consultant qualification selection
CU	–	Champasack University
DHE	–	department of higher education
DMF	=	design and monitoring framework
EARF	=	environmental assessment and review framework
EIA	=	environmental impact assessment
EMP	=	environmental management plan
ESMS	=	environmental and social management system
GACAP	=	governance and anticorruption action plan
GDP	=	gross domestic product
HE	–	higher education
HEI	–	higher education institution
ICB	=	international competitive bidding
IEE	=	initial environmental examination
IPP	=	indigenous people plan
IPPF	=	indigenous people planning framework
Lao PDR	–	Lao People's Democratic Republic
LAR	=	land acquisition and resettlement
LIBOR	=	London interbank offered rate
LUMS	–	Lao universities' management system
MOES	–	Ministry of Education and Sports
NCB	=	national competitive bidding
NGOs	=	nongovernment organizations
NSEDP8	–	Eighth National Socioeconomic Development Plan
NUOL	–	National University of Laos
PAI	=	project administration instructions
PAM	=	project administration manual
PIU	=	project implementation unit
PPP	–	public-private partnership
QBS	=	quality-based selection
QCBS	=	quality- and cost-based selection
RRP	=	report and recommendation of the President to the Board
SBD	=	standard bidding documents
SDR	–	special drawing right
SGIA	=	second generation imprest accounts
SKU	–	Savannakhet University
SOE	=	statement of expenditure
SPS	=	Safeguard Policy Statement
SPRSS	=	summary poverty reduction and social strategy
SSS	=	single-source selection
SU	–	Souphanouvong University
TA	–	technical assistance
TOR	=	terms of reference

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Project Administration Manual Purpose and Process

The project administration manual (PAM) describes the essential administrative and management requirements to implement the project on time, within budget, and in accordance with Government and Asian Development Bank (ADB) policies and procedures. The PAM should include references to all available templates and instructions either through linkages to relevant URLs or directly incorporated in the PAM.

The Ministry of Education and Sports as executing agency and implementing agency is wholly responsible for the implementation of ADB financed projects, as agreed jointly between the borrower and ADB, and in accordance with Government and ADB's policies and procedures. ADB staff is responsible to support implementation including compliance by Ministry of Education and Sports of their obligations and responsibilities for project implementation in accordance with ADB's policies and procedures.

At loan negotiations the borrower and ADB shall agree to the PAM and ensure consistency with the financing¹ agreement. Such agreement shall be reflected in the minutes of the loan negotiations. In the event of any discrepancy or contradiction between the PAM and the financing agreement, the provisions of the financing agreement shall prevail.

After ADB Board approval of the project's report and recommendations of the President (RRP), changes in implementation arrangements are subject to agreement and approval pursuant to relevant Government and ADB administrative procedures (including the project administration instructions) and upon such approval they will be subsequently incorporated in the PAM.

¹ The name of the operational financing document may vary on a project to project basis; this reference shall be deemed to encompass such variations, e.g., a Framework Financing Agreement, as applicable.

I. PROJECT DESCRIPTION

1. The proposed Second Strengthening Higher Education Project (the project) will strengthen the linkage between higher education (HE) services and socioeconomic needs by improving HE quality, enhancing access to modern HE programs, and strengthening governance and management of HE institutions. The project builds on the achievements and lessons learned from Strengthening Higher Education Project (SHEP),¹ which introduced innovative approaches to improve the HE subsector in Lao People's Democratic Republic (PDR). A project preparatory technical assistance (PPTA) was provided and presented considerable opportunity for consultation with the Ministry of Education and Sports (MOES) and stakeholder groups such as public and private HEIs, employers and the private sector to determine the scope of interventions to lift access, quality and relevance.²

A. Rationale

2. Lao PDR is currently classified as a lower income country. However it has consistently achieved economic growth of 7% or better over the last nine years, and has reduced poverty incidence to below 20% of the population. The population is about 7 million, with a moderated birth rate but there are still larger cohorts coming through to the main HE age bracket. Economic growth has reduced official poverty rates from 46% in 1992 to about 23% in 2012.³ GDP stable annual growth rate was about 8.5 % in 2013. Consistent with growth in the economy and population, an expansion of 25% in university enrolment is proposed in the Education Sector Development Plan (ESDP) 2016-20,⁴ from 36,000 to 45,000.

3. About 70% of the Lao population is still engaged in agriculture. The main export industries are mining and hydro-power, mainly foreign-owned, and with many of the high-skilled positions filled by foreigners. Most Lao-owned enterprises are small, and most Lao graduates currently work in the public sector. However opportunities for the exercise of graduate skills are increasing with the growth of urbanization and the diversification of business. The drive towards knowledge-based economy and regional integration places increasing pressure on the Lao PDR HE subsector to upgrade its performance and productivity. The lack of educated and skilled human resources is a critical constraint to growth.⁵ A recent survey of graduates' skills and employer requirements identified the need to address the gap between skills demand and supply. Some 50% of companies face problems recruiting staff, noting that graduates lacked qualifications, skills and knowledge, and motivation; 74% of private sector employers were more satisfied with overseas graduates' skills than those locally trained.⁶ Gender inequity remains an issue: while females outnumber males in post-secondary education, their labor force participation is lower, emphasizing the mismatch between the skills learned in school and labor market needs. The HE subsector needs to provide job-ready, male and female graduates,

¹ ADB. 2009. *Report and Recommendation of the President to the Board of Directors: Proposed Asian Development Fund Grant to the Lao People's Democratic Republic for the Strengthening Higher Education Project*. Manila

² ADB. 2014. *Technical Assistance to Lao PDR for Second Strengthening Higher Education Project*. Manila (PPTA 8837-LAO).

³ World Bank. <http://data.worldbank.org/country/lao-pdr> (accessed 22 August 2016)

⁴ Government of Lao PDR. Ministry of Education and Sports (MOES). 2016. *Draft Education Sector Development Plan (ESDP) 2016–2020*. Vientiane

⁵ ADB. 2011. *Critical Constraints to Growth in the Lao PDR*. Vientiane.

⁶ J. Duronsoy, V. Syvilay, and N. Billany. 2014. *Report on Employers' Survey Related to Higher Education Graduates' Employment Issues in Lao PDR*, Strengthening Higher Education Project. Vientiane.

generate research to support socioeconomic development, and partner with industry and government in productivity-enhancing endeavors.⁷

4. Meeting these needs requires the capacity to operate at the most advanced and specialized levels in all fields, as well as capacity for independent and original thinking and research. Individuals must be able to develop and test new theories to resolve complex, abstract and emergent issues in highly specialized and complex contexts, and be able to create new knowledge or practice. While team working, analytical and critical thinking, development of cognitive processes, etc. are all essentials in today's world, they must be combined with high level initiative, adaptability, self-direction and leadership of others. Individuals must be able to deliver authoritative and expert judgments. The ability to apply and take responsibility for such knowledge and skills is globally embedded in the HE subsector, most generally represented by the universities.

5. The time-honored purpose of universities has been teaching and research; in the traditional model of HE, new knowledge or understanding is sought through intellectual inquiry and research, and is then transmitted to the next generation through the teacher–student relationship. The new knowledge is safeguarded within the academic institutions. The advent of the knowledge-based economy has shaken this traditional model, and created a new paradigm for HE. “Today its purpose is increasingly to craft job-ready graduates, produce problem-solving research, and partner with industry and government in productivity-enhancing undertakings. In essence, the university is becoming a ‘knowledge conglomerate’.”⁸

6. **Strengthening higher education.** The country's HE subsector is striving to meet international and regional standards. Universities fall short in equipping students with requisite competencies for employment because of a combination of interrelated factors. HE curricula remain outdated and unresponsive to industry needs. Teaching methods rely heavily on lectures and provide marginal opportunities for practical learning or soft skills development of students. Faculty and staff members are relatively inexperienced and lack relevant pedagogical and research training and post-graduate degrees. Learning facilities and equipment are obsolete. Beyond solely producing graduates, the potential of universities to support and contribute to national development is largely untapped. Underinvestment in the HE subsector is a key challenge in sustaining reform initiatives. HE enrolment is stifled by lack of access due to limited facilities, high costs of education, and limited scholarships. Another issue confronting the subsector is the weak leadership and administration of higher educational institutions (HEIs). SHEP tackled key quality issues by enhancing the capacities of higher education staff, strengthening curriculum development, and improving quality assurance processes. These initiatives will be further enhanced under the project. SHEP improved access to higher education by upgrading the learning environment, particularly at Champasack University, and a similar approach will be undertaken under the project for Savannakhet University. The project will consolidate and sustain the gains of SHEP in reforming the higher education subsector by providing further support to enhance the capacity of universities to deliver higher quality programs and services.

7. It is important to recognize that HE is anything but a homogenous subsector. Instead, it is made of several very different segments or tiers, with their specificities, strengths and weaknesses. In its request to ADB, the government has emphasized that a focus should be on

⁷ Mohrman, K., W. Ma, and D. Baker. 2008. *The Research University in Transition: The Emerging Global Model*. Higher Education Policy. 21 (1).

⁸ *ibid.*

the university segment, which itself, while still small, it is made of very different units. One way to support this segment (in addition to other initiatives) is to narrow down the focus even further, and to concentrate support on those units that have the potential to leverage the entire subsector. By definition, these elements, the centers of excellence (COE), can be only few, and are already recognized as having the capacity to become “role models” attracting quality inputs, adding value and delivering quality outputs.

8. There are several concepts of centers of excellence (and many more of “excellence” itself) and they are distinguished based on their main mission,⁹ In the case of Lao PDR, the selection of a COE that focuses on social and economic development is relevant because the scarcity of resources and the small size of the country impose a focus on social and economic development through alignment to national priorities. COEs are to be conceived in a medium to long-term perspective and are expected to be sustainable once they have acquired their maturity and have established their reputation and credibility. They suppose a substantial amount of additional funding,¹⁰ delinked from the regular budget used for the normal activities of universities. This funding is needed to attract and retain highly performing local and foreign faculty staff and to create an enabling environment for research in terms of laboratories, equipment and material.

9. **Improving relevance and quality.** Most HEIs, do not meet the same quality standards as those of other countries in the region. About 50% of employers surveyed indicated graduates lacked qualifications, skills and knowledge, and motivation.¹¹ The same survey reported that 92% of the respondent graduates had found jobs within one year of graduation. However, current employment status showed 24% unemployed, with about half of those seeking employment. Only 6% were employed in industrial and developing sectors (energy 2.6%, mining 0.7% and construction 2.7%), indicating that the large number of available vacancies for highly qualified staff in those developing sectors are not accessible to most graduates from Lao universities. An inadequately educated workforce is a huge challenge for doing business in Lao PDR.¹² In 2015, Lao PDR ranked 112 out of 140 countries on the higher education and training component of the Global Competitiveness Index.¹³

10. **Enhancing qualifications of academic staff.** A key reason for the low quality of HE in Lao PDR is the lack of qualified academic staff with advanced degrees.¹⁴ In 2015, 45.2% of staff in the National University of Laos (NUOL) had a postgraduate degree (6.7% had doctoral degree and 38.5% had master’s degree) and the remaining 54.8% had bachelor’s degree. In 2015, the PhD:MA:BA ratio at Champasak University (CU) was 1:16:50, and at Souphanouvong University (SU) was 1:34:48, and at Savannakhet University (SKU) was 1:5:35.¹⁵

⁹ See for instance Hellstrom, W. 2010. “Centers of Excellence as a Tool for Capacity Building”. Paris: OECD

¹⁰ The amount of funding linked to excellence initiatives varies considerably. It ranges from USD one million per year in a few cases (Denmark, Norway) to over USD 100 million for the most ambitious ones (e.g. Saudi Arabia). See J. Salmi and E. Hazelkorn. 2016. Forthcoming. *Global Rankings and the Geo-politics of Higher Education: Understanding the Influence and Impact of Rankings on Higher Education, Policy and Society*. London: Routledge

¹¹ J. Duronsoy, V. Syvilay, and N. Billany. 2014. *Report on Employers’ Survey Related to Higher Education Graduates’ Employment Issues in Lao PDR*, Strengthening Higher Education Project. Vientiane.

¹² World Economic Forum. 2014. *The Global Competitiveness Report 2014-2015*. <http://www3.weforum.org/docs/GCR2014-15/LaoPDR.pdf>.

¹³ World Economic Forum. 2015. *The Global Competitiveness Report 2015-2016*. <http://reports.weforum.org/global-competitiveness-report-2015-2016/>

¹⁴ World Bank. 2012. *Putting Higher Education to Work. Skills and Research for Growth in East Asia*. Washington, DC.

¹⁵ J. Knowles. 2016. *Higher Education Staff Census*. Vientiane.

11. **Improving research capacity.** The academic research capacity of Lao PDR universities is limited; the bulk of the research that is conducted is basic and supports education and teaching, rather than the development of science and technology disciplines as found in research universities. Among the four public universities, only NUOL has a sufficient number of teaching staff with the ability to conduct research, as a lack of qualified academic staff and limited research facilities constrain the three other universities.

12. **Providing adequate financing.** Public expenditure on education as a proportion of gross domestic product (GDP) rose from 1.0% in 1999 to 2.8% in 2010.¹⁶ Despite this upward trend, Lao PDR ranks among the lowest in Southeast Asia in terms of education spending relative to GDP.¹⁷ In 2012, public expenditure on education represented 12% of total government expenditure. Expenditure on tertiary education as a proportion of government expenditure on education was 7.2% in 2012 putting Lao PDR at rank 122 of 129 countries. Tuition fees at public universities are low and quota students pay no tuition fees.¹⁸ There is little incentive for public universities to raise revenues since the Ministry of Finance may set these off against government grants to universities, rather than allow the university to retain them.

13. **Strengthening governance and management.** The HE subsector faces weak coordination of overall planning, management, and monitoring. The management capacity of the Department of Higher Education (DHE) management capacity is limited. There is weak collation and analysis of data to support policy development, planning, and management of higher education. All public universities have governance structures in line with government policy, but institutional governance structures remain constrained and the degree of autonomy enjoyed by higher education institutions (HEIs) is low.¹⁹ The most advanced HEI in Lao PDR, NUOL, is one of the least autonomous among the universities in Asia.²⁰ To help address these issues and challenges, the project will support devolution of authority and deconcentration of resources to the HEIs. Improvements in governance and management are designed to lay the groundwork for increased institutional and fiscal autonomy of HEIs through support for revision of the HE regulatory and funding framework. A more enabling environment will help HEIs function more effectively and autonomously, particularly in areas of curriculum design, student admission, institutional structure, resource mobilization, and fund management.

14. **Expanding access to HE.** In 2014, Lao PDR's gross enrolment ratio for tertiary education stood at 17.1%, which is well below neighboring countries such as Viet Nam and Thailand although higher than Cambodia.²¹ While universities in Lao PDR have expanded their facilities and services to meet increasing demand, their capacity to absorb secondary school graduates as well as to support the country's socioeconomic development remains limited. The proportion of females at the diploma level is the same as at the primary education level, and is even slightly higher than at both the LSE and USE levels. This implies that HEIs do not amplify gender inequality at the undergraduate level, but at least stabilize rates inherited from the

¹⁶ United Nations Educational, Scientific, and Cultural Organization (UNESCO). Institute for Statistics. http://data.uis.unesco.org/?ReportId=3345&IF_Language=eng (accessed 21 August 2014)

¹⁷ UNESCO. 2014. *Higher Education in Asia: Expanding Out, Expanding Up*. Montréal.

¹⁸ Quota students do not pay tuition fees. They are selected on the basis of either highest scores in the school leaving examination or because they are socioeconomically disadvantaged. Theoretically, quota students should make up no more than 20% of enrolments, but this figure is often exceeded.

¹⁹ Ministry of Education and Sports. 2013. *Education Sector Development Plan 2011-2015 Mid-Term Review: Final Report*. Vientiane.

²⁰ World Bank. 2012. *Putting Higher Education to Work. Skills and Research for Growth in East Asia*. Washington DC.

²¹ UNESCO. Institute for Statistics. <http://data.uis.unesco.org/index.aspx?queryid=142&lang=en> (accessed 3 May 2016).

school system. Only at the bachelor level does female participation start to wither. In AY2014/15 the proportion of female bachelor students was 45%, and for master degrees 37%.²² The project is gender mainstreamed to reverse this trend.

15. **Savannakhet University (SKU)** is the youngest of the four public universities, with its first intake of 900 undergraduate students in AY2009/10 in 10 disciplines across four faculties. Today, it has an enrolment of 4,000 undergraduates in 29 disciplines across 7 faculties.²³ SKU is strategically located further to support business and industrial activities in the region, but its current campus and resources are inadequate to provide all the needed programs and services to support partnerships with the private sector, local industries, etc. Savannakhet is one of the three central provinces in the regional East-West Economic Corridor where there is great potential for harnessing hydropower and precious-metal mining. However, human development indicators in this region are low. In 2015, only 60% of 10,000 high school graduates were able to find placements at the tertiary level. SKU is gearing up for expansion in terms of both the numbers of students and programs offered. The project offers an opportunity to improve SKU capacity to apply modern pedagogical and research principles, which can be a model of HEIs in Lao PDR and regionally.

16. **Strategic fit.** The draft country partnership strategy (CPS) 2017–2021 for the Lao PDR²⁴ aligns with the country's Eighth National Socio-Economic Development Plan (NESDP8) 2016–2020.²⁵ Cognizant of the country's development priorities and capacities, the CPS will assist the government diversify the economy in a sustainable and inclusive manner. It will also facilitate regional integration, in particular within the ASEAN community. The NESDP8 has guided the design of the project. It is the main policy document behind the Education Sector Development Program (ESDP) 2016–2020, and they both emphasize (i) development of science, technology and innovation; (ii) cooperation with the industrial sector in conducting research and development, and; (iii) provision of technical services for society by using research findings to inform socioeconomic policies and programs. The ESDP addresses the gaps in the HE subsector, and aims to increase university enrolment from 36,000 in 2016 to 45,000 in 2020. The proposed Second Technical Vocational Education Project²⁶ is intended to boost technical skills, and complements the strengthening of higher level skills through SSHEP.

17. **Lessons learnt.** The Asian Development Bank (ADB) has supported seven education projects in Lao PDR since 1991. The 2010 country assistance program evaluation²⁷ rates the performance of ADB assistance in the education sector successful. Key lessons under SHEP are: (i) quality enhancement requires a more focused approach to curriculum development, with greater emphasis on e-learning and blended learning modalities; (ii) a multi-path approach is key to developing well-rounded job skills; (iii) an integrated and functional approach is needed to equip universities with modern facilities; (iv) greater emphasis should be placed on developing research capacity to support economic diversification and industrialization; (v) the regulatory environment for HEIs should be revised; and (vi) institutional governance must be strengthened. SHEP has contributed to addressing HE issues related to quality by enhancing HE staff capacities, strengthening curriculum development, and improving quality assurance processes.

²² Based on MOES Annual Census; Lao PDR Higher Education Sector Assessment 2016 (accessible from the list of linked documents in Appendix 2 of the RRP) Table II.11.

²³ Data obtained from SKU Student Affairs Office.

²⁴ ADB. 2011. *Country Partnership Strategy: Lao People's Democratic Republic, 2012–2016*. Manila.

²⁵ Government of Lao PDR. Ministry of Planning and Investment (MPI). 2015. *Five Year National Socio-Economic Development Plan VIII (2016-2020)*. Vientiane.

²⁶ ADB. 2016. *Second Technical and Vocational Education Development: Project Preparatory Technical Assistance Report*. Manila.

²⁷ ADB. 2010. *Country Assistance Program Evaluation (CAPE)*. Manila.

SHEP improved access to HE by upgrading learning infrastructure, facilities and equipment. Continued support to the HE subsector is needed however to consolidate and sustain the gains of SHEP in reforming HE programs and services to match societal needs.

B. Impact and Outcome

18. The impact will be stronger links between higher education services and socioeconomic needs. The outcome will be improved quality of higher education services. The project will provide support to four public HEIs (Champasack University, NUOL, Savannakhet University, and Souphanouvong University), and improve the regulatory framework for HEIs.

C. Outputs

19. **Output 1: Quality and relevance of HE services (teaching, research and extension) enhanced.** The project will support the development and establishment of centers of excellence in participating universities.²⁸ It will include program and curriculum development and preparation of course materials for blended learning.²⁹ A particular area of focus will be the strengthening of entrepreneurship training. Support for these specialized program areas will also bring programs and curriculum into alignment with the Lao national qualifications framework as well as labor market demand. Support for program development at the centers of excellence will be coordinated with support for research, as well as with strengthened delivery of extension services.³⁰ The project will support the upgrading of university-based research through a number of interventions, including establishment of a competitive research fund for universities, development of an office of research support and industry engagement with incubation centers at two universities (CU and SKU), the development of research centers of excellence (at CU and SKU), outfitting of research laboratories (at CU, SKU and NUOL), and upgrading of research staff at individual HEIs, as well as development of university system IT infrastructure. The feasibility of innovative arrangements for the design, financing, delivery and maintenance of laboratories will be examined and assessed. Support will be provided for training in writing research proposals and academic articles as well as on-line and off-line publication of journals. Systems will be established so that research findings can be incorporated into teaching subjects in study programs and for pilot testing.

20. The project will provide international master and doctoral degree programs (including a matching scholarships program³¹) and in-country master degree programs for DHE staff and staff and faculty members of three public universities (NUOL, CU, and SKU).³² In addition, the

²⁸ Centers of Excellence will be established at CU (agriculture), NUOL (environmental research) and SKU (logistics). Description of Competitive Research Fund (CRF) and Centers of Excellence (COE) are accessible from the list of linked documents in Appendix 2 of the RRP).

²⁹ "Blended learning" is a pedagogical approach that combines IT-based learning with face-to-face learning.

³⁰ "Extension services" are those services provided by an HEI such as commissioned researches or customized training programs.

³¹ Selected foreign universities will receive Lao scholarship holders and will also fund part of the costs of the scholarships through fee waivers, etc. The project aims to build on the partnerships with foreign universities that were initiated under SHEP, which included Kobe University (Japan), Universiti Sains (Malaysia), Aston University (United Kingdom), Soochow University (People's Republic of China), Da Nang University (Viet Nam), Chian Mai University (Thailand), Université Nice Sophia Antipolis (France), among others.

³² Scholarships will be awarded through a competitive and transparent process. The selection criteria will be formulated and agreed upon by MOES and participating universities, which will be demand-driven and merit-based. Service contracts for scholars will be considered to ensure that they continue their employment with their universities after graduation.

project will provide international study tours/training programs for staff and faculty members, as well as in-country short-term staff/faculty development programs. Opportunities will be assessed for the extension of the recent, positively evaluated online mathematics interactive learning pilot. It will also include the strengthening of international university partnerships and networks by increasing the opportunities for Lao HEIs to be more proactive in implementing MOUs. The e-learning and e-library systems that have been established as part of SHEP will be expanded to all public universities, system bandwidth will be expanded and subsidized on a declining cost basis as the universities gradually introduce the marketing of internet services to students and staff, and SKU will be connected to the system. As part of the 'employment skills' development initiatives, the project will also support extracurricular activities through the creation of an innovation fund.

21. **Output 2: Access to modern higher education programs introduced.** The project will focus the bulk of civil works and equipment procurement to support the establishment of a modern campus at Savannakhet University following international standards. As a modern university at Nongpneu, the campus will have an initial capacity of 3,700 students and a design to later accommodate 5,000 students, including laboratories, equipment, furniture, dormitories, and student facilities (3,000 students in 2 faculties will remain based at the Naxeng campus). SKU plans an annual admission capacity of some 1,900 students by 2025.

22. The infrastructure component will include development of basic infrastructure designed on principles of functionality and adherence to modern teaching and research methods; delivery of teaching spaces, laboratories, dormitories, student facilities, furniture, and equipment. An administration building will be included. The project will also strengthen systems for student selection and admissions applicable at the university level. An assessment of strategies for increasing regional access to HE will be undertaken. This will include updating the HE master plan, and an assessment of strategies for the delivery of HE on a regional basis.

23. **Output 3: Governance and management of higher education institutions strengthened.** The project will support capacity development for participating university administrators, managers and administrative staff, provide long- and short-term international visiting scholars to Lao PDR to provide support to public universities, and review the regulatory and funding framework for private HEIs. It will also support studies on the quality, performance, effectiveness and internal and external efficiency of the HE subsector in Lao PDR. The HE management information system (LUMS) will be upgraded to incorporate timely and accurate information (see item 1.4.4 in cost tables appended at Appendix 6). It will also provide support to mainstreaming of the government's national human resource development strategy 2016–2025 that is being developed with ADB's assistance.³³ This support will be to the newly established Human Resource Development Office (HRDO) through the provision of basic office and IT equipment, capacity building for the staff to coordinate and monitor the implementation of the National HRD Strategy 2016–2025 and Action Plan 2016–2020 and provide timely reports to the Human Resource Development National Committee (HRDNC). Quality assurance will be further strengthened through support to the establishment of QA cells at each public university and selected private universities, including training in internal quality assurance, assessment and feedback systems. Employer surveys and tracer studies will be undertaken. To build capacity at the macro level, scholarships for DHE staff in specified areas will also be provided.

³³ ADB. 2012. *Support for the Human Resource Development Strategy*. Manila.

II. IMPLEMENTATION PLANS

A. Project Readiness Activities

Table 1: Indicative activities in 2016

Indicative Activities in 2016	Months						Who responsible
	7	8	9	10	11	12	
Advance contracting actions				■	■	■	ADB, MOES
Establish project implementation arrangements				■	■	■	MOES
ADB Board approval			■				ADB
Loan signing				■			ADB, MOF
Government legal opinion provided				■			MPI
Government budget inclusion				■			MOF, MOES
Loan effectiveness (01.01.2017)							ADB

Table 2: Detailed Project Readiness Filters

	Key Project Preparation Elements	Stage of Project Preparation				First disbursement (within 3 months after effectiveness)	Status as of August 2016
		Appraisal/fact-finding	Negotiations	Signing	Effectiveness (within 3 months after signing)		
1.	Project is within government development priority	Confirmed					Project is confirmed in the 2016 pipeline
2.	Project Administration Manual	Draft prepared and discussed	To be finalized and agreed				Agreed with EA.
3	Discussion and agreement with government on application of taxes and duties	Discussed and agreed	To be confirmed				MOF and EA agreed that taxes and duties are

	Key Project Preparation Elements	Stage of Project Preparation				First disbursement (within 3 months after effectiveness)	Status as of August 2016
		Appraisal/fact-finding	Negotiations	Signing	Effectiveness (within 3 months after signing)		
							paid from the government counterpart funds
4.	Procurement capacity assessment	Completed	To be confirmed				Attached to PAM and agreed with the EA.
5.	Financial management capacity assessment	Completed	To be confirmed				Attached to PAM and agreed with the EA.
6.	Procurement plan for the first 18 months	Drafted	To be confirmed				Attached to PAM and agreed with the EA.
7.	Auditing arrangements including TOR	Drafted					To be discussed with EA
8.	Monitoring and evaluation arrangements.	Indicators in DMF discussed and agreed					
9.	Project Management	The SHEP team continues to implement the project.	Project organization chart, staffing and responsibilities confirmed. Key project staff identified (Project Coordinator, Financial and Procurement).				The SHEP team is assigned to implement the project.
10	Recruitment of a. TA implementation firm b. Individual national consultant to support the project	a. TORs drafted b. TORs drafted		a. Draft RFP b. Position advertised	a. EOIs issued. b. Negotiations conducted	a. EOIs evaluated b. Contract signed	

	Key Project Preparation Elements	Stage of Project Preparation				First disbursement (within 3 months after effectiveness)	Status as of August 2016
		Appraisal/fact-finding	Negotiations	Signing	Effectiveness (within 3 months after signing)		
	implementation unit						
11	First year bidding documents for goods and civil works (where available)	N/A	N/A	Standard bidding documents for goods and works drafted	Bidding documents for office equipment drafted.	Procurement process started.	List of office equipment discussed with EA.
12	Government counterpart funds	Agreed	Confirmed				
13	Legal opinion			Draft legal opinion submitted to ADB	Legal opinion accepted by ADB		
14	Opening of Imprest/Designated Account (if applicable).	Imprest account and sub-accounts identified and discussed with the EA.	Confirmed		Opening of imprest account initiated.	Imprest account opened.	Imprest/ Designated accounts included in PAM and agreed with the EA.

ADB= Asian Development Bank, DMF = design and monitoring framework, EA = executing agency, EOI= expression of interest, MOF = Ministry of Finance, N/A= not applicable, PAM= project administration manual, RFP = request for proposals, SHEP = Strengthening Higher Education Project, TA = technical assistance, TOR= terms of reference,

Activities	2017 (Quarter)	2018 (Quarter)	2019 (Quarter)	2020 (Quarter)	2021 (Quarter)	2022 (Quarter)
Activity 1.12 Provide capacity-building and research equipment to NUOL by 2018		■				
Activity 1.13 Evaluate options and determine feasibility for innovative design, delivery, financing and maintenance of laboratories in participating HEIs by 2017	■	■	■	■	■	■
Activity 1.14 Incorporate the research findings as part of the teaching subjects in the study programs by 2019		■	■	■	■	■
Output 2 Access to modern higher education programs introduced						
Activity 2.1 Complete resettlement and site clearance for new Savannakhet University campus by 2017	■	■	■			
Activity 2.2 Conduct prefeasibility study on use of PPP modality for delivery of noncore services (dormitories, cafeteria, parking, security, etc.) at Savannakhet University new campus by 2018		■	■	■	■	■
Activity 2.3 Prepare the agreed procurement process to deliver Savannakhet University campus, by 2017	■	■				
Activity 2.4 Commence full operation of Savannakhet University at its new campus, by 2019.			■	■	■	■
Activity 2.5 Develop a mechanism that helps enhance equitable access (modality of admission), by 2018		■	■	■	■	■
Output 3 Governance and management of HEIs strengthened						
Activity 3.1 Complete assessment of higher education MIS by 2017	■					
Activity 3.2 Train staff in use of higher education MIS by 2018		■	■	■	■	■
Activity 3.3 Complete assessment of regulatory and funding framework for HEIs, and issue Ministerial decree implementing new framework, by 2018		■	■			
Activity 3.4 Identify priority areas, design features, administrative setup, and selection criteria for human resources development	■	■	■	■	■	■

Activities	2017 (Quarter)	2018 (Quarter)	2019 (Quarter)	2020 (Quarter)	2021 (Quarter)	2022 (Quarter)
program by 2017						
Activity 3.5 Develop research program (including studies to be undertaken, timeline and work program) for the assessment of the present practices of HEI administration systems, and quality, performance, labor market outcomes, effectiveness and efficiency of the higher education subsector by 2017						
Activity 3.6 Identify potential international university partners and develop student and academic staff exchange program by 2018						
Activity 3.7 Identify the prioritized areas of administration for further strengthening by 2017						
Activity 3.8 Train administration staff from various administrative offices by 2018						
Activity 3.9 Provide short and long term visiting scholars to support improving administration capacity of different offices by 2017						
B. Management Activities						
1. Procurement plan key activities to procure contract packages						
1.1 ICB works						
1.2 NCB works						
1.3 ICB goods						
1.4 NCB vehicles						
1.5 NCB goods						
2. Consultant selection procedures						
2.1 Consulting services for capacity building and project implementation (Q4, 2016)						
2.2 Consulting services for design and supervision						
2.3 Visiting scholars						
2.4 Software development and upgrading of LUMS						
3. Environment management plan key activities						
4. Gender action plan key activities						
5. Communication strategy key activities						
6. Annual/Mid-term review (MTR marked X)				X		

Activities	2017 (Quarter)	2018 (Quarter)	2019 (Quarter)	2020 (Quarter)	2021 (Quarter)	2022 (Quarter)
7. Project completion report						

	Indicates preparatory phase with project funding
	Indicates delivery phase with project funding
	Indicates delivery phase under MOES/HEI recurrent funding
	Indicates key management activities

III. PROJECT MANAGEMENT ARRANGEMENTS

A. Project Implementation Organizations – Roles and Responsibilities

Table 4: Roles and Responsibilities

Project implementation organizations	Management Roles and Responsibilities
<ul style="list-style-type: none"> • Executing agency MOES 	<ul style="list-style-type: none"> ➤ Establish project implementation unit. ➤ Establish project steering committee. ➤ Establish systems, procedures, and mechanisms to ensure effective and efficient project implementation. ➤ Oversee overall project implementation and management activities to ensure smooth and timely implementation and completion of project activities.
<ul style="list-style-type: none"> • Project Steering Committee 	<ul style="list-style-type: none"> ➤ Support cross-agency dialogue ➤ Approve annual budgets and plans for the project. ➤ Oversee progress in project implementation. ➤ Guide and support project implementation. ➤ Provide coordination between ministries and other stakeholders involved in project implementation.
<ul style="list-style-type: none"> • Implementing agency MOES/Project Coordinating Unit 	<ul style="list-style-type: none"> ➤ Supervise all project activities ➤ Facilitate policy dialogue across MOES departments and the participating universities ➤ Facilitate day-to-day coordination with other relevant agencies ➤ Consolidate project reporting ➤ Review withdrawal applications for endorsement by the MOES's Department of Finance.
<ul style="list-style-type: none"> • MOES Department of Higher Education Project Implementation Unit (D-PIU) 	<ul style="list-style-type: none"> ➤ Assume day-to-day management of the project. ➤ Coordinate and implement project activities, including procurement, recruitment, disbursement, contract administration, monitoring, and reporting. ➤ Prepare, on behalf of the executing and implementing agencies, bidding documents, terms of reference, reports, and other supporting documents and submit them for review and approval. ➤ Prepare and submit withdrawal applications and supporting documents, quarterly and annual reports, annual audit reports and financial statements.
<ul style="list-style-type: none"> • ADB 	<ul style="list-style-type: none"> ➤ Provide technical support for project implementation. ➤ Supervise and ensure compliance by the executing and implementing agencies with Asian Development Bank's policies and procedures in project implementation.

24. **Project Management.** MOES will be the executing agency. The Project Steering Committee (PSC) will provide overall guidance to the project and support cross-agency policy dialogue. The PSC will be chaired by the MOES Vice Minister in charge of higher education and will comprise representatives of MOES and the four concerned public universities, as well as representatives from the Ministry of Finance, Ministry of Foreign Affairs, Ministry of Planning and Investment, and the Office of the Prime Minister. Within DHE there will be established (i) a

Project Coordination Unit headed by Director General of DHE/Project Director, who will be assisted by Deputy Director General of DHE/Deputy Project Director to (a) facilitate policy dialogue across MOES departments and the participating universities, as well as day-to-day coordination with other relevant agencies, (b) consolidate project reporting, and (c) review withdrawal applications for endorsement by the MOES's Department of Finance; and (ii) a DHE project implementation unit (D-PIU) headed by Deputy Director General of DHE/Project Manager to implement and supervise Project activities at the central level. Departments and institutions of MOES will be responsible for activities that fall within their area of responsibility. Project implementation units (PIUs) will be established in participating universities (NUOL-PIU, CU-PIU, SKU-PIU and SU-PIU) headed by respective university Vice-Presidents/Project Managers to coordinate with D-PIU and concerned provincial authorities in implementing and supervising the Project, including procurement activities, monitoring, and reporting. The Project Management Structure is in Section C. The Vice Minister of the MOES and Director General of the DHE, together with the Center for Inclusive Education, will be responsible for overseeing the implementation of the Gender and Ethnic Groups Action Plan.

25. **Implementation Period.** The Project will be implemented over 5 years from January 2017 to December 2021. Both central and provincial government authorities have assured that adequate budgetary provision for the Project will be included in the fiscal years from 2016/17 to 2020/21. The Implementation Schedule is in Section II B.

B. Key Persons Involved in Implementation

Executing Agency

Ministry of Education and Sports Department of Higher Education	Officer's Name Position Director General, DHE Telephone Email address Department of Higher Education Ministry of Education and Sports Lane Xang Avenue Vientiane Capital, Lao PDR
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ADB

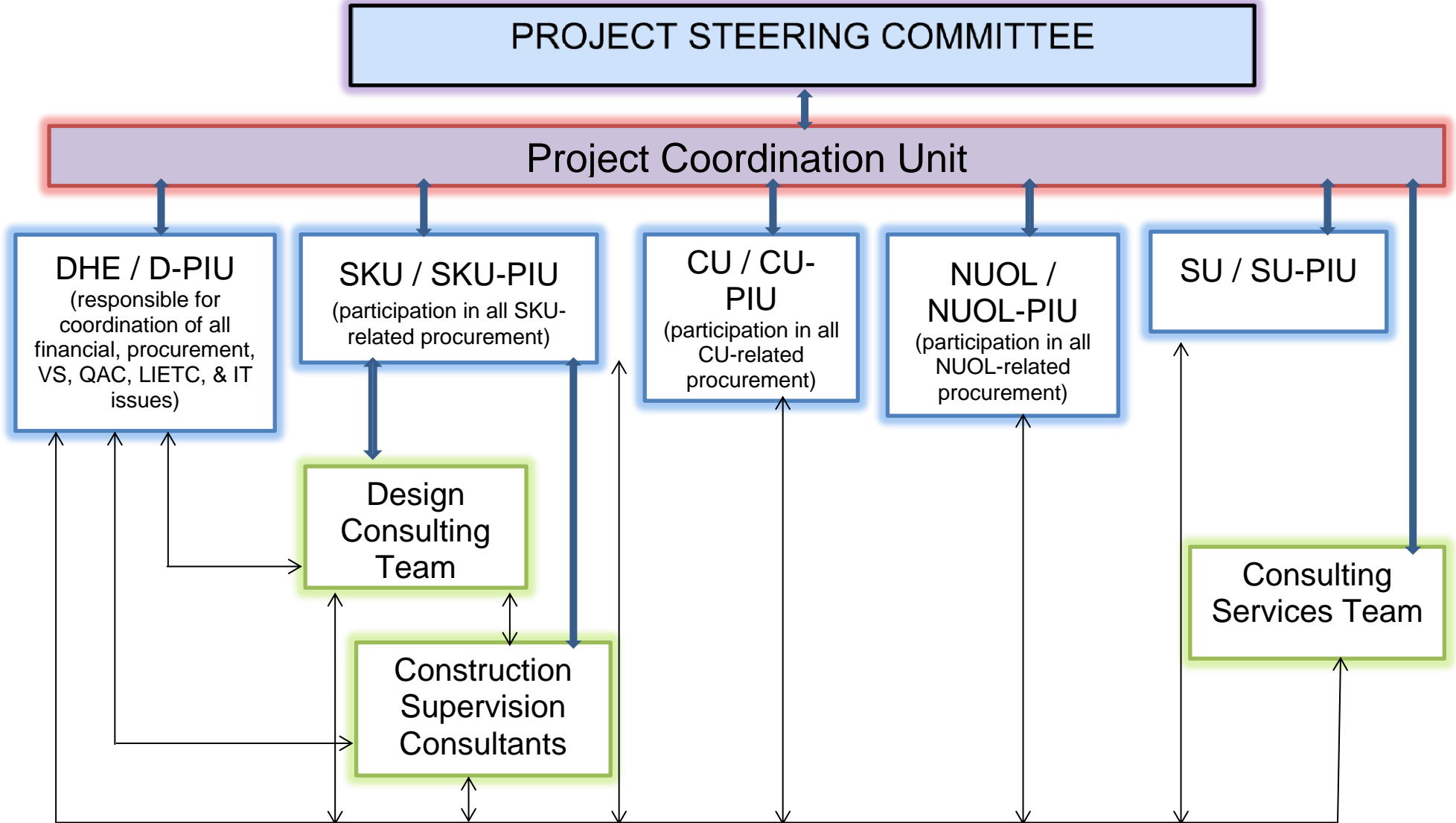
Southeast Asia Regional Department	Ayako Inagaki Director, SEHS +632 632 6612 ainagaki@adb.org
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Mission Leaders

	Joel Mangahas Senior Social Sector Specialist +632 683 1568 jmangahas@adb.org
	Khamtanh Chanthy Senior Project Officer, Lao Resident Mission +856 21 250 444 kchanthy@adb.org

C. Project Organization Structure

Figure 1: Project Management Structure



Legend:
 Administrative and reporting links
 Coordination links

Abbreviations: CU = Champasack University, DHE = Department of Higher Education, LIETC = Lao-India Entrepreneurship Training Centre, NUOL = National University of Laos, PIU = project implementation unit, QAC = Quality Assurance Centre, IT = IT Centre, NUOL, SKU = Savannakhet University, SU = Souphanouvong University, VS = visiting scholar program

IV. COSTS AND FINANCING

26. The project has a total estimated cost of \$45.67 million from 2017 to 2021. The proposed ADB loan and grant will finance 87.4%, the government counterpart 9.8%, and participating foreign HEIs 2.8%. The government has requested a loan in various currencies equivalent to SDR 11,832,000 (\$16.45 million equivalent) from ADB's Special Funds resources to help finance the project. The loan will have a 32-year term, including a grace period of 8 years, an interest rate of 1.0% per annum during the grace period and 1.5% per annum thereafter, and such other terms and conditions set forth in the draft financing agreement.³⁵ The loan amount will be used mainly for financing of Civil Works under Output 2. The government has also requested a grant not exceeding \$23.47 million from ADB's Special Funds resources to help finance the project. Government's counterpart financing of \$4.49 million equivalent will be used to finance taxes and duties³⁶ and to support recurrent costs (in-kind) for project management. Partner foreign universities' counterpart financing of \$1.26 million equivalent will be used for contributions to scholarship costs at the respective university (either as fee waivers or as cash contributions). The project investment plan is in Table 5 and the financing plan is in Table 6.

27. The project is estimated to cost \$45.67 million inclusive of government counterpart contribution (Table 6): 51.2% of the base cost will finance civil and related works, 9.4% will finance equipment and vehicles, 17.7% will finance human resource capacity building, and 9.4% will finance consulting services for project implementation, supervision and monitoring, as well as technical supervision of the civil works contracts. ADB financing will have the following distribution in terms of project components and sub-components: 24.2% enhancing quality and relevance of HE services, 70.3% introducing access to modern higher education programs, 1.7% for strengthening governance of HEIs, and 3.8% to project management.

Table 5: Project Investment Plan^a

		(\$ million)
Item		Amount
A.	Base Cost^b	
	1	Enhanced Quality and Relevance of HE Services
		10.10
	2	Access to Modern Higher Education Programs Introduced
		28.02
	3	Governance of Higher Education Institutions Strengthened
		0.62
	4	Effective Project Management and Implementation
		1.86
		Subtotal (A)
		40.60
B.	Contingencies^c	4.59
C.	Financial Charges^d	0.48
	Total project (A + B + C)	45.67

^a Includes taxes of \$2.63 million and duties of \$1.36 million which are included in the base cost and to be financed from government resources (in cash and by tax exemption).

^b In mid-2015 prices.

^c Physical contingencies computed at 6.8% for civil works and equipment; and 6.0% for field research and development, training, surveys, and studies. Price contingencies computed at 4.8% on foreign exchange costs and 9.8% on local currency costs.

^d Includes interest charges. Interest on the ADF loan has been computed at 1% on the amount disbursed.

Source: Asian Development Bank estimates

³⁵ ADB. 2012. *Country Operations Business Plan: Lao People's Democratic Republic, 2013–2015*. Manila.

³⁶ The Government refund to SSHEP of VAT incurred by the project is in cash; the Government exemption of goods imported for SSHEP from import duties is in-kind.

Table 6: Financing Plan

Source	(\$ million)	
	Amount	Share of Total %
Asian Development Bank		
Special Funds Resources (Grant)	23.47	51.39
Special Funds Resources (Loan)	16.45	36.02
Government ^a	4.49	9.83
Partner foreign universities ^b	1.26	2.76
Total	45.67	100.0

^a Includes contribution of \$0.5 million in kind to project management expenses, as well as \$3.99 million in taxes and duties to be paid by the Government.

^b Contributions from foreign universities to match ADB funding for scholarships to up-grade staff qualifications.

Source: Asian Development Bank estimates

A. Cost Estimates Preparation and Revisions

28. The cost estimates were prepared and discussed with key focal persons in MOES relevant departments. The Project Implementation Unit will review and update these as necessary, in consultation with project implementation consultants, and have them approved by relevant government authorities and ADB.

B. Key Assumptions

29. The following key assumptions underpin the cost estimates and financing plan:

- (i) Exchange rate: KN8,113 = \$1.00 (as of 15 August 2016).
- (ii) Price contingencies based on annual inflation over the implementation period are as follows:

Table 7: Escalation Rates for Price Contingency Calculation

Item	2017	2018	2019	2020	2021	Average
Foreign rate of price inflation	1.4%	1.5%	1.5%	1.5%	1.5%	1.5%
Domestic rate of price inflation	2.5%	3.0%	3.5%	3.5%	3.5%	3.2%

Source: Asian Development Bank estimates.

C. Detailed Cost Estimates by Expenditure Category

Table 8: Cost Estimates by Expenditure Category

Item	<i>(KN billion)^a</i>			<i>(US\$ million)</i>			% of Total Base Cost
	Foreign Exchange	Local Currency	Total Cost	Foreign Exchange	Local Currency	Total Cost	
A. Investment Costs							
1 Civil Works ^b	106.793	62.924	169.722	13.160	7.754	20.915	51.5%
2 Equipment and Vehicles	23.533	5.883	29.417	2.900	0.725	3.625	8.9%
3 Design and Construction Management	7.304	4.869	12.173	0.600	1.500	3.7%	3.7%
4 Capacity Development	39.006	19.212	58.217	4.807	2.367	7.174	17.7%
5 Consulting Services	15.840	3.660	19.503	1.952	0.451	2.403	5.9%
6 Taxes and Duties ^c	23.650	8.757	32.403	2.914	1.079	3.993	9.9%
Subtotal (A)	216.126	105.034	321.435	26.633	12.997	39.610	97.6%
B. Recurrent Costs							
1 Project Management	0.000	3.976	3.976	0.000	0.490	0.490	1.2%
2 Office space, GOL staff, utilities - in kind	0.000	4.058	4.058	0.000	0.500	0.500	1.2%
Subtotal (B)	0.000	8.034	8.034		0.990	0.990	2.4%
Total Base Cost	216.126	113.338	329.465	26.633	13.967	40.599	100.0%
C. Contingencies							
1 Physical	9.373	6.247	15.622	1.155	0.770	1.925	
2 Price ^d	10.363	11.345	21.716	1.272	1.398	2.676	
Subtotal (C)	19.696	17.594	37.284	2.427	2.169	4.595	
D. Financing Charges During Implementation							
1 Interest During Implementation	3.887		3.887	0.479	0.000	0.479	
Subtotal (D)	3.887		3.887	0.479	0.000	0.479	
Total Project Cost (A+B+C+D)	239.709	130.932	371.636	29.593	16.136	45.673	0.00%

Note:

^a Dollar costs are converted to KN at KN8,115 = \$1.

^b Civil Works comprises Civil Works and the Furniture, Fittings and Equipment installed as part of construction.

^c The taxes are VAT at 10% and the duties are import duties on goods procured from abroad for the project.

^d For Price Contingencies, the local-foreign split has been calculated based not only on the foreign- local split of base costs but also on the different rates of inflation - 4.8% for foreign costs and 9.8% for local costs.

Source: PPTA staff estimates.

C. Allocation and Withdrawal of Loan Proceeds

Table 9: Allocation and Withdrawal of Loan Proceeds – ADF

CATEGORY			ADB FINANCING
Number	Item	Amount Allocated (\$)	Percentage and Basis for Withdrawal from the Loan Account
1	Civil Works	15,970,976	70 percent of total expenditure claimed*
2	Interest Charge during Implementation	479,024	100 percent of amount due
	Total	16,450,000	

*Exclusive taxes and duties imposed within territory of the recipient.

Table 10: Allocation and Withdrawal of Grant Proceeds – ADF

CATEGORY			ADB FINANCING
Number	Item	Amount Allocated (\$)	Percentage and Basis for withdrawal from the Grant Account
1	Civil Works	6,274,386	30 percent of total expenditure claimed*
2	Other Project Costs	17,195,614	100 percent of total expenditure claimed
	Total	23,470,000	

*Exclusive taxes and duties imposed within territory of the recipient
Source: PPTA staff estimates

E. Detailed Cost Estimates by Financier

Table 11: Detailed Cost Estimates by Financier^{a, c}

US\$ million		Asian Development Bank		Partner Universities ^d		Government		Total Cost
		ADF Loan		Grant				
Item	Amount	% of Cost Category	Amount	% of Cost Category	Amount	% of Cost Category	Amount	% of Cost Category
A. Investment Costs								
1 Civil Works	14.640	70.0%	6.274	30.0%	0		0	
2 Equipment and Vehicles			3.625	100.0%	0		0	
3 Capacity Development			5.914	82.4%	1.260	17.6%	0	
3A Capacity Development funded by Grant			5.914	100.0%				
3B Partner Universities ^d					1.260	100.0%		
4 Consulting Services			3.903	100.0%	0		0	
4A Implementation			2.403	100.0%	0		0	
4B Design and Construction Management			1.500	100.0%	0		0	
Subtotal (A)	14.640	41.1%	19.717	55.4%	1.260	3.5%	0	36.894
B. Recurrent Costs								
1 Project Management			0.490	100.0%	0		0	
2 Office space, GoL staff, utilities - in kind					0		0.500	100.0%
Subtotal (B)			0.490		0		0.500	50.5%
C. Taxes and Duties^b	0.000		0.000				3.993	100.0%
Total Base Cost (A+B+C)^c	14.640	36.1%	20.206	49.8%	1.260	3.1%	4.493	11.1%
D. Contingencies	1.331	29.0%	3.264	71.0%	0		0.000	0.0%
1 Physical ^e	0.532	27.6%	1.393	72.4%	0		0.000	
2 Price ^f	0.798	29.9%	1.871	70.1%	0		0.000	
E. Financing Charges During Implementation								
1 Interest During Implementation	0.479	100.0%	0.000		0		0.000	
Total Project Cost (A+B+C+D+E)	16.450		23.470		1.260		4.493	
% Total Project Cost		36.0%		51.4%		2.8%		9.8%

^a Investment costs are stated as net of applicable taxes and duties.

^b In cash or by tax exemption.

^c In mid-2015 prices.

^d This amount represents the value of fee rebates or cash payments made by foreign universities admitting scholars supported by SSHEP

^e Physical contingencies computed at 6.8% for civil works and equipment, and 6.0% for field research and development, training, surveys, and studies.

^f Price contingencies computed at 4.8% on foreign exchange costs and 9.8% on local currency costs over the life-time of the project.

Source: PPTA Staff Estimates.

		Output 1 - Quality & Relevance of HE Services			Output 2 - Access to Modern HE Programs Introduced		Output 3 - Governance of HEIs Strengthened		Project Management	
		Total Cost	Amount	% of Cost Category	Amount	% of Cost Category	Amount	% of Cost Category	Amount	% of Cost Category
1	Physical ^c	1.925	0.336	17.45%	1.559	80.96%	0.030	1.55%	0.000	0.00%
2	Price ^d	2.669	0.664	24.88%	1.842	69.01%	0.041	1.16%	0.122	4.59%
	Subtotal (C)	4.595	1.000	21.77%	3.401	74.02%	0.071	1.53%	0.122	2.66%
D. Financing Charges										
1	Interest During Implementation	0.479	0.048	10.00%	0.431	90.00%	0.000	0.00%	0.000	0.00%
	Subtotal (D)	0.479	0.048	10.00%	0.431	90.00%	0.000		0.000	0.00%
	Total Project Cost (A+B+C+D)	45.673	11.15	24.41%	31.851	69.74%	0.688	1.51%	1.985	4.35%

^a In mid-2015 prices.

^b Taxes computed at 10% for all domestic procurements attracting value-added tax in Laos; and duties at 8.3% on the estimated cost of imports for project purposes.

^c Physical and price contingencies computed as explained in notes e and f to Table 11 above.

^d Interest during implementation has been computed at 1% a year on amounts disbursed over the period 2017-2021.

Source: PPTA staff estimates.

G. Detailed Cost Estimates by Year

Table 13: Detailed Cost Estimates by Year

Item	Total Cost	2017	2018	2019	2020	2021
A. Investment Costs						
1 Civil Works	20.915		8.619	12.296		
2 Equipment and Vehicles	3.625	0.300	1.772	1.553	0.000	0.000
3 Design and Construction Management	1.500	0.750	0.200	0.200	0.200	0.150
5 Capacity Development	7.174	0.000	1.148	2.009	2.009	2.009
6 Implementation Consulting Services	2.403	0.192	0.480	0.577	0.577	0.577
7 Taxes and Duties	3.993	0.135	1.370	1.868	0.313	0.307
Subtotal (A)	39.610	1.377	13.589	18.503	3.098	3.043
B. Recurrent Costs						
1 Project Management - TA staff costs	0.490	0.073	0.113	0.113	0.113	0.080
2 Office space, GoL staff, utilities - in kind	0.500	0.075	0.115	0.115	0.115	0.080
Subtotal (B)	0.990	0.148	0.228	0.228	0.228	0.160
Total Base Cost	40.600	1.525	13.816	18.730	3.326	3.203
C. Contingencies	4.595	0.117	1.315	2.180	0.464	0.518
1 Physical	1.925	0.072	0.655	0.888	0.158	0.152
2 Price	2.669	0.045	0.660	1.291	0.307	0.367
D. Financing Charges During Implementation	0.479		0.034	0.116	0.165	0.165
1 Interest During Implementation	0.479		0.034	0.116	0.165	0.165
Total Project Cost (A+B+C+D)	45.673	1.643	15.165	21.026	3.955	3.886
% Total Project Cost	100%	3.60%	33.20%	46.04%	8.66%	8.51%

Notes:

1. Costs have been profiled over the project life-span in line with the intended timing of contract awards.

2. The projected timing of expenditure on Civil Works, and Equipment and Vehicles, reflects the target to open the new campus of Savannakhet University for the 2019-2020 academic year.

Source: PPTA staff estimates.

H. Contract and Disbursement S-curve

Figure 2: S-Curve of Contract and Disbursement (\$ million)

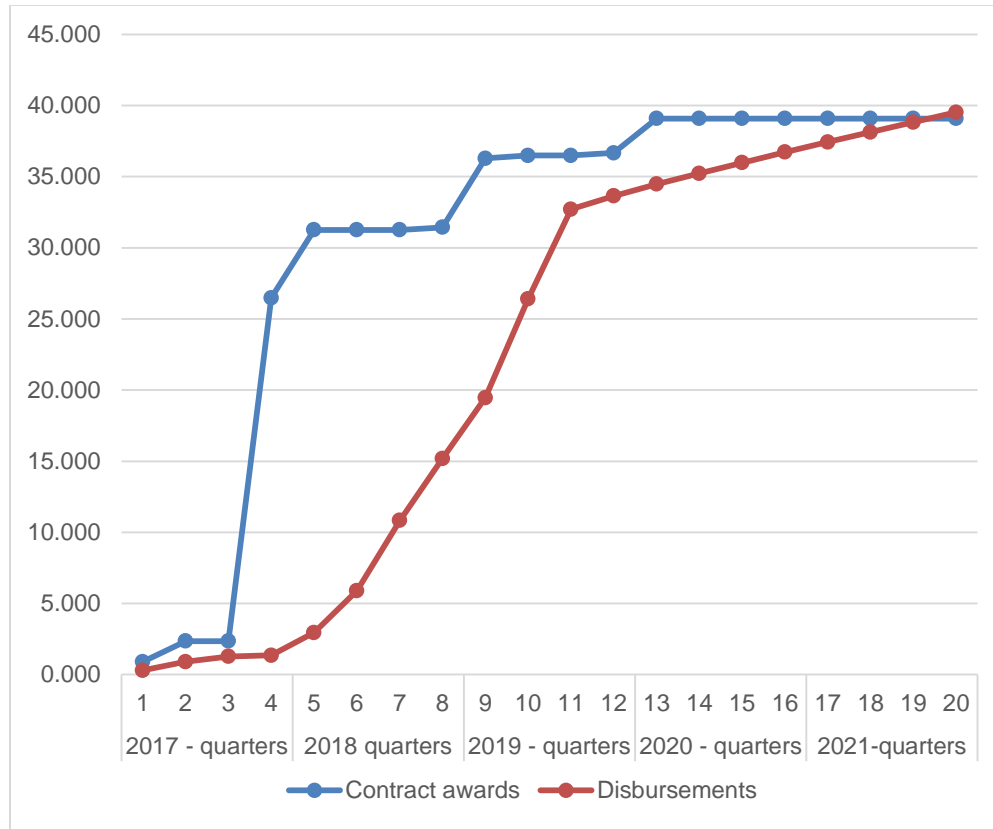


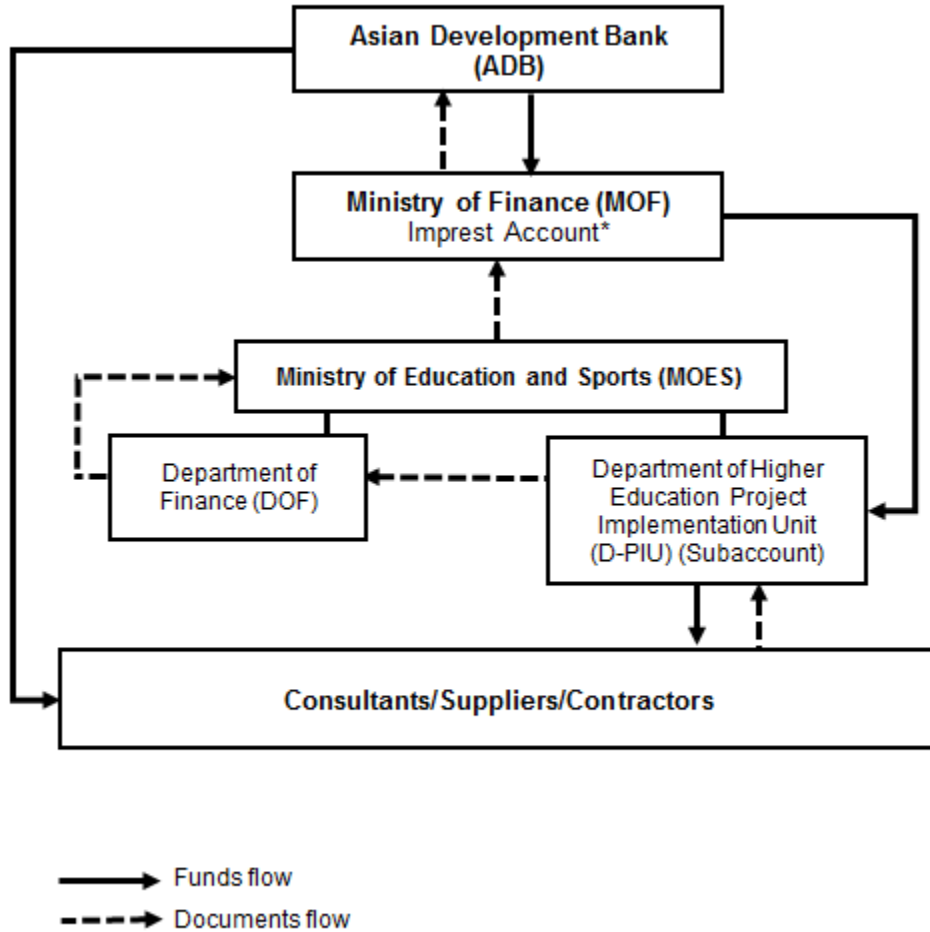
Table 14: Contract Awards and Disbursement Baseline Projections

	Contract Awards (in USD)					Contract Disbursements (in USD)					
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	
2017	0.900	1.451	0.000	23.647	25.998	0.300	0.600	0.370	0.079	1.349	
2018	4.784	0.660	0.000	0.180	5.624	1.602	2.950	4.928	4.355	13.835	
2019	4.187	0.362	0.650	0.180	5.379	4.276	6.945	6.305	0.931	18.457	
2020	1.599	0.490	0.000	0.000	2.089	0.876	0.804	0.804	0.800	3.284	
2021	0.200	0.151	0.000	0.000	0.351	0.750	0.750	0.750	0.745	2.995	
Total Contract Awards:					39.441	Total Disbursements:					39.920

I. Fund Flow Diagram

30. Funds flow can be arranged in two streams: (i) paying suppliers or contractors through the imprest account; or (ii) direct payment from ADB to suppliers or contractors (usually in case of large amounts). Figure 3 presents the flow of funds from ADB to the borrower, to implement project activities.

Figure 3: Funds Flow



V. FINANCIAL MANAGEMENT

A. Financial Management Assessment

31. A Financial Management Assessment (FMA) was carried out for the Ministry of Education and Sports (MOES), MOES Department of Finance (DOF), MOES Department of Higher Education (DHE), and Savannakhet University (SKU). It includes a review of the executing/implementing agencies' systems for financial and management accounting, reporting, auditing and internal controls, as well as a review of the disbursement and cash flow management. It is designed to determine whether the executing/implementing agencies' financial management arrangements are adequate for recording all transactions and balances, supporting the preparation of regular and reliable financial statements, safeguarding the entities' assets, and are subject to audit. Tools used comprised ADB's Financial Management Assessment Questionnaire (FMQ) and the Guidelines for the Financial Governance and Management of Investment Projects Financed by ADB.

32. The FMA found that: (i) there is a need to improve coordination of management, inspection, and monitoring of financial management procedures between MOF, DHE, D-PIU, and university PIUs; procedures must be streamlined and modernized, incorporating a results- or performance-based orientation to planning, budgeting, monitoring and control; (ii) financial management staff in MOES and DHE are relatively experienced in terms of ADB financial systems, but SKU has no working experience of ADB systems; therefore SKU finance office needs training on ADB financial procedures; (iii) MOES and DHE have reasonably effective financial performance monitoring systems to measure the impact and utilization of funds; (iv) a financial management and operational procedures manual should be improved and disseminated to PIUs; (v) while accounting staff of DOF are competent with clear job descriptions and specifications outlined, more highly competent accounting staff is needed at SKU, and the processes streamlined (shortened), with clearly defined duties, responsibilities, lines of supervision and authority delegation; (vi) a computerized financial management reporting system is needed as only Microsoft Excel has been used for ADB financed project at MOES, and to ensure that reporting system is coordinated between the PIU, D-PIU, DHE, and MOES for improved efficiency and effectiveness; and (vii) DOF has experienced difficulties in the treatment of advance payments in financial reports from PIU in ADB financed projects, affecting the replenishment of imprest account; thus enhancing PIU financial reporting capacity and commitment is necessary.

33. To address these issues, capacity building is required within MOES, DHE, D-PIU, and university PIUs in financial planning, accounting, reporting, auditing, and control. A performance based planning and budgeting system based on the cost norms needs to be identified. The computerized financial management system in DHE and MOES needs to be enhanced and support in this field is needed for SKU to use a financial management information system (FMIS) designed and used by DOF. SKU finance staff needs to be trained in financial planning, preparation of budgets, financial analysis and reporting, and internal controls to comply with ADB procedures and requirements. The FMIS used by the D-PIU should be integrated with the DHE/MOES system. D-PIU must work closely with the university PIUs on financial reporting for advance payment activities, particularly to ensure the commitment and capability of the PIU finance staff. A training program on ADB financial procedures should be provided to SKU Finance Office staff. A time-bound action plan is under preparation to address these issues.

B. Disbursement

34. The Loan proceeds will be disbursed in accordance with *ADB's Loan Disbursement Handbook (2015, as amended from time to time)*,¹ and detailed arrangements agreed upon between the Government and ADB.

35. **Imprest Account.** Funds provided by ADB will be transacted through an imprest account at the Bank of Lao PDR (BOL). MOF will open and maintain the imprest account that will be denominated in US dollars and will be opened for the Project promptly after loan effectiveness. The advance to the imprest account will be no more than a 6-month projected disbursement to be financed through the imprest account. The imprest account will be established, managed, and liquidated in accordance with *ADB's Loan Disbursement Handbook (2015, as amended from time to time)*, and will be for the sole use of project funds. MOES will open and maintain a subaccount at a designated bank for revolving project management funds. These funds will be received from the imprest account.

36. **Liquidation of Advances and disbursement arrangements.** For every liquidation and replenishment of the imprest account, MOES will submit to ADB documentation in accordance with *ADB's Loan Disbursement Handbook (2015, as amended from time to time)*.

37. For document processing, DHE Project Implementation Unit (D-PIU) creates and submits withdrawal applications to Department of Finance (DoF), MOES for approval, then gets approval from Ministry of Finance (MOF) before submission to ADB. In practice, projects have to deal with three departments at MOF (Tax Department, Foreign Relations Department, and Treasury Department). The parties have been supportive so far. Minor issues are found on misunderstanding of project content/activities' natures in accordance with the rules of government budget expenditure, which sometimes require lengthy explanation, e.g. research funding. Fund flow arrangements have been described in Figure 3.

38. **Statement of expenditure (SOE) procedures.**² SOE procedures may be used to reimburse contracts not exceeding \$50,000 per payment and to liquidate advances made into the imprest account in accordance with the loan/grant's financial covenants. Supporting documents and records for the expenditures claimed under the SOE should be maintained and made readily available for review by ADB's disbursement and review missions, upon ADB's request for submission of supporting documents on a sampling basis, and for independent audit.³

39. **Withdrawal of loan proceeds.** Before the submission of the first withdrawal application, Ministry of Finance should submit to ADB sufficient evidence of the authority of the person(s) who will sign the withdrawal applications on behalf of the borrower, together with the authenticated specimen signatures of each authorized person. The minimum value per withdrawal application is US\$100,000, unless otherwise approved by ADB. MOES is to consolidate claims to meet this limit for reimbursement and imprest account claims. Withdrawal applications and supporting documents will demonstrate, among other things that the goods, and/or services were produced in or from ADB members, and are eligible for ADB financing. ADB reserves the right not to accept withdrawal applications below the minimum amount. MOES and Ministry of Finance will coordinate the timely release of funds.

¹ Available at: http://www.adb.org/Documents/Handbooks/Loan_Disbursement/loan-disbursement-final.pdf

² Checklist for SOE procedures and formats are available in Appendix 9B of *ADB's Loan Disbursement Handbook*.

³ Reimbursement and liquidation of individual payments in excess of the SOE ceiling should be supported by full documentation when submitting the withdrawal application to ADB.

40. The D-PIU will be responsible for preparing disbursement projections. The Department of Finance of MOES will be responsible for (i) requesting budgetary allocations for counterpart funds, (ii) collecting supporting documents, and (iii) preparing and sending withdrawal applications to ADB.

C. Accounting

41. MOES will maintain separate project accounts and records by funding source for all expenditures incurred on the project. Project accounts will follow international accounting principles and practices or those prescribed by the Government's accounting laws and regulations.

D. Auditing and Public Disclosure

42. MOES, on behalf of the government, will maintain separate records and accounts for the Project to identify goods and services financed from the grant proceeds. All project accounts including financial statements will be audited annually as part of the regular audit by an auditing firm acceptable to ADB, using international accounting and auditing standards in accordance with the provisions of the grant agreement. The auditor's report and copies of the certified accounts and related financial statements, including auditor's opinion on the use of grant proceeds, and compliance with grant covenants, will be submitted to ADB no later than 6 months after the close of each fiscal year in English language. A separate audit opinion will be issued on the use of the imprest account and statement of expenditure procedures.

43. Compliance with financial reporting and auditing requirements will be monitored by review missions and during normal project supervision, and followed up regularly with all concerned, including the external auditor.

44. The government, the MOF, and the MOES have been made aware of ADB's policy on delayed submission, and the requirements for satisfactory and acceptable quality of the audited project financial statements.⁴ ADB reserves the right to require a change in the auditor (in a manner consistent with the constitution of the borrower), or for additional support to be provided to the auditor, if the audits required are not conducted in a manner satisfactory to ADB, or if the audits are substantially delayed. ADB reserves the right to verify the project's financial accounts to confirm that the share of ADB's financing is used in accordance with ADB's policies and procedures.

45. Public disclosure of the project financial statements, including the audit report on the project financial statements, will be guided by ADB's Public Communications Policy (2011).⁵ After review, ADB will disclose the project financial statements for the project and the opinion of

⁴ ADB Policy on delayed submission of audited project financial statements:

- When audited project financial statements are not received by the due date, ADB will write to the executing agency advising that (i) the audit documents are overdue, and (ii) if they are not received within the next six months, requests for new contract awards and disbursement such as new replenishment of imprest accounts, processing of new reimbursement, and issuance of new commitment letters will not be processed.
- When audited project financial statements have not been received within 6 months after the due date, ADB will withhold processing of requests for new contract awards and disbursement such as new replenishment of imprest accounts, processing of new reimbursement, and issuance of new commitment letters. ADB will (i) inform the executing agency of ADB's actions, and (ii) advise that the loan may be suspended if the audit documents are not received within the next six months.

⁵ Available from <http://www.adb.org/site/disclosure/public-communications-policy>

the auditors on the financial statements within 30 days of the date of their receipt by posting them on ADB's website. The Audit Management Letter will not be disclosed.

VI. Procurement and Consulting Services

A. Advance Contracting and Retroactive Financing

46. Advance contracting. The Government has requested advance action for the recruitment of consulting services and procurement of service vehicles and office equipment. The Government has been advised that approval of advance contracting does not commit ADB to finance the Project and the action will be undertaken in conformity with ADB's Procurement Guidelines (2015, as amended from time to time),⁶ and ADB's Guidelines on the Use of Consultants (2013, as amended from time to time).⁷ The issuance of invitations to bid under advance contracting will be subject to ADB approval.

47. There will be no retroactive financing for this project.

B. Procurement of Goods, Works and Consulting Services

48. All procurement of goods and works under this project will be undertaken in accordance with ADB's Procurement Guidelines (2015 as amended from time to time). All consulting services shall be selected and engaged using the ADB's Guidelines on the Use of Consultants (2013 as amended from time to time), following the selection methods and review procedures specified in the Procurement Plan (see section C). The D-PIU will be responsible for all procurement, and will liaise closely with the SKU-PIU for civil works, equipment, and furniture at SKU. Procurement of goods such as computers and laboratory equipment will use international competitive bidding procedures if over \$1.0 million, national competitive bidding if \$1 million or less but more than \$100,000 equivalent, or shopping if less than \$100,000 equivalent. Civil works will use international competitive bidding if more than \$2.0 million, and use national competitive bidding if less, but more than \$100,000. Prior review will be used in the procurement processes. The Procurement Plan, including indicative procurement packages, is in section C.3.

49. Before the start of any procurement ADB and the Government will review the public procurement laws of the central and provincial governments to ensure consistency with ADB's Procurement Guidelines.

50. An 18-month procurement plan indicating threshold and review procedures, goods, works, and consulting service contract packages and national competitive bidding guidelines is in Section C.

51. The project will be supported by consultant services recruited through five modalities. First, the Project will engage a firm to provide 139 person-months of consulting services (52 person-months international and 87 person-months national), which will be selected using the simplified technical proposal and quality- and cost-based selection method, in accordance with ADB's Guidelines on the Use of Consultants (2013, as amended from time to time). The quality- and cost-based selection weighting will follow the standard quality-cost ratio of 80:20. This package of consulting services will provide technical support for the project as well as building longer-term local capacities for planning, management, research, and delivery of higher education. Consulting services will span a broad array of expertise, including (i) strategic

⁶ Available at: <http://www.adb.org/Documents/Guidelines/Procurement/Guidelines-Procurement.pdf>

⁷ Available at: <http://www.adb.org/Documents/Guidelines/Consulting/Guidelines-Consultants.pdf>

planning, project management and monitoring, (ii) curriculum and textbook development, (iii) excellence building and research capacity development, (iv) ICT-based teaching and learning, (v) higher education software development, (vi) gender and social development and (vii) procurement.

52. Second, the Project will engage the consortium of Coelacanth and Associates (C+A) that prepared the original schematic designs during the PPTA using Single Source Selection (SSS) to provide the detailed design development and construction drawings, material specifications and any other documents required for bidding for the civil works component. The adoption of the bid-build procedure for the civil works component of support to SKU requires upfront preparation of designs and construction drawings and material specifications. This provides a more solid foundation for a construction bidding process under the new conventional modality (as opposed to the public-private partnership approach that was originally envisaged). In the bidding done for the original schematic designs, equal opportunity was given to a broad range of potential bidders and interest was received from 11 potential bidders from 7 countries. Bids were weak and C+A was the only bidder that achieved a technical score of over 800 points. The consortium of C+A is considered to have experience of exceptional worth to the assignment. A major risk with a new team would be its unfamiliarity with the target site and the reasons for choice of specific architectural and engineering solutions. Although C+A only prepared schematic design and costing, the team members have broad experience and skills to prepare additional requirements for the civil works package. The current design contract includes teaching professors who are able to support the design work with organizational and managerial experience of the day to day operations of a university. The use of SSS will ensure economy and efficiency, and is therefore in the interests of the Client. Specifically: (i) the consortium was initially selected among 6 short-listed firms to complete the urban design and schematic design of the entire new campus through QCBS process carried out directly by ADB; (ii) the government has expressed its satisfaction with the proposals made on the overall design and with the good collaboration between the consortium, SKU, and DHE during the schematic design phase, and the consortium of C+A is considered to have experience of exceptional worth to the assignment; (iii) the same team of architects and engineers should be employed to allow for continuity in the architectural design to be specified in design development and construction drawings as well as the quantity surveying for estimated bills of quantity; mitigate the risk of misunderstanding of the background to the approved schematic designs; and preserve the quality of the approved design concepts; (iv) a new selection process would imply a delay of at least one year in the time schedule and would result in considerable implementation delay; (v) an introduction and assessment period to familiarize with the complexity of the project (i.e., needing more than 10 months duration for the scope of work) would be required with a new firm; (vi) establishing communication with a new consortium and all stakeholders would require more time and result in further delays; and (vii) delays result in higher fees and costs for the project, with no discernible advantage to be gained from a repeated bidding process.

53. Third, the Project will engage a firm to provide technical supervision for the civil works component of the project at SKU. The third firm will also be selected using the simplified technical proposal and quality- and cost-based selection method, in accordance with ADB's Guidelines on the Use of Consultants (2013, as amended from time to time). The quality- and cost-based selection weighting will follow the standard quality-cost ratio of 80:20.

54. Fourth, international scholars (a total of 44 person-months) will be invited as short-term consultants on an individual basis to assist participating universities in developing academic and research programs and in teaching support.

55. Fifth, the Project will locally recruit administrative assistants and accountants on an individual basis as needed to assist the PIUs in project administration, accounting, and other tasks including reporting.

C. Procurement Plan

1. Basic Data

Project Name: Second Strengthening Higher Education Project	
Project Number: 48127	Approval Number:
Country: Lao People's Democratic Republic	Executing Agency: Ministry of Education and Sports
Project Financing Amount: US\$ ADB Financing: US\$ 39,920,000 Co-financing (ADB Administered): n/a Non-ADB Financing: US\$ 5,750,000	Implementing Agency: Ministry of Education and Sports
Date of First Procurement Plan: August 2016	Date of this Procurement Plan: August 2016 Version

2. Methods, Thresholds, Review and 18-Month Procurement Plan⁸

a. Procurement Methods and Thresholds

56. Except as the Asian Development Bank (ADB) may otherwise agree, the following process thresholds shall apply to procurement of goods and works.

Procurement of Goods and Works			
Method	Thresholds	Review	Comments
International Competitive Bidding (ICB) for Works	Above US\$ 2,000,000	Prior	Prior review of all bidding documents
International Competitive Bidding (ICB) for Goods	Above US\$ 1,000,000	Prior	All contracts in English language version for each NCB/shopping goods and works will be reviewed using prior review procedure. ADB-approved procurement document will be used as the model for subsequent procurement
National Competitive Bidding (NCB) for Works	Below US\$ 2,000,000 and above US\$ 100,000		
National Competitive Bidding (NCB) for Goods	Below US\$ 1,000,000 and above US\$ 100,000		
Shopping for Works	Below US\$ 100,000		
Shopping for Goods	Below US\$ 100,000		

Procurement of Consulting Services		
Method	Review	Comments
Quality and Cost Based Selection (QCBS)	Prior	Prior review for all contracts.
Single Source Selection (SSS)	Prior	Detailed design drawings, construction drawings and

⁸ All estimated contract amounts are shown inclusive of taxes and duties

Procurement of Consulting Services		
Method	Review	Comments
		specifications will be provided through SSS with the design consortium that has prepared the schematic designs.
Individual Consultant Selection	Prior	Prior review. DHE/MOES selects, negotiates and manages the contract with prior review and approval of ADB.

b. Goods and Works Contracts Estimated to Cost \$1 Million or More

57. The following table lists goods and works contracts for which the procurement activity is either ongoing or expected to commence within the first 18 months of the project.

General description	Estimated value (US\$)	Procurement method	Review (Prior / Post)	Advertisement Date (quarter/year)	Comments
1. Civil Works of SKU new campus: Common buildings, Tech cluster, Faculty buildings, Student accommodation, Covered walkway, Mechanical, Electrical and Plumbing, Landscaping, Fixtures, Furnishing and Equipment (incl. IT for building services and network infrastructure)	23,655,000	ICB	Prior	Q3, 2017	
2. Equipment for NUOL Center of Environmental Excellence	1,300,000	ICB	Prior	Q1, 2018	

c. Works Contracts Estimated to Cost Below US\$ 2,000,000 and above US\$ 100,000

58. The following table lists goods and works contracts for which the procurement activity is either ongoing or expected to commence within the first 18 months of the project.

General description	Estimated value (US\$)	Procurement method	Review (Prior / Post)	Advertisement Date (quarter/year)	Comments
1. Civil Works of NUOL Center of	200,000	NCB	Prior	Q4, 2017	

Environmental Excellence					
2. Civil Works for CU Center of Excellence	222,000	NCB	Prior	Q4, 2017	

d. Goods Contracts Estimated to Cost Below US\$ 2,000,000 and above US\$ 100,000

59. The following table lists goods and works contracts for which the procurement activity is either ongoing or expected to commence within the first 18 months of the project.

General Description	Estimated value (US\$)	Procurement method	Review (Prior / Post)	Advertisement Date (quarter/year)	Comments
1. Project vehicles	300,000	NCB	Prior	Q2, 2017	
2. Equipment for DHE, QAC, SKU Center of Excellence and LIETC	200,000	NCB	Prior	Q4, 2017	
3. IT equipment for NUOL IT hub, DHE, QAC and LIETC	150,000	NCB	Prior	Q4, 2017	
4. Equipment for CU Center of Excellence	474,000	NCB	Prior	Q1, 2018	
5. Equipment NUOL Center of Environmental Excellence	1,300,000	ICB	Prior	Q1, 2018	

e. Consulting Services Contracts Estimated to Cost \$100,000 or More

60. The following table lists consulting services contracts for which the recruitment activity is either ongoing or expected to commence within the first 18 months of the project.

General Description	Estimated Value (US\$)	Number of Contracts	Recruitment Method	Type of Proposal	Review	Advertisement Date (quarter/year)	Comments
Consulting Services for Capacity Building and Project Implementation	1,564,000	1	QCBS 80:20	FTP	Prior	Q4 2016	139 person-months (52 International and 87 National)
Consulting Services for SKU Campus Design (DD)	960,000	1	SSS	STP	Prior	Q1 2017	177 person-months (96 International and 81 National)

General Description	Estimated Value (US\$)	Number of Contracts	Recruitment Method	Type of Proposal	Review	Advertisement Date (quarter/year)	Comments
and CD, specifications, etc.)							
Consulting Services for SKU Construction Supervision	540,000	1	QCBS 80:20	FTP	Prior	Q1 2017	International and National (person-months to be determined)
Software development and upgrading for LUMS	130,000	1	QCBS	STP	Prior	Q2, 2018	Extension and upgrading of LUMS software

f. Goods and Works Contracts Estimated to Cost Less than \$1 Million and Consulting Services Contracts Less than \$100,000 (Smaller Value Contracts)

61. The following table groups smaller-value goods, works and consulting services contracts for which the activity is either ongoing or expected to commence within the first 18 months of the project.

General Description	Estimated Value (US\$)	No. of Contracts	Recruitment Method	Type of Proposal	Review	Advertisement Date (quarter/year)	Comments
1. Visiting Scholars	524,000	Approximately 19 contracts	ICS	ICS	Prior	Q4, 2017	44 person-months international visiting scholars. DHE/MOES selects, negotiates and manages the contract with prior review and approval of ADB
2. PIU Contract staff	385,000	8	ICS	ICS	Prior	Q1, 2017	6 staff based in D-PIU, and 2 staff in SKU: contracted on annual basis
3. Studies	100,000	8	ICS	ICS	Prior	Q3, 2017-Q4, 2018	Tracer and employer studies, policy and regulatory environment studies

3. Indicative List of Packages Required Under the Project

62. The following table provides an indicative list of goods, works and consulting services contracts over the life of the project, other than those mentioned in previous sections (i.e., those expected beyond the current period).

Package Number	General Description	Estimated Value (US cumulative)	Estimated Number of Contracts	Procurement Method	Review	Bidding Procedure	Comments
	IT equipment for SKU (excluding building services and infrastructure)	560,000	1	ICB	Prior	Bidders Prequalific: N Bidding Document: Goods	To be finalized towards the end of the construction phase at SKU
	Equipment for laboratories at SKU	823,000	1	ICB	Prior	Bidders Prequalific: N Bidding Document: Goods	To be finalized towards the end of the construction phase at SKU
	Buses for SKU	170,000	1	NCB	Prior	Bidders Prequalific: N Bidding Document: Goods	To be finalized towards the end of the construction phase at SKU
	Visiting Scholars (2018)	180,000	5	ICS	Prior	Assignment: International Expertise: subject-based visiting scholars	International visiting scholars. DHE/MOES selects, negotiates and
	Visiting Scholars (2019)	180,000	5	ICS	Prior	Assignment: International Expertise: subject-based visiting scholars	manages the contract with prior review and approval of ADB
	Studies	50,000	5	ICS	Prior		Tracer and employer studies, policy and regulatory environment studies

4. List of Awarded and On-going, and Completed Contracts

63. The following tables list the awarded and on-going contracts, and completed contracts.

a. Awarded and Ongoing Contracts

Goods and Works							
Package Number	General Description	Estimated Value	Contract Value	Procurement Method	Advertisement Date (quarter/year)	Date of ADB Approval of Contract Award	Comments

Consulting Services							
Package Number	General Description	Estimated Value	Contract Value	Recruitment Method	Advertisement Date (quarter/year)	Date of ADB Approval of Contract Award	Comments

5. National Competitive Bidding

a. General

64. The procedures to be followed for National Competitive Bidding (NCB) shall be those set forth for “Public Bidding” in Prime Minister’s Decree No. 03/PM of the Lao People’s Democratic Republic, effective 09 January 2004, and Implementing Rules and Regulations effective 12 March 2004, with the clarifications and modifications described in the following paragraphs required for compliance with the provisions of the Procurement Guidelines.

b. Application

65. Contract packages subject to NCB procedures will be those identified as such in the project Procurement Plan. Any changes to the mode of procurement from those provided in the Procurement Plan shall be made through updating of the Procurement Plan, and only with prior approval of ADB.

c. Eligibility

66. Bidders shall not be declared ineligible or prohibited from bidding on the basis of barring procedures or sanction lists, except individuals and firms sanctioned by ADB, without prior approval of ADB.

d. Advertising

67. Bidding of NCB contracts estimated at \$500,000 or more for goods and related services or \$1,000,000 or more for civil works shall be advertised on ADB's website via the posting of the Procurement Plan.

e. Procurement Documents

68. The standard procurement documents provided with Ministry of Finance, Procurement Monitoring Office shall be used to the extent possible. The first draft English language version of the procurement documents shall be submitted for ADB review and approval, regardless of the estimated contract amount, in accordance with agreed review procedures (post and prior review). The ADB-approved procurement documents will then be used as a model for all procurement financed by ADB for the project, and need not be subjected to further review unless specified in the procurement plan.

f. Preferences

- (i) No preference of any kind shall be given to domestic bidders or for domestically manufactured goods.
- (ii) Suppliers and contractors shall not be required to purchase local goods or supplies or materials.

g. Rejection of all Bids and Rebidding

69. Bids shall not be rejected and new bids solicited without ADB's prior concurrence.

h. National Sanctions List

70. National sanctions lists may be applied only with prior approval of ADB.

i. Corruption Policy

71. A bidder declared ineligible by ADB, based on a determination by ADB that the bidder has engaged in corrupt, fraudulent, collusive, or coercive practices in competing for or in executing an ADB-financed contract shall be ineligible to be awarded ADB-financed contract during the period of time determined by ADB.

j. Disclosure of Decisions on Contract Awards

72. At the same time that notification on award of contract is given to the successful bidder, the results of the bid evaluation shall be published in a local newspaper or well-known freely accessible website identifying the bid and lot numbers and providing information on (i) name of each Bidder who submitted a Bid, (ii) bid prices as read out at bid opening, (iii) name of bidders whose bids were rejected and the reasons for their rejection, (iv) name of the winning Bidder, and the price it offered, as well as the duration and summary scope of the contract awarded. The executing agency/implementing agency shall respond in writing to unsuccessful bidders who seek explanations on the grounds on which their bids are not selected.

k. Member Country Restrictions

73. Bidders must be nationals of member countries of ADB, and offered goods, works and services must be produced in and supplied from member countries of ADB.

D. Consultant's Terms of Reference

74. The summary of consulting services for which terms of reference are outlined is shown below.

Table 15: Overall Summary of Consulting Services

Position	International person-months	National person-months
Consultants engaged through consulting firm 1	52	87
Strategic planning, project management and monitoring specialist and Team Leader / DTL	24	24
Curriculum and textbook development specialists	9	18
Excellence building and research capacity development specialists	9	12
ICT-based teaching and learning specialists	6	6
Higher education software development specialist		6
Gender and social development specialist		12
Procurement specialists	4	9
Consultants engaged through consulting firm 2	96	81
Key International architects / engineers (4 persons)	18	
International Environmental safeguards specialist	2	
International Quantity surveying specialist	2.5	
Non-Key International consultants (19 persons), incl. Landscape architect	73.5	
National Non-Key architects / engineers		69
Topographical and site survey		2
Geotechnical and soil testing		5
Environmental safeguards		3
Quantity Surveying Specialist		2
Consultants engaged through consulting firm 3		
Construction management and monitoring	tbd	tbd
International visiting scholars	44	

75. The project will be supported by consultant services recruited through five modalities. First, the Project will engage a firm to provide 139 person-months of consulting services (52 person-months international and 87 person-months national), which will be selected using the simplified technical proposal and quality- and cost-based selection method, in accordance with ADB's Guidelines on the Use of Consultants (2015, as amended from time to time). The quality- and cost-based selection weighting will follow the standard quality-cost ratio of 80:20. This package of consulting services will provide technical support for the project as well as building longer-term local capacities for planning, management, research, and delivery of higher education. Consulting services will span a broad array of expertise, including (i) strategic planning, project management and monitoring, (ii) curriculum and textbook development, (iii) excellence building and research capacity development, (iv) ICT-based teaching and learning,

(v) higher education software development, (vi) gender and social development, and (vii) procurement.

76. Second, the Project will engage the consortium that prepared the original schematic designs during the PPTA using SSS (Coelacanth and Associates) to provide 177 person-months of consulting services (96 person-months international and 81 person-months national) to provide the detailed design development and construction drawings, material specifications and any other documents required for bidding for the civil works component .⁹

77. Third, the Project will engage a firm to provide technical supervision for the civil works component of the project at SKU. The third firm will also be selected using the simplified technical proposal and quality- and cost-based selection method, in accordance with ADB's Guidelines on the Use of Consultants (2015, as amended from time to time). The quality- and cost-based selection weighting will follow the standard quality-cost ratio of 80:20.

78. Fourth, international scholars (a total of 44 person-months) will be invited as short-term consultants on an individual basis to assist participating universities in developing academic and research programs and in teaching support.

79. Fifth, the Project will locally recruit administrative assistants and accountants on an individual basis as needed to assist the PIUs in project administration, accounting, and other tasks including reporting.

1. Consulting Services (project implementation) (Firm) 52 person-months international, 87 person-months national

80. The Ministry of Education and Sports (MOES), on behalf of the Government of the Lao People's Democratic Republic (the Government) has requested the Asian Development Bank (ADB) to provide financing for the Second Strengthening Higher Education Project (the project) to help support the Government improve the performance of its higher education subsector.

81. The Second Strengthening Higher Education Project (the project) will strengthen the linkage between higher education (HE) services and socioeconomic needs by improving HE quality, enhancing access to modern HE programs, strengthening governance and management of HE institutions, upgrading the academic and research capacity of the higher education system, and by delivering a new campus at Savannakhet University.¹⁰

⁹ The justification for SSS is: a) the consortium was initially selected among 6 entries, to complete the urban design and schematic design of the entire new campus through QCBS process carried out directly by the ADB/OSFMD; b) the government has expressed its satisfaction with the proposals made on the overall design and with the good working practices of the consortium; c) the same team of architects and engineers should be employed to preserve the quality of the approved design concepts and allow for continuity in the architectural design to be specified in design development and construction drawings as well as the quantity surveying for estimated bills of quantity; d) a new selection process would imply a delay of about 1 year in the time schedule and would result in a considerable delay; e) a new firm would require an orientation and assessment period to familiarize themselves with the complexity of the project schematic designs, (i.e. a new firm would need more than 10 months to complete the scope of work); f) establishing a working relationship between a new consortium and all stakeholders would require more time and result in delays; g) these delays would result in higher costs for the project. For the initial contract under PPTA 8837-LAO, the consortium of Coelacanth and Associates employed 24 architects and engineers, the total contract amount being USD460,000."

¹⁰ The project is included in Asian Development Bank (ADB). 2013. *Country Operations Business Plan: Lao People's Democratic Republic, 2014-2016*. Manila. Project title has been changed to provide greater continuity with the previous ADB support for higher education. Project preparatory technical assistance was provided (Appendix 3).

82. The eighth socio-economic development plan 2016–2020 (the plan) sets out strategies to promote socio-economic development, industrialization and modernization of the Lao PDR economy. The plan recognizes the important role played by education and human resource development (HRD) in achieving the country's social and economic objectives and identifies educational development as a priority. Upgrading Savannakhet University is one of the plan's priorities.¹¹ Economic and social forces, including the goals set in the ASEAN Economic Community Blueprint for 2025, are placing increased pressure on the country to improve the competitiveness of the higher education subsector. The country has lifted access to higher education, with enrolments growing almost ten-fold during 1999–2013.¹² There is significant excess demand for higher education, with public higher education institutions (HEIs) only able to accommodate about 20% of secondary school graduates.¹³ Lack of educated and skilled human resources is a constraint on inclusive growth, private sector development and economic diversification.¹⁴ In 2013–2014, there were five public universities in Lao PDR and more than 50 private HEIs. Private HEIs made up about 36.1% of total enrolments.

83. Lao PDR has made significant progress in increasing female representation in the tertiary education subsector. In 1999, females made up only 32.1% of tertiary education enrolments. By 2012, this figure had increased to 44.6%. However, female enrolments are concentrated in such study fields as social sciences, business, law and education. In 2011, the gender parity index for the gross enrolment ratio was 0.7—lower than Myanmar, Thailand, and Viet Nam.¹⁵ The higher education system in Lao PDR is at a nascent stage of development and, despite government efforts and the ADB's ongoing strengthening higher education project (SHEP), the system still faces significant challenges in respect of (i) sector and institutional governance and management; (ii) financing; (iii) relevance and quality of teaching and research; and (iv) access and equity.

2. Objectives of the Consulting Assignment

84. The outputs of the assignment will include assistance to the PCU in the implementation and operations of the project. A number of international and national specialists will provide assistance in specific fields as below.

3. Approach to Engaging Consultants

85. A consulting firm will be engaged (under QCBS procedures 80 technical : 20 financial) to provide services related to implementation of the project activities and achievement of the project outputs. Engagement of the firm's specialists will be sequenced to ensure timely delivery of support to the work planning and operations of the project. The specialists will work closely with counterparts designated by the Government of the Lao PDR. International specialists will lead and plan in their respective areas of expertise in collaboration with national specialists and government counterpart staff, who will also provide advice on the local context in Lao PDR to ensure that project recommendations reflect local conditions.

¹¹ Ministry of Planning and Investment. 2015. *Eighth National Socio-Economic Development Plan (2016–2020)*. Vientiane.

¹² Department of Higher Education. 2014. *Annual Report 2013*. Vientiane.

¹³ <http://www.laotop.net/news/65-ivate-educator-moves-to-allay-fears.html> (last accessed 21 August 2014).

¹⁴ ADB. 2011. *Critical Constraints to Growth in the Lao PDR*. Vientiane.

¹⁵ This means that female gross enrolments were equal to only 70% of male gross enrolments.

4. Terms of Reference for the Firm

a. General scope of the consultancy

86. The objective of the consultancy is to provide all services related to detailed implementation and operations of the project. These are defined below as individual consulting assignments, but the approach will be team-based. The consulting services contract will include provisions for office management as well as limited training and workshop funds as well as equipment necessary to run the project office in conjunction with the D-PIU. The consultant firm must provide a team of specialists, each having at minimum a Master degree in a field related to the assignment. The TOR are summarized below:

b. International Higher Education Strategic Planning, Project Management and Monitoring Specialist and Team Leader (TL), 24 person-months

87. The international specialist in strategic planning, project management and monitoring will also take the role of team leader, and will have overall responsibility for the effective implementation of the project. He/she will manage a team of multidisciplinary international and national personnel to achieve the project objectives and outputs as specified in the project plans and framework. He/she will have at minimum a Master degree in a planning-related field, with a minimum of 15 years of professional experience in similar projects, and at least 5 years' experience in Southeast Asia, preferably in Lao PDR. In addition, the international specialist and team leader will:

- (i) work with Project Coordination Unit (PCU) to strengthen and rationalize DHE activities;
- (ii) work with PCU to produce a medium-term strategic plan for DHE, updated annually via subsector-wide strategic planning workshops;
- (iii) work with DHE to (a) analyze the activities of university councils; and (b) propose revisions to individual University Council Charters to bring them into alignment with the new HE legislation and decrees that are being promulgated;
- (iv) assist the DHE and universities to reform student entrance procedures, and provide advice on how to reform the quota (non-fee paying) system;
- (v) assist MOES in the strengthening of the Quality Assurance Centre and DHE roles in implementing regulatory processes for private Higher Education Institutions (HEIs);
- (vi) provide training to HE teachers and staff on strategic planning and leadership.
- (vii) assist Savannakhet University (SKU), National University of Laos (NUOL), Champasack University (CU) and Souphanouvong University (SU) to conduct tracer studies, to analyze the data, and in view of the findings, to review the current academic programs of the four public universities;
- (viii) assist the curriculum and textbook development specialist to propose four new programs with entrepreneurship components, and to propose adjustments to existing programs;
- (ix) assist the excellence building and research capacity development specialist to formulate strategies for strengthening industrial linkages and establishing incubation centers as part of the centers of excellence development program.
- (x) assist the PCU and the PIUs to establish performance-based project monitoring criteria and systems.

88. The Team Leader's responsibilities also include (i) serve as adviser to the PCU's project director; (ii) guide and coordinate activities of international and national consultants; (iii) coordinate and integrate poverty, social and gender aspects in project implementation, and provide overall supervision to ensure safeguard compliance; (iv) monitor the overall project and the investment activities; (v) help prepare annual operational reviews and annual operation plans; (vi) help prepare the project review documents for Asian Development Bank (ADB) supervision missions; (vii) prepare progress and technical reports as required by the contractor and MOES; (viii) assist the implementation units and project coordination unit in preparing annual plans, quarterly reports, and project completion report; (ix) take a lead role in all the project national seminars and workshops; and (x) serve as facilitator in coordinating the activities of all components to ensure smooth and timely implementation.

c. National Higher Education Strategic Planning, Project Management and Monitoring Specialist and Deputy Team Leader (DTL), 24 person-months

89. The national specialist in strategic planning, project management and monitoring will also take the role of deputy team leader, and will have responsibility for the effective implementation of the project. He/she will manage a team of multidisciplinary international and national personnel to achieve the project objectives and outputs as specified in the project plans and framework. He/she will have at minimum a Master degree in an education-related field, with a minimum of 15 years of professional experience in similar projects at the higher education level. In addition, the national specialist and deputy team leader will assist the Team Leader to:

- (i) work with Project Coordination Unit (PCU) to strengthen and rationalize DHE activities;
- (ii) work with PCU to produce a medium-term strategic plan for DHE, updated annually via subsector-wide strategic planning workshops;
- (iii) work with DHE to (a) analyze the activities of university councils; and (b) propose revisions to individual University Council Charters to bring them into alignment with the new HE legislation and decrees that are being promulgated;
- (iv) assist the DHE and universities to reform student entrance procedures, and provide advice on how to reform the quota (non-fee paying) system;
- (v) assist MOES in the strengthening of the Quality Assurance Centre and DHE roles in implementing regulatory processes for private Higher Education Institutions (HEIs);
- (vi) provide training to HE teachers and staff on strategic planning and leadership.
- (vii) assist Savannakhet University (SKU), National University of Laos (NUOL), Champasack University (CU) and Souphanouvong University (SU) to conduct tracer studies, to analyze the data, and in view of the findings, to review the current academic programs of the four public universities;
- (viii) assist the curriculum and textbook development specialist to propose four new programs with entrepreneurship components, and to propose adjustments to existing programs;
- (ix) assist the excellence building and research capacity development specialist to formulate strategies for strengthening industrial linkages and establishing incubation centers as part of the centers of excellence development program;
- (x) assist the PCU and the PIUs to establish performance-based project monitoring criteria and systems.

90. The Deputy Team Leader's responsibilities also include (i) serve as adviser to the PCU's project director; (ii) together with and in the absence of the team leader, guide and coordinate the activities of international and national consultants; (iii) coordinate and integrate poverty, social and gender aspects in project implementation, and provide overall supervision to ensure safeguard compliance; (iv) monitor the overall project and the investment activities; (v) help prepare annual operational reviews and annual operation plans; (vi) help prepare the project review documents for Asian Development Bank (ADB) supervision missions; (vii) prepare progress and technical reports as required by the contractor and MOES; (viii) assist the implementation units and project coordination unit in preparing annual plans, quarterly reports, and project completion report; (ix) take a lead role in all the project national seminars and workshops; and (x) serve as facilitator in coordinating the activities of all components to ensure smooth and timely implementation.

**d. International Curriculum and Textbook Development Specialist
(ICTS) 9 person-months**

91. The specialist will have at minimum a Master degree in an education-related field, with a minimum of 10 years of professional experience in similar projects at the higher education level, and at least 5 years' experience in Southeast Asia, preferably in Lao PDR. He/she will:

- (i) undertake a review of higher education curriculum in all public and selected private universities and assess the level and content of current curricula, academic programs, and diplomas and degrees in specializations against those of top-ranked universities in Southeast Asia, and then design a framework for new or revised curricula and academic programs, and diploma and degree programs with respect to learner outcomes, content levels and standards, achievement protocols and relevance to student and employer demand;
- (ii) devise a bi-annual program of curriculum development workshops over 3 years and assist faculty representatives in (a) the production of a curriculum framework for their respective faculties, (b) design of curriculum and academic programs in relevant disciplines and fields and (c) strengthening international and domestic networking at the undergraduate and postgraduate levels
- (iii) lead the core group of faculty-based curriculum specialists to design four new programs with strong entrepreneurship components;
- (iv) guide the core group of curriculum developers in the compilation and ongoing development of faculty-specific packages of teaching materials and delivery strategies and ensure that curricula are of an appropriate standard;
- (v) help prepare specifications and schedules to support the development of blended learning materials by writing teams, including those which can be uploaded as either institution-specific access or open-access modules;
- (vi) develop criteria-referenced instruments to support the objective internal peer review of blended learning material by members of writing teams;
- (vii) prepare evaluation criteria and methods for teaching effectiveness and research quality and performance; and
- (viii) develop a format for utilizing and maintaining facilities, laboratories, and equipment.
- (ix) coordinate with the Gender and Social Development Specialist to ensure activities related to curriculum reviews, assessments and development are gender and ethnically appropriate

- (x) develop (in collaboration with the ICT-based teaching and learning development specialists) a package for English language training of faculty members in the English language.

**e. National Curriculum and Textbook Development Specialist (NCTS)
18 person-months**

92. The specialist will have at minimum a Master degree in an education-related field, with a minimum of 10 years of professional experience in similar projects at the higher education level. He/she will assist the international specialist to:

- (i) undertake a review of higher education curriculum in all public and selected private universities and assess the level and content of current curricula, academic programs, and diplomas and degrees in specializations against those of top-ranked universities in Southeast Asia, and then design a framework for new or revised curricula and academic programs, and diploma and degree programs with respect to learner outcomes, content levels and standards, achievement protocols and relevance to student and employer demand;
- (ii) devise a bi-annual program of curriculum development workshops over 3 years and assist faculty representatives in (a) the production of a curriculum framework for their respective faculties, (b) design of curriculum and academic programs in relevant disciplines and fields and (c) strengthening international and domestic networking at the undergraduate and postgraduate levels
- (iii) lead the core group of faculty-based curriculum specialists to design four new programs with strong entrepreneurship components;
- (iv) guide the core group of curriculum developers in the compilation and ongoing development of faculty-specific packages of teaching materials and delivery strategies and ensure that curricula are of an appropriate standard;
- (v) help prepare specifications and schedules to support the development of blended learning materials by writing teams, including those which can be uploaded as either institution-specific access or open-access modules;
- (vi) develop criteria-referenced instruments to support the objective internal peer review of blended learning material by members of writing teams;
- (vii) prepare evaluation criteria and methods for teaching effectiveness and research quality and performance; and
- (viii) develop a format for utilizing and maintaining facilities, laboratories, and equipment.
- (ix) coordinate with the Gender and Social Development Specialist to ensure activities related to curriculum reviews, assessments and development are gender and ethnically appropriate
- (x) develop (in collaboration with the ICT-based teaching and learning development specialists) a package for English language training of faculty members in the English language.

**f. International excellence building and research capacity
development specialist (IERS), 9 person-months**

93. The specialist will have at minimum a Master degree, with a minimum of 10 years of professional experience in capacity development and research planning or coordination, and at least 5 years' experience in Southeast Asia, preferably in Lao PDR. He/she will be required to:

- (i) review the existing status of centers of excellence (COE) within the Lao HE environment, specifically related to the fields already identified for SKU and CU;
- (ii) assist the universities to prepare a strategy and action plans for developing the identified COE;
- (iii) review the operation and effectiveness of current university research capacity, and formulate a development strategy for research that will contribute to the provision of high-quality research proposals to the competitive research fund;
- (iv) in collaboration with the ICT-based teaching and learning specialists, develop strategies for networking with local industry and the local community to build partnerships and disseminate research findings;
- (v) design a training package for the development of academic research skills, journal publication skills, and training for participation in international conferences;
- (vi) review submissions for sourcing of funds for research projects from MOES and other government agencies, and finalize guidelines for the establishment of a competitive research fund to provide grants for the funding of research projects;
- (vii) coordinate with the universities to identify their needs for assistance from the visiting scholars program;
- (viii) coordinate with the gender and social development specialist to ensure training packages and marketing modules appeal to gender and ethnic candidates.

g. National excellence building and research capacity development specialist (NERS), 12 person-months

94. The specialist will have at minimum a Master degree, with a minimum of 10 years of professional experience in capacity development and research planning or coordination He/she will be required to assist the international specialist to:

- (i) review the existing status of centers of excellence (COE) within the Lao HE environment, specifically related to the fields already identified for SKU and CU;
- (ii) assist the universities to prepare a strategy and action plans for developing the identified COE;
- (iii) review the operation and effectiveness of current university research capacity, and formulate a development strategy for research that will contribute to the provision of high-quality research proposals to the competitive research fund;
- (iv) in collaboration with the ICT-based teaching and learning specialists, develop strategies for networking with local industry and the local community to build partnerships and disseminate research findings;
- (v) design a training package for the development of academic research skills, journal publication skills, and training for participation in international conferences;
- (vi) review submissions for sourcing of funds for research projects from MOES and other government agencies, and finalize guidelines for the establishment of a competitive research fund to provide grants for the funding of research projects;
- (vii) coordinate with the universities to identify their needs for assistance from the visiting scholars program;
- (viii) coordinate with the gender and social development specialist to ensure training packages and marketing modules appeal to gender and ethnic candidates.

h. International ICT-based teaching and learning specialist (IICT), 6 person-months

95. The specialist will have at minimum a Master degree in an IT-related field, with a minimum of 10 years of professional experience in similar projects, and at least 5 years' experience in Southeast Asia, preferably in Lao PDR. He/she will be required to:

- (i) work with DHE and university management personnel to guide and monitor the ongoing operation of an ICT-based teaching learning center at each institution;
- (ii) supervise the installation of the national higher education ICT network at DHE and each of the 4 universities;
- (iii) assist the DHE and the universities to develop, implement and monitor operation of the digital components of blended learning systems, utilizing the ICT network, for teaching, data storage and communication systems;
- (iv) monitor the application and implementation of the LUMS at each university;
- (v) develop (in collaboration with the curriculum and textbooks development specialist) a package for English language training of faculty members in the English language;
- (vi) develop a set of pilot distance study modules to be used via the ICT network; provide mentor oversight for the development of further distance study modules to be developed by all major faculties that can demonstrate demand for distance study; and
- (vii) assist MOE and the universities to formulate budgetary plans to sustainably finance operations and maintenance, and periodic upgrading of ICT resources after project completion.

i. National ICT-based teaching and learning specialist (NICT), 6 person-months

96. The specialist will have at minimum a Master degree in an IT-related field, with a minimum of 10 years of professional experience in similar projects. He/she will be required to assist the international specialist to:

- (i) work with DHE and university management personnel to guide and monitor the ongoing operation of an ICT-based teaching learning center at each institution;
- (ii) supervise the installation of the national higher education ICT network at DHE and each of the 4 universities;
- (iii) assist the DHE and the universities to develop, implement and monitor operation of the digital components of blended learning systems, utilizing the ICT network, for teaching, data storage and communication systems;
- (iv) monitor the application and implementation of the LUMS at each university;
- (v) develop (in collaboration with the curriculum and textbooks development specialist) a package for English language training of faculty members in the English language;
- (vi) develop a set of pilot distance study modules to be used via the ICT network; provide mentor oversight for the development of further distance study modules to be developed by all major faculties that can demonstrate demand for distance study; and
- (viii) assist MOE and the universities to formulate budgetary plans to sustainably finance operations and maintenance, and periodic upgrading of ICT resources after project completion.

j. National higher education software development specialist (NSDS), 6 person-months

97. The specialist will have at minimum a Master degree in an IT-related field, with a minimum of 10 years of professional experience in similar projects. He/she will have extensive experience in designing education information systems for the management of higher education institutions, and will have thorough knowledge of all activities belonging to education planning and management (particularly related to personnel, finances, course information, and student selection). The specialist will be required to:

- (i) assess the current status of the LUMS and identify information needs across the higher education subsector, at DHE and at the 4 public universities;
- (ii) upgrade the design of the LUMS to strengthen a subsector-wide, multipurpose MIS network which includes DHE and all public HEIs;
- (iii) assist the DHE and the universities to implement and monitor operation of the standardized LUMS, utilizing ICT network, for administrative, management, data storage and communication systems;

k. National gender and social development specialist (NGSD) 12 person-months, intermittent

98. The specialist will have at minimum a Master degree, with a minimum of 10 years of professional experience in similar projects. He/she will be required to:

- (i) assist in collecting most recent gender and ethnicity-disaggregated information and data on gender and ethnicity relevant to aspects of tertiary education, at both central and provincial levels (for baseline and periodically during implementation);
- (ii) on the basis of the evidence collected, expand the Gender Action Plan (GAP) of the project to include additional implementation steps (if necessary) for ease of project implementation;
- (iii) assist the MOES to implement the GAP;
- (iv) assist in delivering gender awareness/mainstreaming training to project staff and consultants at the national and provincial levels. Develop a training of trainers manual, if necessary, to facilitate delivery of gender training;
- (v) assist in developing a gender checklist for each project output, which can be used by national and provincial project staff during project implementation;
- (vi) assist in developing a monitoring and reporting form, including training to key project personnel, to facilitate overall monitoring of GAP implementation and its reporting in quarterly progress reports to ADB and the Government; and
- (vii) coordinate with other international and national consultants in mainstreaming gender and ethnic actions.

l. International Procurement Specialist (IPS), 4 person-months

99. The specialist will have at minimum an ISCED Level 7 qualification, with a minimum of 10 years of professional experience in similar projects, and at least 5 years' experience in Southeast Asia, preferably in Lao PDR. He/she will:

- (i) be responsible for planning, developing and managing all procurement and contractual aspects of project related civil works, goods, equipment and consultancy services;
- (ii) advise requisitioning units and recipient entities on the full range of procurement issues, providing support and guidance at all stages of the procurement cycle;
- (iii) assist in the preparation and distribution of invitations to tender; and
- (iv) help manage/conduct all aspects of bid proposal evaluations.

m. National Procurement Specialist (NPS), 9 person-months

100. The specialist will have at minimum an ISCED Level 7 qualification, with a minimum of 10 years of professional experience in similar projects. He/she will:

- (i) support the international procurement specialist in planning, developing and managing all procurement and contractual aspects of project related civil works, goods, equipment and consultancy services;
- (ii) advise requisitioning units and recipient entities on the Lao regulatory framework procurement issues, providing support and guidance at all stages of the procurement cycle;
- (iii) assist in the preparation and distribution of invitations to tender;
- (iv) help manage/conduct all aspects of bid proposal evaluations, including support to the D-PIU procurement secretariats; and
- (v) supervise equipment installation.

E. General Approach to Implementation

101. The consulting services team will work closely with the SSHEP PIUs as well as with the universities, the MOES and other HEIs. The team leader will develop a comprehensive work plan to guide their work.

102. Progress meetings will be held on a monthly basis during the term of the contract. Minutes of the meetings shall be prepared by the Consultant and circulated to concerned parties.

103. The consulting services will be provided on an intermittent basis during the life of the project, and annual work plans and mission schedules will be prepared by the firm and submitted for approval to the Project Director during the last quarter of each calendar year.

F. Reports, Documents and Drawings

104. The Consultant shall prepare and submit the following documents. All documents shall be discussed with the SSHEP Director and Project Manager. Where draft and final documents are required, the consultant shall obtain comments on the Draft and incorporate those comments in the Final version of the document.

105. **Inception report.** Within 60 days after contract signature, the bidder will submit an inception report detailing the procedure, methodology and work schedule for the consultancy work.

106. **Quarterly reports.** During the month following the quarter under review, the team will submit to the project director a quarterly progress report in a format acceptable to the ADB.

107. **Draft Final Report.** A draft final report on the project will be submitted to the Project Director for review and comment during the last quarter of project implementation. The draft will contain all details on project activities, and summarize the results and recommendations for each project component.

108. **Final Report.** The final report will include all comments made on the draft final report.

G. Specific Requirements for Submission of the Technical Proposal

109. The technical proposal will be the basis for evaluation of bids under the QCBS (80:20) methodology, and should include:

- (i) a detailed description of the methodology to be undertaken for the implementation of the consulting services in relation to the project, including costs, reporting and the rationale behind the intended methodology;
- (ii) CVs of all personnel who make up the proposed team;
- (iii) an outline of the roles and responsibilities of key personnel; and
- (iv) a workplan in outlining the detailed step-by-step process, including reporting milestones and the number of working days of all personnel for each step.

1. Campus Design (design development drawings, construction drawings, tender documents, etc.) (Firm: 177 person-months: 96 person-months international, 81 person-months national)

110. The Ministry of Education and Sports (MOES), on behalf of the Government of the Lao People's Democratic Republic (the Government) has requested the Asian Development Bank (ADB) to provide financing for the Second Strengthening Higher Education Project (the project) to help support the Government improve the performance of its higher education subsector.

111. The Second Strengthening Higher Education Project (the project) will strengthen the linkage between higher education (HE) services and socioeconomic needs by improving HE quality, enhancing access to modern HE programs, strengthening governance and management of HE institutions, upgrading the academic and research capacity of the higher education system, and by delivering a new campus at Savannakhet University (footnote 48).

112. The eighth socio-economic development plan 2016–2020 (the plan) sets out strategies to promote socio-economic development, industrialization and modernization of the Lao PDR economy. The plan recognizes the important role played by education and human resource development (HRD) in achieving the country's social and economic objectives and identifies educational development as a priority. Upgrading Savannakhet University is one of the plan's priorities.¹⁶ Economic and social forces, including the goals set in the ASEAN Economic Community Blueprint for 2025, are placing increased pressure on the country to improve the competitiveness of the higher education subsector. The country has lifted access to higher education, with enrolments growing almost ten-fold during 1999–2013.¹⁷ There is significant excess demand for higher education, with public higher education institutions (HEIs) only able to accommodate about 20% of secondary school graduates.¹⁸ Lack of educated and skilled human resources is a constraint on inclusive growth, private sector development and economic

¹⁶ Ministry of Planning and Investment. 2015. *Eighth National Socio-Economic Development Plan (2016–2020)*. Vientiane.

¹⁷ Department of Higher Education. 2014. *Annual Report 2013*. Vientiane.

¹⁸ <http://www.laotop.net/news/65-ivate-educator-moves-to-allay-fears.html> (last accessed 21 August 2014).

diversification.¹⁹ In 2013–2014, there were five public universities in Lao PDR and more than 50 private HEIs. Private HEIs made up about 36.1% of total enrolments.

113. Lao PDR has made significant progress in increasing female representation in the tertiary education subsector. In 1999, females made up only 32.1% of tertiary education enrolments. By 2012, this figure had increased to 44.6%. However, female enrolments are concentrated in such study fields as social sciences, business, law and education. In 2011, the gender parity index for the gross enrolment ratio was 0.7—lower than Myanmar, Thailand, and Viet Nam.²⁰ The higher education system in Lao PDR is at a nascent stage of development and, despite government efforts and the ADB's ongoing strengthening higher education project (SHEP), the system still faces significant challenges in respect of (i) subsector and institutional governance and management; (ii) financing; (iii) relevance and quality of teaching and research; and (iv) access and equity.

2. Objectives of the Consulting Assignment

114. The outputs of the assignment will include (i) assessment of the schematic designs and government priorities for the construction at Savannakhet University (SKU), (ii) design development and construction drawings, material specifications and other relevant documentation required for the bidding process for construction at Savannakhet University, (iii) pre-bidding site preparation required at the new campus of Savannakhet University, (iv) review of the environment safeguards assessment.

3. Approach to Engaging Consultants

115. A consulting architecture/engineering consortium will be engaged (under SSS procedures) to provide services related to detailed design development and construction of the new campus at Savannakhet University. Engagement of the consortium specialists will be sequenced to ensure timely delivery of support to the procurement and work planning of the project. The specialists will work closely with counterparts designated by the Government of the Lao PDR. International specialists will lead and plan in their respective areas of expertise in collaboration with national specialists and government counterpart staff, who will also provide advice on the local context in Lao PDR to ensure that project recommendations reflect local conditions.

4. Terms of Reference for the Firm

a. General scope of the consultancy

116. The objective of the consultancy is to provide all services related to design development, construction drawings and tender documents of the new campus at Savannakhet University, including:

b. Consultants engaged through an architect-led consulting firm (177 person-months international and national specialists)

117. A firm will be contracted to provide architectural and construction supervision services during the implementation of the civil works at Savannakhet University. The team -composed of

¹⁹ ADB. 2011. *Critical Constraints to Growth in the Lao PDR*. Vientiane.

²⁰ This means that female gross enrolments were equal to only 70% of male gross enrolments.

international and national specialists- will include, but not be limited to an architect led team with architects, structural engineer(s), a civil works engineer(s), a MEP engineer(s), a quantity surveyor, a supervising engineer(s), a civil works quality assurance specialist(s). The functions of the firm will include design development, construction drawings and site supervision during the construction phase. The TOR are summarized below:

- (i) act as the authorized architect of the Client to perform Architectural and Engineering Design Services for a Design-Bid procedure;
- (ii) advise and consult with PIU and the Client;
- (iii) have the authority to act on the Client's behalf to the extent provided in this contract and the construction contract documents;
- (iv) perform basic services for the design development and construction drawings phase for the project;
- (v) produce statements of probable construction costs and track costs per phase;
- (vi) perform project coordination during the design development and construction documents phase;
- (vii) issue documents including bidding documents;
- (viii) issue addenda, respond to tender clarifications, assist bid evaluation and make recommendations for awarding;

5. Team composition and anticipated individual tasks

118. The firm is requested to propose a team composed of international and national consultants. The team will be composed of key and non-key consultants and only the key consultants CVs will be assessed during the contract negotiations. The firm will have the opportunity to modify the team composition for non-key consultants in order to enhance the quality of the outputs. The proposed modifications and improvements should be highlighted in the inception report (methodology and work plan).

6. International Consultants

119. **Architectural and engineering design specialists / Team Leader and Deputy Team Leader and Chief Engineer (Key consultants – 4 x 4.5 person-months each; project architects/ engineers 18 x 4 person months; 1 landscape architect 1.5 person months).** The consultants must provide a team of specialists, each having at minimum a Master degree in architecture and/or civil engineering with a minimum of 15 years of professional experience (Team Leader and Chief Engineer) or 10 years of experience (Deputy Team Leader and MEP engineer) in similar projects, including civil, structural, mechanical, electrical hydraulic, civil engineering (roads, bridges and utilities), as well as the planning of ICT and laboratory and workshop equipment. The specialists will be required to prepare the design development and construction drawings in line with the approved schematic design developed under the PPTA as a comprehensive master plan for Savannakhet University. They will also need to prepare detailed cost estimates for construction and other documentation need to move to the next stage of procurement ('bid-build'). Activities of the architectural and engineering design specialists will include, but not be limited to:

- (i) finalization of architectural and engineering design for site infrastructure;
- (ii) preparation of architectural and engineering design development drawings and construction drawings for the new campus and facilities, reflecting the issues addressed in the schematic design, including, but not limited to, (a) environmental engineering systems (including rainwater harvesting, water recycling, sustainable

- energy systems, innovative building methodologies, and materials); (b) contemporary pedagogies; (c) contemporary facility management and operations; (d) separate male and female requirements (e.g., separate toilets, dormitories, etc.); (e) furniture, fittings and equipment, and (f) giving consideration to capital and operating costs; and
- (iii) preparation of landscape design drawings for hard surfaces.

120. **Environmental safeguards specialist (Key consultant - 2 person-months).** The consultant must have a master's degree in environmental engineering, with a minimum of 10 years of relevant professional experience in preparation of Environmental Management Plans (EMP) for similar projects. Key tasks include:

- (i) review the environmental implications of civil works and environmental settings of the proposed project;
- (ii) review environmental risks of the proposed project, and, where such risks are present (e.g., construction), prepare/update the EMP to mitigate the risks;
- (iii) ensure that the requirements of the EMP are written into the bidding documents and draft construction contract(s).

121. **Quantity surveying specialist (Key consultant – 2.5 person-months).** The consultant must have a master degree in civil engineering specialized in quantity surveying, or be a qualified quantity surveyor, with a minimum of 10 years of relevant professional experience in construction management, review and pricing. The specialist will:

- (i) prepare a cost breakdown of capital costs for the University of Savannakhet including: (a) the identification of construction methodologies and costs related to realization of the design and construction drawings, and (b) the influence on those costs of using different building technologies and building materials;
- (ii) advise on all construction costs relating to infrastructure establishment across the campus, including roads; utilities; landscaping; shell and core construction; and furniture, fittings, and equipment.
- (iii) quality assurance in the preparation of tender documents and procurement procedure

7. National Consultants

122. **Architectural and engineering design specialists including civil, structural, mechanical, electrical and hydraulic engineering specialists, information and communication technologies, and laboratory and workshop equipment specialist (Non key consultants - 16 X 4.32 = 69 person-months).** The architectural and engineering design specialists should have a relevant qualification in architecture, design, engineering or related area, and a minimum of 7 years of relevant experience in architectural and engineering design in Lao PDR. Specific activities will include supporting the international specialists, including but not limited to, the following:

- (i) prepare the construction drawings, floor plans, cross-sections elevations and detailed drawings for the campus architectural design, and develop and produce these in AutoCAD model suitable for cost estimation;
- (ii) ensure that the most cost-effective, practical and easy to maintain strategies for construction are applied while introducing innovation where appropriate aligned

with the evolution of the Lao building industry as it experiences international influences integrated with local capacity and expertise.

- (iii) support the international team to ensure that architectural and construction solutions are responsive to contextual factors such as climate, type of usage, anticipated loads, and cultural considerations that may have an impact on the quality and nature of the spaces;
- (iv) determine the most cost-effective and appropriate mechanical, information and communication technologies (ICT) network and electrical systems for use in new campus buildings.
- (v) ensure appropriate conditions for ICT-specific spaces, networks, etc.
- (vi) develop design and construction engineering drawings and technical specifications for all mechanical and electrical work for inclusion in building construction (including all plumbing, electrical, ICT network, air conditioning, ventilation, air exhaust, and other layouts).
- (viii) ensure that all buildings are designed and detailed in compliance with government and provincial planning regulations, statutory authorities and building codes. Provide quantity assessments to the QS for inclusion in the cost estimates for all buildings under the project. Provide inputs as necessary to the pre-bid conference(s).

123. Topographical and site survey (Non key consultant - 2 person-months). The specialist should have a relevant degree and minimum of 7 years of relevant experience. Tasks include reviewing the topographical survey and identifying key features and boundaries for the campus at Savannakhet University.

124. Geotechnical and hydrological survey (Non key consultant - 5 person-months). The specialist should have a relevant degree and 7 years of relevant experience. Tasks include conducting a soil investigation, laboratory analysis and a geotechnical report including foundation recommendations to be used for the design development and technical designs for the construction of the campus and university buildings. Site hydrology report is subject to utilization.

125. Environmental safeguards specialist (Non key consultant - 3 person-months). The environmental safeguards specialist should have a relevant degree, and a minimum of 7 years of relevant experience in conducting environmental assessments. Experience working on international development partner projects is essential. Key tasks include providing local support to the international team to:

- (i) review the environmental implications of civil works and environmental settings of the proposed project;
- (ii) review environmental risks of the proposed project, and, where such risks are present (e.g., construction), prepare/update the EMP to mitigate the risks;
- (iii) ensure that the requirements of the EMP are written into the bidding documents and draft construction contract(s);
- (iv) liaise with local and provincial authorities to ensure compliance with all legal and regulatory requirements for environmental monitoring.

126. Quantity surveying specialist (Non key consultant - 2 person-months). The quantity surveying specialist should have a degree in quantity surveying, or other relevant degree and at least 7 years' experience. The specialist will support the international specialist to prepare a cost breakdown of capital costs for Savannakhet University, including:

- (i) prepare a cost breakdown of capital costs for the University of Savannakhet including: (a) the identification of construction methodologies and costs related to realization of the design development and construction drawings, and (b) the influence on those costs of using different building technologies and building materials;
- (ii) advise on all construction costs relating to infrastructure establishment across the campus, including roads; utilities; landscaping; shell and core construction; and furniture, fittings, and equipment.
- (iii) prepare specifications for tender documents and procurement procedure

8. General Approach to Implementation

127. The consultant team will work closely with the SSHEP PIUs as well as with Savannakhet University, the MOES and other HEIs. They will develop a comprehensive work plan to guide their work.

128. The Consultant should allow adequate time for meetings and liaison with all relevant parties, particularly at commencement of the Contract. Progress meetings will be held prior to inception, interim and final report. The Client will be informed by means of progress updates on a regular basis by modern communication technologies. Minutes of the meetings shall be prepared by the Consultant.

129. These consultancy works are to be implemented and completed within 44 weeks after contract signature.

9. Reports, Documents and Drawings

130. The Consultant shall prepare and submit the following documents. All documents shall be discussed with the SSHEP Director and Project Manager. Where draft and final documents are required, the consultant shall obtain comments on the Draft and incorporate those comments in the Final version of the document.

131. **Inception report.** Within 30 days after contract signature, the bidder will submit an inception report detailing the procedure, methodology and work schedule for the consultancy work.

132. **Interim Report.** A draft of each of the design development drawings and cost estimates is to be submitted to the Project Director for review and comment. These drafts are to contain all drawings as well as surveys that have been done and the corresponding results and technical recommendations for each project component.

133. **Final Report.** The final report is to encompass construction drawings and all the technical survey work and results, including final recommendations for the proposed design and construction drawings and cost estimates, as well as all necessary contributions to the construction bidding documents, including the EMP. This final report is to include all comments made upon submission of the draft reports.

134. Payments to the firm will be made on the basis of an agreed payment schedule and upon written acceptance of the expected reports.

10. Specific Requirements for Submission of the Technical Proposal.

135. The technical proposal will form the basis for the contract negotiation under the SSS methodology, and should include:

- (i) a detailed description of the methodology to be undertaken for the design preparation, surveys, costing and reporting and the rationale behind the intended methodology;
- (ii) CVs of all personnel, both key and non-key, who make up the proposed team;
- (iii) an outline of the roles and responsibilities of key personnel; and
- (iv) a workplan in outlining the detailed step-by-step process, including reporting milestones and the number of working days of all personnel for each step.

C. Construction Supervision (Firm: international/national, person-months to be determined)

136. The Ministry of Education and Sports (MOES), on behalf of the Government of the Lao People's Democratic Republic (the Government) has requested the Asian Development Bank (ADB) to provide financing for the Second Strengthening Higher Education Project (the project) to help support the Government improve the performance of its higher education subsector.

137. The Second Strengthening Higher Education Project (the project) will strengthen the linkage between higher education (HE) services and socioeconomic needs by improving HE quality, enhancing access to modern HE programs, strengthening governance and management of HE institutions, upgrading the academic and research capacity of the higher education system, and by delivering a new campus at Savannakhet University (footnote 48).

138. The eighth socio-economic development plan 2016–2020 (the plan) sets out strategies to promote socio-economic development, industrialization and modernization of the Lao PDR economy. The plan recognizes the important role played by education and human resource development (HRD) in achieving the country's social and economic objectives and identifies educational development as a priority. Upgrading Savannakhet University is one of the plan's priorities.²¹ Economic and social forces, including the goals set in the ASEAN Economic Community Blueprint for 2025, are placing increased pressure on the country to improve the competitiveness of the higher education subsector. The country has lifted access to higher education, with enrolments growing almost ten-fold during 1999–2013.²² There is significant excess demand for higher education, with public higher education institutions (HEIs) only able to accommodate about 20% of secondary school graduates.²³ Lack of educated and skilled human resources is a constraint on inclusive growth, private sector development and economic diversification.²⁴ In 2013–2014, there were five public universities in Lao PDR and more than 50 private HEIs. Private HEIs made up about 36.1% of total enrolments.

139. Lao PDR has made significant progress in increasing female representation in the tertiary education subsector. In 1999, females made up only 32.1% of tertiary education enrolments. By 2012, this figure had increased to 44.6%. However, female enrolments are concentrated in such study fields as social sciences, business, law and education. In 2011, the

²¹ Ministry of Planning and Investment. 2015. *Eighth National Socio-Economic Development Plan (2016–2020)*. Vientiane.

²² Department of Higher Education. 2014. *Annual Report 2013*. Vientiane.

²³ <http://www.laotop.net/news/65-ivate-educator-moves-to-allay-fears.html> (last accessed 21 August 2014).

²⁴ ADB. 2011. *Critical Constraints to Growth in the Lao PDR*. Vientiane.

gender parity index for the gross enrolment ratio was 0.7—lower than Myanmar, Thailand, and Viet Nam.²⁵ The higher education system in Lao PDR is at a nascent stage of development and, despite government efforts and the ADB's ongoing strengthening higher education project (SHEP), the system still faces significant challenges in respect of (i) subsector and institutional governance and management; (ii) financing; (iii) relevance and quality of teaching and research; and (iv) access and equity.

1. Objectives of the Consulting Assignment

140. The outputs of the assignment will include quality supervision of the construction contract(s) at SKU to ensure compliance with the designs and specifications as presented in the bidding documents.

2. Approach to Engaging Consultants

141. A consulting engineering firm will be engaged (QCBS, 90:10) to provide services related to monitoring and supervision of construction of the new campus at Savannakhet University. The specialists will work closely with counterparts designated by the Government of the Lao PDR. International specialists will lead and plan in their respective areas of expertise in collaboration with national specialists and government counterpart staff, who will also provide advice on the local context in Lao PDR to ensure that project recommendations reflect local conditions.

3. Terms of Reference for the Firm

a. General scope of the consultancy

142. The objective of the consultancy is to provide all services related to supervision and monitoring of the construction of the new campus at Savannakhet University, including:

- (i) perform field reviews during the construction, issue progress reports and process recommendations for payment;
- (ii) interpret the requirements of the construction contract documents and make findings as to the performance thereunder by both the client and contractor;
- (iii) perform field reviews including producing deficiency assessments;
- (iv) review and forward to Client warranties;
- (v) perform total inspection and certification;
- (vi) perform reviews and approval of shop drawings and other technical material submitted by the contractor;
- (vii) perform warranty inspections after one year following termination of work for reported deficiencies and inform client and contractor.

b. Team composition and anticipated individual tasks

143. The firm will be requested to propose a team composed of international and national consultants. As final plans for construction will not be ready until the second half of 2017, detailed terms of reference and periods of assignment will be determined during project implementation.

²⁵ This means that female gross enrolments were equal to only 70% of male gross enrolments.

4. General Approach to Implementation

144. The supervision team will work closely with the SSHEP PIUs as well as with Savannakhet University. They will develop a comprehensive work plan to guide their work.

145. The Consultant should allow adequate time for meetings and liaison with all relevant parties, particularly at commencement of the Contract. Progress meetings will be held on a bi-weekly basis during the term of the contract. Minutes of the meetings shall be prepared by the Consultant.

5. Reports, Documents and Drawings

146. The Consultant shall prepare and submit the following documents. All documents shall be discussed with the SSHEP Director and Project Manager. Where draft and final documents are required, the consultant shall obtain comments on the Draft and incorporate those comments in the Final version of the document.

147. **Inception report.** Within 45 days after contract signature, the bidder will submit an inception report detailing the procedure, methodology and work schedule for the consultancy work.

148. **Bi-weekly progress reports.** Reports on each stage of construction, including copies of approved shop drawings and approved 'as-built' drawings are to be submitted to the Project Director for review and comment. These reports are to contain all drawings as well as surveys that have been done and the corresponding results and technical recommendations for each project component.

149. **Final Report.** The final report is to encompass all the technical survey work and results, including final recommendations. This final report is to include all comments made upon submission of the draft reports.

6. Specific Requirements for Submission of the Technical Proposal.

150. The technical proposal will form the basis for the contract negotiation under the SSS methodology, and should include:

- (i) a detailed description of the methodology to be undertaken for the design preparation, surveys, costing and reporting and the rationale behind the intended methodology;
- (ii) CVs of all personnel who make up the proposed team;
- (iii) an outline of the roles and responsibilities of key personnel; and
- (iv) a workplan in outlining the detailed step-by-step process, including reporting milestones and the number of working days of all personnel for each step.

H. Visiting Scholars

151. In addition to the consulting services to be recruited through a firm, visiting international scholars with 44 person-months will be invited as short-term consultants on an individual basis to assist participating universities in the development of academic programs and teaching support, e-learning approaches, international exchange and cooperation, university-industry linkage, and research methodology and publication, etc.

VII. SAFEGUARDS

152. Pursuant to ADB's Safeguard Policy Statement (2009) (SPS),²⁶ ADB funds may not be applied to the activities described on the ADB Prohibited Investment Activities List set forth at Appendix 5 of the SPS. All financial institutions will ensure that their investments are in compliance with applicable national laws and regulations and will apply the prohibited investment activities list to subprojects financed by ADB.

153. **Environment (category B).** The project is classified category B for the environment, in particular for the component for development of facilities as SKU. At other project sites, the classification will be category C as the civil works is minor. The Initial Environmental Examination (IEE)²⁷ indicates that, with the exception of construction phase impacts, the project does not have significant adverse impacts on the environment and any potential environmental impacts can be mitigated through the implementation of the environmental management plan of the civil works program. Due diligence on compliance with the environmental management plan will be undertaken during project implementation by MOES, with assistance from the construction management and supervision consultants to be contracted by the project to provide supervision and quality assurance for civil works.

154. **Involuntary Resettlement (category C).** The project is classified as Category C for involuntary resettlement. Civil works will be carried out on government land, which was previously protected forest with no residents. Use of the forest for non-timber forest products (NTPF) has depleted the forest resources to the extent that they are no longer a viable source of nutrition or income. Due diligence has confirmed that there are no informal settlers in the project site. The project has no land acquisition or resettlement issues, including activities that will result in involuntary physical or economic displacement of people. A survey was carried out on social safeguards and assessment of the impact of the project on livelihood in 3 villages bordering the SKU civil works site. The conclusions of the survey support the classification of Category C.

155. **Indigenous Peoples (category C).** The project is classified as category C for indigenous peoples. The assessment⁶⁹ carried out under the PPTA determined that indigenous peoples will not be negatively impacted. Students, staff and administrators of SKU are not considered Indigenous Peoples following ADB SPS, and the project will not specifically target any ethnic minority group as beneficiaries but will be designed to be socially inclusive and accessible to all. This notwithstanding, to ensure that students from ethnic groups are assured of the potential benefits of the project; focus is placed on these groups for increased participation in higher education. Improving the quality of services and facilities will provide a range of benefits, and the conclusion of the assessment is that there will be a range of benefits to both Lao and ethnic students. The social safeguard for indigenous peoples is therefore categorized as C.

156. **Civil Society Organizations Engagement.** MOES has discussed the project scope and design with development partners, international and national NGOs, and mass organizations. MOES intends to engage civil society organizations (CSOs) more intensively through engagement with industry and commerce CSOs to support relevant curriculum development, and also with mass organizations to support oversight of the GAP.

²⁶ Available at: <http://www.adb.org/Documents/Policies/Safeguards/Safeguard-Policy-Statement-June2009.pdf>

²⁷ Initial Environmental Examination (accessible from the list of linked documents in Appendix 2 of the RRP)

157. **Public Communications Policy 2011.** The Government has been informed about the ADB Public Communications Policy, specifically: (i) disclosure of all project documents simultaneously to ADB's Board of Directors and the public; and (ii) disclosure of Project audited accounts and financial statements.

VIII. GENDER AND SOCIAL DIMENSIONS

158. Social, poverty and gender analyses were undertaken in accordance with the Asian Development Bank (ADB) guidelines.²⁸ The analyses assisted in developing the design and implementation measures of the project, and form the basis of risk mitigation and social safeguarding.

A. Poverty and social issues addressed

159. The direct beneficiaries of the project will be those secondary graduates in Savannakhet and its neighboring provinces that can access higher education; higher education graduates from Savannakhet university will have skills and knowledge for entry to the labor force. The benefits will primarily accrue from the increased quality of provision offered by public and private HEIs, and from the expanded and improved classroom, laboratory and dormitory space, particularly at Savannakhet University, but also at other HEIs. The project will expand access to higher education which will directly contribute to increasing student intakes at Savannakhet University; increase numbers of qualified academic staff; improve the courses and curriculum to respond to private sector development in southern provinces, particularly in relation to demand at the special economic zones in Savannakhet and Khammouane Provinces. Students will benefit from the improved curriculum and learning environment.

160. The project will assist the MOES to (i) update the curriculum and provide learning materials to public and private HEIs to respond to the country's economic development, and private sector needs; (ii) integrate entrepreneurship training into the higher education curriculum, (iii) upgrade the skills and qualifications of teaching staff; (iv) establish a center of excellence in each of two public universities to enhance specialization in agriculture and logistics; (v) enhance the institutional research capacity to conduct more applied research; (vi) enforce higher education governance and financial management. The project will directly support at Savannakhet University (i) development of a function-based university campus to provide a modern teaching environment and accommodate more student intakes; (ii) increased numbers of qualified academic staff; (iii) improved infrastructure and educational equipment; (iv) student dormitories, including for girls; (v) an e-library for public and private higher education institutions.

161. The main stakeholders (students, university staff, departmental staff) were actively engaged in the design stage to ensure that the project outputs and activities are realistic and respond to their needs. Student surveys were conducted using standard survey methods as well as peer-to-peer review and focus groups based on social accountability principles. Stakeholder workshops were held to discuss project design issues with student, parent, university, provincial, private sector stakeholders. The consultations and surveys were used to identify specific social groups that may need special attention or measures to ensure their participation on the project activities.

²⁸ Summary Poverty Reduction and Social Strategy (accessible from the list of linked documents in Appendix 2 of the RRP)

162. Revised university entrance procedures as well as the move towards demand-side financing – such as through scholarships for women and disadvantaged groups – will empower these groups as they will have greater choice in where they can go to university. More generally the focus on lifting enrolments for females will empower them by building their human capital, thus opening up economic opportunities for them. Stakeholders include student associations, Lao Women's Union, Lao Youth Union, university staff unions, education-related NGOs, Lao National Chamber of Commerce and Industry and Private Education Sector Association.

163. In terms of impacts on non-beneficiary groups, the project will support the government to establish a new campus for Savannakhet University on a large plot of land that is owned by SKU. The PPTA has confirmed the ownership status of the land and determined that the entire area belongs to the university; resettlement and compensation will not be required since there are no affected households. Any other construction will be done on cleared land already owned by the government. Since the government initiated the SKU project in 2010 i.e. ground clearance and land boundary demarcation, fencing and road networks including installation of pipe water and electricity in the site, the land which had once been a forest protected area to date has nearly been depleted by the villagers and construction workers. The design of the new SKU campus puts priority for reforestation (reserved and protected area) and to minimize the effect on the environment and to utilize the natural settings to design the facilities.

164. The Second Strengthening Higher Education Project learns from the SHEP, expands upon its progress towards gender equity, and incorporates actions to address key developments issues affecting higher education. These include achieving equity, reducing gender and social cultural disparities, overcoming barriers and obstacles for women, and ensuring equal access to high-quality and relevant higher education training. The gender action plan (GAP) is based on gender analysis and objectives to ensure female composition of management and academic staff at Savannakhet University (SKU), and participation in local and international training opportunities, as well as in the delivery of training programs; ensuring the participation of female students in scholarship programs; adequately addressing gender issues related to research and industry engagement; ensuring gender sensitivity in curriculum and materials development as well as in extra-curricular activities and career guidance, and; ensuring implementation, monitoring, and quarterly reporting of the gender action plan.

GENDER ACTION PLAN

Project Output	Action proposed and targets
Overall	Ensure a level of 45% female enrollment in the 5 public universities
Output 1: Quality and relevance of HE services (teaching, research, extension) enhanced	<ul style="list-style-type: none"> • 600 academic staff (at least 40% women) receive training in teaching pedagogy and instructional methods by 2021. • 92 academic staff (30% women) receive scholarships to attend NUOL or foreign HEIs to upgrade their qualifications and skills by 2021. • Increased incentives for female students to study science, technology, math, and ICT, including marketing, career counseling, and improved subject selection • Investigate gender elements of access to competitive research funds; incorporate relevant elements • When establishing systems for industry engagement, consider gender issues such as unconscious gender bias in hiring university graduates
Output 2: Access to modern higher education programs introduced	<ul style="list-style-type: none"> • Ensure 45% of students enrolled at SKU by 2020 are female • Designate 50% of dormitory spaces at SKU for female students and ensure separate living spaces and facilities for females and males. • Provide training on Prevention of Sexual Harassment and reporting (including grievances) mechanism to all students. • Provide training on “Code of Conduct” to all dormitory management, security guards and all dormitory staff. • Tracer studies will include sex-disaggregated data and report on the results
Output 3: Governance and management of HEIs strengthened	<ul style="list-style-type: none"> • Ensure that DHE undertakes policies and plans to maximize opportunities for females and ethnic origin university applicants and students. • 25% representation of university councils and other management committees are women. • Ensure at least 30% female staff and faculty members from MOES, NUOL, CU, SU and SKU receive training on institutional leadership, strategic management, and planning. Ethnic male and female staff have equal opportunities to attend workshops to assess/validate improved budget and actual expenditure format, modern financial management techniques and data collection instruments. • 23 DHE and university administration staff receive scholarships to attend NUOL or foreign HIEs to upgrade their qualifications and skills (35% women) • Gender workshops will be conducted to

Project Output	Action proposed and targets
	introduce the GAP to project management team at the beginning stage. <ul style="list-style-type: none"> • 30% of PCU and PIU staff are women • All data will be disaggregated by sex and ethnicity. • Project's M&E includes GAP indicators • GAP performance report to ADB attaches GAP monitoring table in the quarterly reports.

IX. PERFORMANCE MONITORING, EVALUATION, REPORTING AND COMMUNICATION

A. Project Design and Monitoring Framework

Impact the Project is Aligned with			
Links between higher education services and socioeconomic needs strengthened (<i>Eighth National Socio-economic Development Plan 2016–2020</i>) ^a			
Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
Outcome Quality of higher education services improved	a. Number of DHE and university staff ^b with postgraduate degrees increases to 1,550 (35% of new degree holders women) by 2022. (AY2015/16 baseline: 1,355; 32% women) b. Number of peer-reviewed research articles originating annually from participating HEIs increases to 100 by 2022. (2014 baseline: 83) ^c c. 12 memorandums of understanding (contracts) signed by MOES and HEIs to provide extension and consultancy services (job placements, applied research, among others) by 2022. d. Number of higher education (university) enrollments ^d increases to 45,000 (45% women) by 2022. (AY2015/16 baseline: 38,520; 43% women)	LUMS Thompson Reuters web of knowledge database HEI financial reports LUMS	Weak public sector and financial management systems, including procurement framework Lack of policy and institutional support to ensure achievement and sustainability of benefits Weak financial management and procurement capacity Gender imbalance at upper secondary education is not reduced.
Outputs 1. Quality and relevance of higher education services (teaching, research, extension) enhanced	1a. New curriculum is developed in four disciplines in line with modern pedagogical principles and practices, and including entrepreneurship training by 2018. 1b. 600 academic staff receive training in teaching pedagogy and instructional methods (at least 40% women) by 2021.	1a. MOES reports 1b. MOES project reports, LUMS	Limited capacity of HEIs to generate revenues and low levels of recurrent funding

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
<p>2. Access to modern higher education programs introduced</p> <p>3. Governance and management of HEIs strengthened</p>	<p>1c. 92 academic staff receive scholarships to attend NUOL or foreign HEIs to upgrade their qualifications and skills (30% women) by 2021.</p> <p>1d. 50 grants will be allocated under the newly established competitive research fund by 2020.</p> <p>2a. New 3,700 student capacity Savannakhet University campus, including classrooms, laboratories, education resource center, administration facilities available for use by 2019; other campus infrastructure designed.</p> <p>2b. 500 dormitory places (50% for women) will be built by 2019.</p> <p>2c. Student enrollment at Savannakhet University (both campuses) increases from 3,900 in AY2015/16 to 6,000 (45% women) by 2021. (AY2015/16 baseline: 3,922; 43% women)</p> <p>3a. 200 senior managers, governors, MOES staff, and academic leaders of participating HEIs will receive capacity building and mentoring in leadership, strategic management, and institutional planning (at least 30% women) by 2020.</p> <p>3b. 23 DHE and university staff will receive scholarships to attend NUOL or foreign HEIs to upgrade their qualifications and skills (35% women) by 2021 (AY2015/16 baseline: 31%)</p> <p>3c. Revised regulatory and funding framework, including quality assurance framework, for HEIs will be introduced by 2017.</p> <p>3d. Graduate tracer studies and employer surveys to provide evidence for curriculum and regulatory reforms will be carried out and results integrated into the assessment of the regulatory and funding framework by 2017.</p> <p>3e. Four new LUMS modules will be developed and functioning by 2019.</p>	<p>1c. MOES project reports</p> <p>1d. MOES project and HEI reports, LUMS, published articles</p> <p>2a. MOES project reports</p> <p>2b. MOES project and Savannakhet University reports</p> <p>2c. LUMS</p> <p>3a. MOES project capacity-building records</p> <p>3b. MOES project reports</p> <p>3c. Ministerial decree issued on regulatory and funding framework for HEIs</p> <p>3d. MOES project reports</p> <p>3e. MOES project reports</p>	<p>Inadequate managerial and technical capacities within HEIs, and lack of project experience</p>
<p>Key Activities with Milestones</p> <p>1. Quality and relevance of higher education services (teaching, research, and extension) enhanced.</p> <p>1.1 Identify, develop, test and disseminate interdisciplinary common courses in four subjects to participating HEIs by 2018.</p>			

<p>1.2 Revise Teacher Training Professional Development content and materials; test and deliver training programs on academic staff teaching, pedagogy and instructional methods by 2017.</p> <p>1.3 Develop entrepreneurship program standards, curriculum, and instructional materials, and train administrative and academic staff by 2018.</p> <p>1.4 Assess the recent online mathematics interactive learning pilot and its feasibility for extension by 2017.</p> <p>1.5 Develop design features and selection criteria for scholarship program for academic staff of participating HEIs by 2017.</p> <p>1.6 Develop matching scholarship program design features, develop selection criteria, and identify partner foreign HEIs by 2017.</p> <p>1.7 Connect Savannakhet University with the existing e-library at NUOL by 2017.</p> <p>1.8 Support extracurricular activities by establishing an innovation fund by 2018.</p> <p>1.9 Develop research policies and regulations that help enhance and inspire lecturers and staff members to do research by 2018.</p> <p>1.10 Develop design features of a competitive research fund, including administrative setup and selection criteria by 2017.</p> <p>1.11 Establish systems of research support and industry engagement through COEs by 2018.</p> <p>1.12 Provide capacity-building and research equipment to Champasack University COE and NUOL Centre of Environmental Excellence by 2018.</p> <p>1.13 Evaluate options and determine feasibility of innovative design, delivery, financing, and maintenance of laboratories in participating HEIs by 2017.</p> <p>1.14 Incorporate the research findings as part of the teaching subjects in the study programs by 2019.</p> <p>2. Access to modern higher education programs introduced.</p> <p>2.1 Complete resettlement and site clearance for new Savannakhet University campus by 2017.</p> <p>2.2 Conduct prefeasibility study on use of PPP modality for delivery of noncore services (e.g., dormitories, cafeteria, parking, security) at Savannakhet University's new campus by 2018.</p> <p>2.3 Prepare the agreed procurement process to deliver the Savannakhet University campus by 2017.</p> <p>2.4 Begin full operation at Savannakhet University's new campus by 2019.</p> <p>2.5 Develop a mechanism that helps enhance equitable access (modality of admission) by 2018.</p> <p>3. Governance and management of HEIs strengthened.</p> <p>3.1 Complete assessment of higher education MIS by 2017.</p> <p>3.2 Train staff on use of higher education MIS by 2018.</p> <p>3.3 Complete assessment of the regulatory and funding framework for HEIs and issue ministerial decree implementing new framework by 2018.</p> <p>3.4 Identify priority areas, design features, administrative setup, and selection criteria for human resource development program by 2017.</p> <p>3.5 Develop research program (including studies to be undertaken, timeline, and work program) for the assessment of the present practices of HEI administration systems, and quality, performance, and labor market outcomes, effectiveness, and efficiency of the higher education subsector by 2017.</p> <p>3.6 Develop design for and carry out tracer studies and employer survey by 2017.</p> <p>3.7 Identify potential international university partners and develop student and academic staff exchange program by 2018.</p> <p>3.8 Identify the prioritized areas of administration for further strengthening by 2017.</p> <p>3.9 Train administration staff from various administrative offices by 2018.</p> <p>3.10 Provide short- and long-term visiting scholars to help improve administration capacity of different offices by 2017.</p> <p>Project Management Activities</p> <p>Establish project steering committee and PIUs at DHE and participating HEIs by 2016.</p> <p>Inputs</p> <p>Asian Development Bank: \$39.92 million (\$16.45 million ADF loan and \$23.47 ADF million grant) Government: \$4.49 million Others (partnering foreign universities): \$1.26 million</p> <p>Assumptions for Partner Financing</p> <p>Not applicable</p>
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ADF = Asian Development Fund, AY = academic year, COE = center of excellence, DHE = Department of Higher Education, HEI = higher education institution, Lao PDR = Lao People's Democratic Republic, LUMS = Lao universities' management system, MIS = management information system, MOES = Ministry of Education and Sports, NUOL = National University of Laos, PIU = project implementation unit, PPP = public-private partnership.

^a Government of the Lao People's Democratic Republic, Ministry of Planning and Investment. 2015. *Five Year National Socio-economic Development Plan VIII (2016–2020)*. Vientiane.

^b From National University of Laos, Champasack University, Medical Science University, Savannakhet University, and Souphanouvong University.

^c Total citable research publications for the Lao PDR in 2014 numbered 165, assume half from the universities.

^d At the five public universities cited above.

Source: Asian Development Bank.

B. Evaluation

165. **Project Review.** The government and ADB will conduct semiannual reviews of the project. The reviews will assess progress in each output areas, identify difficulties or constraints and help determine ways to overcome them. The government and ADB will jointly undertake a midterm review of the project in the last quarter of year 3 of the project implementation. The midterm review will (i) assess the project performance against targets and benchmarks; (ii) identify and recommend necessary changes in the project design and implementation arrangements; and (iii) review compliance with grant covenants. It will also inform planning for the second half of the project. The findings will be discussed at the midterm seminar to be attended by MOES leadership and senior staff, representatives of government ministries and agencies concerned, the consultants and ADB. Within 6 months of physical completion of the project, MOES will submit a project completion report to ADB.²⁹

C. Reporting

166. MOES will provide ADB with (i) quarterly reports on project implementation and submit them to ADB within 30 days of each quarter (the reports will be submitted in a format acceptable to ADB and include progress made against established targets, problems encountered during the previous quarter, steps taken to resolve disputes and problems, compliance with grant/loan covenants, GAP progress, and proposed project activities for the succeeding quarter); (ii) consolidated annual reports including (a) progress achieved by output as measured through the indicator's performance targets, (b) key implementation issues and solutions; (c) updated procurement plan and (d) updated implementation plan for next 12 months; and (iii) a project completion report within 6 months after physical completion of the project, with details of project implementation and accomplishments. To ensure projects continue to be both viable and sustainable, project accounts and the executing agency AFSs, together with the associated auditor's report, should be adequately reviewed.

D. Stakeholder Communication Strategy

167. The government, through MOES, will undertake public awareness campaigns through information disclosure, education and consultation on the Project and its benefits, including but not limited to information related to the RP, EMMPs, and GAP. Public disclosure of the project financial statements, including the audit report on the project financial statements, will be guided by ADB's Public Communications Policy (2011).³⁰ After review, ADB will disclose the project financial statements for the project and the opinion of the auditors on the financial statements within 30 days of the date of their receipt by posting them on ADB's website. The Audit Management Letter will not be disclosed. A matrix on the communication strategy is provided in Table 16.

²⁹ Project completion report format is available at: <http://www.adb.org/Consulting/consultants-toolkits/PCR-Public-Sector-Landscape.rar>

³⁰ Available from <http://www.adb.org/site/disclosure/public-communications-policy>

168. In addition, to deter corruption and increase transparency, the government shall create a project website within two months of loan effectiveness, accessible by the general public, to disclose various information concerning the project including general information about the project, public procurement related to the project, project progress and contact details in English and Lao. The website shall also provide a link to ADB's Integrity Unit (<http://www.adb.org/Integrity/complaint.asp>) for reporting to ADB any grievances or allegations of corrupt practices arising out of the project and project activities. For each contract, the website shall include information on, among others, the list of participating bidders, name of the winning bidder, basic details on bidding procedures adopted, amount of contract awarded, and the list of goods/services, including consulting services, procured. The government shall cause MOES to permit any bidder to request an explanation as to why a bid was unsuccessful and MOES shall respond within 20 working days. The website will be updated within two weeks after (i) each award of contract, and (ii) each submission of the semi-annual Safeguards Monitoring Report to ADB. In addition to the web-based disclosure, stakeholders, which include civil society and non-governmental organizations, shall be provided by the Government with detailed information on procurement on public notice boards in their respective areas.

Table 15: Communication Strategy Matrix

Communications Context: Sharing information with a wide range of stakeholders about the project who have access to different types of information sources and value education and other university services differently. For example, ethnic groups have less access to modern communication channels, and students communicate through different channels than parents, in many cases. The project seeks to increase enrolment at SKU, but cultural barriers limit female enrolment. Therefore, communication can assist in sharing information about the value of education.									
Strategic Elements							Work Plan Elements		Evaluation
Objectives	Risks	Audiences/ Stakeholders	Current and Desired Attitudes and Behaviors	Messages/ Information	Activity/ Channels	Timing	Responsibility	Resources Needed	Expected Outcomes
Project implementation not hindered by lack of clarity of project design	Misunderstanding of project objectives may create obstacles to successful implementation	MOES officials, university staff, COE staff, and university students	<u>Current</u> - fair understanding, mostly at macro level <u>Desired</u> - comprehensive understanding, at level appropriate to role in project	Project outputs Role of each stakeholder Timeline of project Procurement opportunities ADB policies Anticorruption measures	Public awareness campaigns including stakeholder education and consultation events Website in Lao and English, with project information & procurement plus contact details	2017 Q3 and 2018 Q1 2017 Q1	PIU teams D-PIU	Staff time Web design expertise, staff time	Clarity on the project's objectives and how it will achieve them Project data and resources for further information
Enrolment is increased at SKU	The project needs students to enroll at the new university to make it successful; some stakeholders may be reluctant to enroll for cultural reasons	Students, particularly females	Students understand SKU offerings and benefits attendance will bring	Value of education Employment prospects improved	Social media Awareness campaigns	2017 Q3 and 2018 Q1; intermittent throughout project	PIU teams; SKU staff; secondary school teachers and counselors	Publicity materials about the university; social media updates	Higher female student enrollment at SKU
		Parents, particularly of female students	Parents support choice of SKU students to study at SKU	Value of education, especially for girls Employment prospects improved	Community meetings Awareness campaigns 1-on-1 meetings	2017 Q3 and 2018 Q1; intermittent throughout project	PIU teams; SKU staff; community leaders; secondary school teachers and counselors	Staff time	Greater value placed on education, especially for girls. Less reluctance for girls to attend university
		Ethnic groups, particularly female students and their parents	Ethnic groups are aware of allocated places	Value of education Employment prospects improved	Community meetings Awareness campaigns	2017 Q3 and 2018 Q1; intermittent throughout	PIU teams; village chiefs; SKU staff; secondary school teachers	Staff time	Greater value placed on education

Community and business sector increase interaction with universities	The project needs to encourage provision of extension services by the universities, otherwise funding will remain totally dependent on government budget	Business leaders, community leaders	Potential clients understand what the universities can offer through their COEs, incubation centers, and entrepreneurial expertise	Value of collaboration with the local university Potential for fund raising through business activities	Workshops Awareness campaigns	project 2017 Q3 and intermittent throughout the project	and counselors PIU teams and university staff	Staff time Consultant inputs Workshop funds	Greater collaboration on extension services and fund-raising business
		University staff	Staff understand local needs and can provide services to meet them	Value of collaboration with the local community and businesses Potential for fund raising through business activities	Workshops Awareness campaigns	2017 Q3 and intermittent throughout the project	PIU teams and university staff	Staff time Consultant inputs Workshop funds	Greater collaboration on extension services and fund-raising business
Staff and students of participating universities take up the opportunities provided under the CRF and IFECA	Lack of awareness of the availability of funds may lead to under-utilization Poor funds management may have negative effect on university research	Eligible university researchers and teams	Researchers are aware of the availability of funds and application procedures and timing	Procedures for submitting research proposals, selection criteria, scheduling Funding and accounting regulations for awardees	Social media University web-sites Project web-site	2017 Q3 and intermittent throughout the project	PIU teams, consultants and university staff	Staff time	Full use of funds available Increased research output
		Eligible student associations and their members	Student leaders are aware of the availability of funds and application procedures and timing	Procedures for submitting activity proposals, selection criteria, scheduling Funding and accounting regulations for awardees	Social media University web-sites Project web-site	2017 Q3 and intermittent throughout the project	PIU teams, consultants and university staff	Student time	Full use of funds available Increased student participation in extra-curricular activities Strengthened working skills

X. ANTICORRUPTION POLICY

169. ADB reserves the right to investigate, directly or through its agents, any violations of the Anticorruption Policy relating to the Project.¹ All contracts financed by ADB shall include provisions specifying the right of ADB to audit and examine the records and accounts of the executing agency and all Project contractors, suppliers, consultants and other service providers. Individuals/entities on ADB's anticorruption debarment list are ineligible to participate in ADB-financed activity and may not be awarded any contracts under the Project.²

170. To support these efforts, relevant provisions are included in the loan agreement/ and grant agreement and the bidding documents for the Project.

171. **Governance and Anticorruption.** The Government will and will cause MOES to, comply with ADB's Anticorruption Policy (1998, as amended to date). The Government (i) acknowledges ADB's right to investigate, directly or through its agents, any alleged corrupt, fraudulent, collusive or coercive practices relating to the project; and (ii) agrees to cooperate, and will cause MOES, and all other government offices, organizations and entities involving in implementing the project to cooperate, fully with any such investigation and to extend all necessary assistance, including providing access to all relevant books and records, as may be necessary for the satisfactory completion of any such investigation. In particular, MOES will ensure that (i) periodic inspections of the project contractors' activities related to fund withdrawals and settlements are carried out; (ii) relevant provisions of ADB's Anticorruption Policy (1998, as amended to date) are included in all bidding documents for the project; and (iii) contracts, financed under the Project, include provisions specifying the right of ADB to audit and examine the records and accounts of the contractors, suppliers, consultants, and other service providers as they relate to the Project. Individuals/entities on ADB's anticorruption debarment lists are ineligible to participate in ADB-financed activity and may not be awarded any contracts under the Project.

172. If the government or ADB is or becomes aware or has a reasonable suspicion that any member of MOES or a member of any government agency involved in the implementation of the project has engaged in corrupt or fraudulent practices (as defined in ADB's Anticorruption Policy (1998 as amended to date) under or in connection with the project or the loan, the government will take such timely and appropriate action satisfactory to ADB to investigate and/or remedy the situation.

173. In addition to these requirements, to deter corruption and increase transparency, the Government shall create a project website within two months of loan effectiveness, accessible by the general public, to disclose various information concerning the project including general information about the project, public procurement related to the project, project progress and contact details in English and Lao. The website shall also provide a link to ADB's Integrity Unit (<http://www.adb.org/Integrity/complaint.asp>) for reporting to ADB any grievances or allegations of corrupt practices arising out of the project and project activities. For each contract, the website shall include information on, among others, the list of participating bidders, name of the winning bidder, basic details on bidding procedures adopted, amount of contract awarded, and the list of goods/services, including consulting services, procured. The government shall cause MOES to permit any bidder to request an explanation as to why a bid was unsuccessful and MOES shall respond within 20 working days. The website will be updated within two weeks after

¹ Available at: <http://www.adb.org/Documents/Policies/Anticorruption-Integrity/Policies-Strategies.pdf>

² ADB's Integrity Office web site is available at: <http://www.adb.org/integrity/unit.asp>

(i) each award of contract, and (ii) each submission of the semi-annual Safeguards Monitoring Report to ADB. In addition to the web-based disclosure, stakeholders, which include civil society and non-governmental organizations, shall be provided by the Government with detailed information on procurement on public notice boards in their respective areas.

XI. ACCOUNTABILITY MECHANISM

174. People who are, or may in the future be, adversely affected by the project may submit complaints to ADB's Accountability Mechanism. The Accountability Mechanism provides an independent forum and process whereby people adversely affected by ADB-assisted projects can voice, and seek a resolution of their problems, as well as report alleged violations of ADB's operational policies and procedures. Before submitting a complaint to the Accountability Mechanism, affected people should make a good faith effort to solve their problems by working with the concerned ADB operations department. Only after doing that, and if they are still dissatisfied, should they approach the Accountability Mechanism.³

XII. RECORD OF PAM CHANGES

175. All revisions/updates during course of implementation should retained in this Section to provide a chronological history of changes to implemented arrangements recorded in the PA

³ For further information see: <http://www.adb.org/Accountability-Mechanism/default.asp>.

FINANCIAL MANAGEMENT CAPACITY ASSESSMENT REPORT

1. A Financial Management Assessment (FMA) was carried out for the Ministry of Education and Sports (MOES), MOES Department of Finance (DOF), MOES Department of Higher Education (DHE), and Savannakhet University (SKU). It includes a review of the executing/implementing agencies' systems for financial and management accounting, reporting, auditing and internal controls, as well as a review of the disbursement and cash flow management. It is designed to determine whether the executing/implementing agencies' financial management arrangements are adequate for recording all transactions and balances, supporting the preparation of regular and reliable financial statements, safeguarding the entities' assets, and are subject to audit. Tool used comprised ADB's Financial Management Assessment Questionnaire (FMQ) and the Guidelines for the Financial Governance and Management of Investment Projects Financed by ADB.

2. **Review of Previous Reports.** Several documents¹ were examined prior to undertaking the financial management assessment of MOF and DHE: This assessment has found that there have been three comprehensive financial management assessments for MOES so far, namely by the Second Education Development Project (EDP2)², Strengthening Technical Vocational Education and Training (STVET) Project (Project 42278)³ and Secondary Education Sector Development Program (Project 40368)⁴. All three assessments, except EDP2, reported MOES's financial management capacity as adequate. This study also looked into DHE and SKU, where PMU and PIU will be located.⁵

A. Executive Summary of Findings and Conclusions

3. **Project Description.** Second Strengthening Higher Education Project is a project aiming at further strengthening the higher education system in the Lao PDR, to be implemented nationwide and will include all public HEIs regulated by the ministry of education and sports (MOES) and selected private HEIs. The project will improve the quality of higher education services through three proposed outputs: (i) enhance the quality and relevance of higher education services in teaching, research and extension; (ii) introduce access to modern higher education programs, in particular through provision of a new model campus at Savannakhet University, and; (iii) strengthen governance and management of higher education institutions.

B. Risk Assessment

4. ADB projects in the education sector have been performing satisfactorily in recent years. Nevertheless, the major project implementation issues have included: (i) delays in reporting from university implementation units which arose due to poor communication between those implementation units and D-PIU, affecting the replenishment of imprest account; (ii) while

¹ ADB. 2007. *Loan Disbursement Handbook, unofficial Lao translation*. Vientiane. MOES; ADB. 1998. *Guidelines on Financial Management Assessment (FMA)*. Manila. ADB; ADB. Institutional Strengthening of the National Audit Office (TRA: Lao32310), Basic Education Development Project (Project Number: 32312); Strengthening Higher Education Project (Project Number: 42134), Improved Public Financial Management Systems (Project Number 40300) and DOF of MOES' Operation Manual.

² World Bank. 2004. *Project Appraisal Document on a Proposed Credit in the Amount of SDR 3.9 Million (US\$ 5.3 million equivalent), and a Proposed IDA Grant of SDR 5.6 Million (US\$ 7.7 Million Equivalent) to the Lao People's Democratic Republic for a Second Education Development Project*. Report No: 25477-LA. East Asia and Pacific Region.

³ ADB. 2010. Project Administration Manual. Project Number 42278. Lao People's Democratic Republic: Strengthening Technical and Vocational Education and Training Project.

⁴ ADB. 2011. Project Administration Manual. Project Number 40368-02. Lao People's Democratic Republic: Secondary Education Sector Development Project.

⁵ A detail questionnaire table is available upon request.

MOES, particularly DHE, wanted to integrate personnel training into the implementation of the project, MOF requires a nomination of a particular staff handling financial processing; causing delay of the project; (iii) the nature of the expenses, such as research fund, which needs long period to complete, affect the reporting requirement and eventually the replenishment of imprest account. For these reason, it is necessary to ensure the appropriate training to implementation unit and financial and accounting staff to ensure the familiarity with ADB financial reporting requirements as well as streamlining the procedures in the whole financial processes.

C. Implementation Requirements

5. The executing agency for the project will be MOES, within which the SSHEP office will be established with a project director who will have overall responsibility for the day-to-day implementation of all project activities. The concerned universities will have a project implementation unit (PIU) to be responsible for the day-to-day implementation and management of project activities in their respective universities.

6. A project steering committee (PSC) will be established, chaired by a representative of the Ministry of Education and Sports to provide co-ordination among ministries and agencies, and is the principle stakeholder in the project. It will approve and authorize annual work plans or any major changes to such plans. A corresponding university steering committee will be established in each university to provide local oversight of the project. The members of the PSC shall include, from MOES, Vice Minister, Director General of Higher Education Department, Director General of Finance Department and Director General of Planning Department, as well as Director General of External Finance of the Ministry of Finance, President of each concerned university, and Director of the Project.

7. The contracted staff of the SSHEP office will include project management, financial and technical specialists. The SSHEP office will prepare a comprehensive organization chart and written job descriptions for each staff member. SSHEP staff costs will be covered by loan/grant funds, and approved per diem and transport costs will be paid in accordance with Ministry of Finance (MOF) guidelines, also from ADB funds. ADB will finance consultants. The proposed structure of the project is appropriate as MOES and its concerned departments are familiar with similar project mechanisms from previous projects.

8. SSHEP will prepare and submit to ADB quarterly progress reports, which will include: (i) a narrative description of progress made during the reporting period; (ii) changes in implementation schedule; (iii) problems or difficulties encountered; and (iv) activities to be undertaken in the next reporting period. The SSHEP office will prepare and submit to ADB a project completion report within 3 months of the completion of the project.

D. Findings

9. The FMA found that: (i) there is a need to improve coordination of management, inspection, and monitoring of financial management procedures between MOF, DHE, D-PIU, and university PIUs; procedures must be streamlined and modernized, incorporating a results- or performance-based orientation to planning, budgeting, monitoring and control; (ii) financial management staff in MOES and DHE are relatively experienced in terms of ADB financial systems, but SKU has no working experience of ADB systems; therefore SKU finance office needs training on ADB financial procedures; (iii) MOES and DHE have reasonably effective financial performance monitoring systems to measure the impact and utilization of funds; (iv) a financial management and operational procedures manual should be improved and

disseminated to PIUs; (v) while accounting staff of DOF are competent with clear job descriptions and specifications outlined, more highly competent accounting staff is needed at SKU, and the processes streamlined (shortened), with clearly defined duties, responsibilities, lines of supervision and authority delegation; (vi) a computerized financial management reporting system is needed as only Microsoft Excel has been used for ADB financed project at MOES, and to ensure that reporting system is coordinated between the PIU, D-PIU, DHE, and MOES for improved efficiency and effectiveness; and (vii) DOF has experienced difficulties in the treatment of advance payments in financial reports from PIU in ADB financed projects, affecting the replenishment of imprest account; thus enhancing PIU financial reporting capacity and commitment is necessary.

E. Recommendations

10. To address these issues, capacity building is required within MOES, DHE, D-PIU, and university PIUs in financial planning, accounting, reporting, auditing, and control. A performance based planning and budgeting system based on the cost norms needs to be identified. The computerized financial management system in DHE and MOES needs to be enhanced and support in this field is needed for SKU to use a financial management information system (FMIS) designed and used by DOF. SKU finance staff needs to be trained in financial planning, preparation of budgets, financial analysis and reporting, and internal controls to comply with ADB procedures and requirements. The FMIS used by the D-PIU should be integrated with the DHE/MOES system. D-PIU must work closely with the university PIUs on financial reporting for advance payment activities, particularly to ensure the commitment and capability of the PIU finance staff. A training program on ADB financial procedures should be provided to SKU Finance Office staff.

F. DETAILED FINDINGS

1. Executing Agency and Implementing Agencies

11. MOES has administered several ADB funded projects; all financial administration is supervised by the DOF, so the EA has relatively good experience of administering financial aspects of ADB funded projects. There are four technical staff handling ADB project financial issues at the DOF. The four staff handle the accounting of ADB funded projects based on financial reports from the PIUs. SKU, however, has never administered an ADB funded project. The ADB funded project administration line consists of Steering committee (Ministry of Education and Sports, Ministry of Finance, Ministry of Planning and Investment); Project Coordination Committee (DHE, MOES Department of Planning, DOF, universities). Within the MOES, project financial proposals need approval from DHE, DOF, Minister of MOES, and also from MOF. Decree No. 2066, dated 25/6/2015, is the governing decree for financial calculations for government employees and training courses and meetings. At SKU, while a project may organize its own administration unit, the proposals for approval and the reporting system need to comply with MOF and MOES regulations. The organization structure in MOES, DOF, DHE, D-PIU, and university PIUs are appropriate to the needs of the project, with clear job assignment, job descriptions, and specifications, except at SKU.

2. Funds Flow Arrangement

12. Upon project approval, MOF designates MOES to open an imprest account at Bank of Lao P.D.R. (BOL). For document processing, PIU creates a proposal to D-PIU. D-PIU checks in consultation with the concerned Department and submits the proposal to DoF. Depending on

the delegation of authority, Director of DoF approves before submitting it to MOF and then to ADB. Funds flow can be arranged in two streams: (i) paying directly from imprest account to suppliers or contractors; (ii) direct payment from ADB to suppliers or contractors (usually in case of large amounts). For petty cash of project management, a sub account is opened at a designated bank and needs constant replenishment. Project finance is a one-time approval from the MOF, then the Ministry receiving the assistance administers the project, including financial management and reports. In practice, projects have to deal with three departments at MOF (Tax Department, Foreign Relations Department, and Treasury Department). The parties have been supportive so far. Minor issues are found on misunderstanding of project content/activities' natures in accordance with the rules of government budget expenditure, which sometimes require lengthy explanation, e.g. research funding. The process of document processing for financial management becomes relatively complicated when the project extends to the universities. The reason for this is that the people preparing financial proposals do not have full understanding on the procedures of financial flow, proposal for disbursement, project plan and execution, and other financial related matters. The more transfer points the financial arrangements have to go through, the slower it is. Nomination of staff for document processing from D-PIU was not consistent, thus creating confusion for MOF. This was caused DHE's wanting to provide capacity building for the department by allowing many people handling project activities also to handle financial processing, while MOF prefers only one nomination for consistency. DOF has experienced 3 ADB funded projects, DHE (D-PIU) has experienced 1 (SHEP), and SKU does not have any experience in the management of disbursements from ADB.

3. Staffing

13. Staffing is not a concern in MOES/DHE. DOF is staffed with long experienced, technically qualified staff, with continuous training and update on financial policies and procedures. DOF assigned four staff for supervising ADB funded projects. Each of these staff assigned to ADB funded projects have clearly defined duties, responsibilities, lines of supervision, and limits of authority. In terms of training, DOF identifies deficiencies in staff capacities and provides training to the staff. For policy, regulation and technical upgrades, all staff are involved in training. Under SHEP, DoF has sent 9 staff for training programs in Thailand. SKU-PIU needs more qualified and trained staff necessary to perform the tasks of accounting, recording and maintaining inventory, asset accounts and the physical verification and reconciliation of assets for ADB requirements. Moreover, the accounting and finance staff needs to enhance their computer expertise to fully utilize and maintain accounts software.

4. Accounting Policies and Procedures.

14. MOF has developed a Financial Management Manual for Externally Funded Projects dated 26/6/1998, supported by ADB TA No: 5689-REG. The manual is still being used for project finance reporting. DOF has an operations manual and an accounting system, following the guidelines of MOF. Decree No. 2066 is used as a guideline for expenditure. Government accounting uses double entry system. For ADB projects, financial procedure is based on ADB guidelines. Control is in place concerning preparation and approval of transactions, ensuring that all transactions are correctly made and adequately explained. The chart of accounts is adequate to properly account for and report on project activities and disbursement categories. Cost allocation to the various funding sources are made accurately and in accordance with established agreements, and the General Ledger and subsidiary ledgers are reconciled and in balance. All accounting and supporting documents are retained on a permanent basis in a defined system that allows authorized users easy access.

15. Nevertheless, the PPTA Team was not able to ascertain, at national or university level, an accurate breakdown of actual expenditure on higher education in Lao PDR, as distinct from the amounts allocated in budgets:

- MOES was unable to comply with oral and written requests for details of actual expenditure on the HE subsector in past years;
- SKU and NUOL provided accounts of actual spending by the university at the close of the financial year. These disclosed significant shortfalls in amounts received from GOL relative to the allocations in the GOL budget. However, in SKU's case this shortfall was the only variance from the GOL budget. Otherwise the amounts spent were exactly the same as in the GOL budget, item by item. Such a result implies re-adjustments.

16. Accurate accounts of actual expenditure are needed to underpin audit and the propriety of expenditure, and to provide good baselines for budgeting.

5. Segregation of Duties

17. Functional responsibilities are segregated between the Minister, Director General of DHE, Director General of DOF, the Chief Accountant, Accountants and Cashier to manage cash flow. At MOES and DHE level, authorization to execute a transaction is by Director General or Deputy Directors General of Finance Department, MOES. Recording of each transaction is by Accounting Division in the DOF, and custody of assets involved in the transaction is the recipient (a division in DHE has an asset administration unit for the D-PIU). For SKU, the president of the university authorizes transactions, while technical staff of the Finance Office record the transaction and have custody of assets involved in the transaction. Ordering, receiving, accounting and paying functions are segregated. Hence, there is proper accounting control between the recording and cash disbursement functions.

6. Budgeting System

18. The current budgeting system of MOES and DHE follows financial management regulations specified by MOF. There is a system of variance analysis which is done on a quarterly and yearly basis. The Project Director (of the Project Coordination Unit) is responsible for the preparation of budgets for projects in consultation with related DHE/D-PIU staff and approval of the budget is Director of DoF and ADB. Approvals for variations from the budget are required in advance in case of exceeding the budget. Parties responsible for preparation and approval of budget included in the project working group are: PIU prepares, Director General of Finance or Deputy Directors General of Finance Department approves, and ADB confirms. However, the system should be improved to include a performance-based budgetary system that tracks spending with quality and cost based norms.

7. Safeguard over Assets

19. There are adequate safeguards to protect assets from fraud, waste and misuse. However, asset values are not updated, and physical verification of assets and reconciliation with records is not being done on a regular basis by D-PIU, but done through the auditing agency. Other than vehicles, assets are not insured. SKU indicated that it does not have experience of insurance of university's assets.

8. Financial Reporting and Monitoring

20. Financial statements are prepared monthly for project, quarterly for DHE, DOF and MOF. The reporting system is already fully adapted to report on the Project outputs. The financial management reporting responsibilities, required content of financial report and how to use it are specified in the DOF operation manual. Government also issues decrees and regulations on financial reporting instructions. Computerization of the accounting records has just started, utilizing different software in different projects. Streamlining the software and system is a need to improve the current information plans to incorporate the project accounts and ensure that these are reflected accurately in the financial reporting system of MOES, DHE, and managing authorities under the project. Likewise, the Project's financial reporting needs to be strengthened to conform to both ADB and MOF requirements.

9. Management of accounting information

21. Management of accounting information has mostly a manual system of safeguards with confidentiality, integrity, and availability of data. MOES and externally funded projects use different software to control financial information (e.g., Microsoft Excel, Quicken, and ACCPAC). ADB projects use Microsoft Excel only. Therefore, financial information cannot be digitally reconciled. The primary control over expenditure is the budget allocation. Another point of internal control is the Treasury that ensures that the payment is genuine and within budgetary limits. Management of accounting information is controlled at DOF.

10. Audits

22. The Financial Control Division within DOF carries out inspection of the expenses. This year, nevertheless, MOES is establishing an internal audit division (under the Inspection Division of the Department of Inspection. This new division will conduct internal audits. Mandatory external audits are required by the State Audit Organization. The SSHEP office will engage an independent external auditor acceptable to ADB to audit the consolidated project accounts annually. The SSHEP office will submit to ADB certified copies of audited annual consolidated project financial statement as well as the auditor's report in English within 6 months of each financial year-end during implementation.

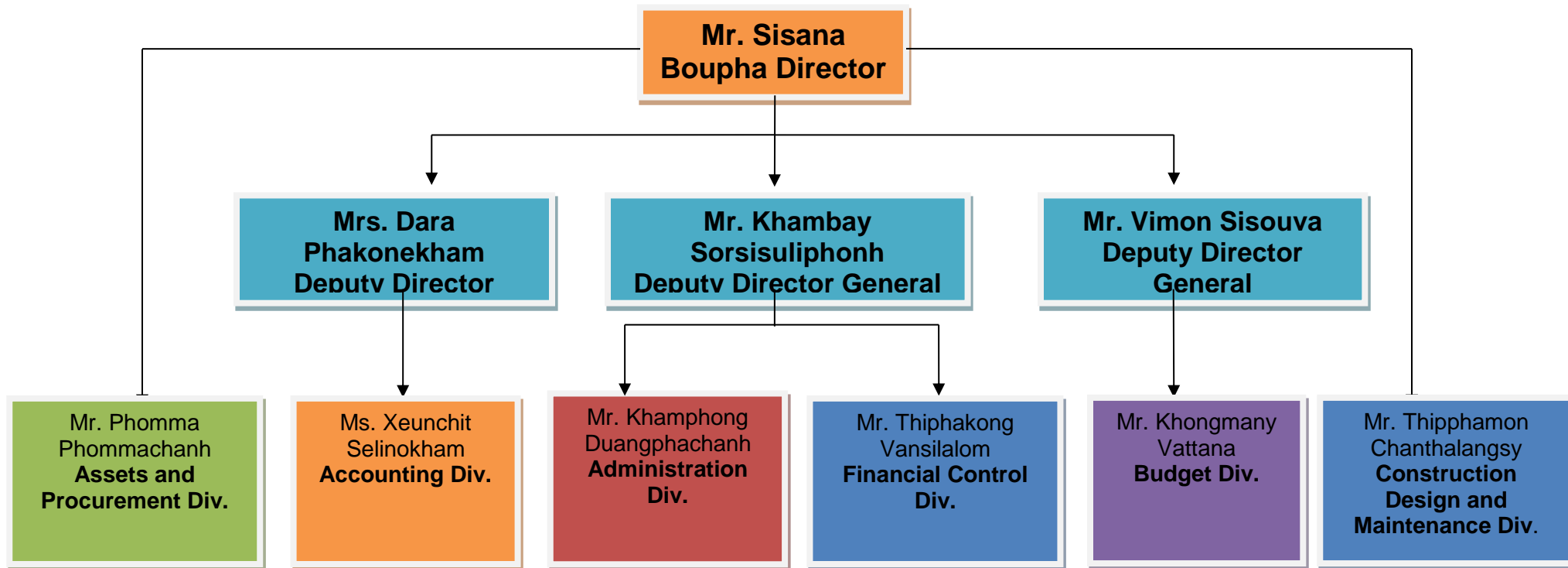
11. Recommendations

23. MOES/DHE's capacity to undertake the financial management reporting is adequate. With some additional training and software improvement, the financial department of DOF/DHE, and D-PIU has the capacity and experience in financial management required for the annual operation and maintenance of the system. SKU-PIU, in contrast, has never had experience of ADB financial processing procedures and systems. Therefore, enhancing the capacity of ADB requirement for PIUs and streamlining software for financial information from universities to PIUs, D-PIU, DHE, DOF and MOF will help enhance the quality, accuracy, and speed of financial management. The financial information management system needs to be improved. The D-PIU has had experience in providing training on the management of disbursements from ADB for D-PIU staff. Strengthening the capacity and commitment of the D-PIU/PIUs in ADB and government procedures in bidding, procurement and financial procedures will help to reduce potential delays in the release of ADB funds. SKU finance office needs training on ADB financial procedures.

Table A1.1: Education Background of Accounting Division, DOF and MOES

No.	Names	Position	Responsibility	Major	Degree
1	Ms. Xeunchit Selinokham	Head of Division	Guidance to all, suggest staffs for working and ECE program	English	Bachelor
2	Mr. Bounpheng Phommanivong	Deputy Head	Guidance of Government Budget, GPE II program and help Head of Division	Finance	Bachelor
3	Ms. Phetsourine Norasingh	Deputy Head	Guidance of all ADB funds and others funds (UNICEF, UNFPA, AUSAID....)	Maths / Physics	Bachelor
4	Ms. Phonemany Bounmany	Technical staff	Government Budget	Business Management	Diploma
5	Mr. Souphab Saenglath	Technical staff	Government Budget, GPE II program	Finance	Diploma
6	Ms. Mookhalinna Somsanit	Technical staff	Government Budget	Business Management	Bachelor
7	Ms. Aengchai Phommaysay	Technical staff	GPE II program	Business Management	Bachelor
8	Mr. Sengthong Davong	Technical staff	GPE II program	Business Management	Bachelor
9	Ms. Viengsouk Namlammoun	Technical staff	SESDP (ADB GRANT)	Business Management	Bachelor
10	Ms. Phonesavanh Hommaniphet	Technical staff	SHEP (ADB GRANT)	Business Management	Bachelor
11	Ms. Sengmany Keolakotphosy	Technical staff	STVET (ADB GRANT)	Economic	Master
12	Ms. Phonethepha Vongsitthi	Technical staff	ECE program	Business Management	Bachelor
13	Ms. Villaysone Laungapay	Technical staff	ECE program	Accounting	Bachelor
14	Ms. Bousaba Soukhantho	Technical staff	ECE program	IT	Bachelor
15	Mr. Ninxay Vongphachan	Technical staff	Others funds (UNICEF, UNFPA, AUSAID)	Business Management	Bachelor

MINISTRY OF EDUCATION AND SPORTS
ORGANIZATION STRUCTURE OF DOF, MOES



Organization Structure of Accounting Division, DOF, MOES.

Ministry of Education and Sports, Department of Finance
Accounting Division

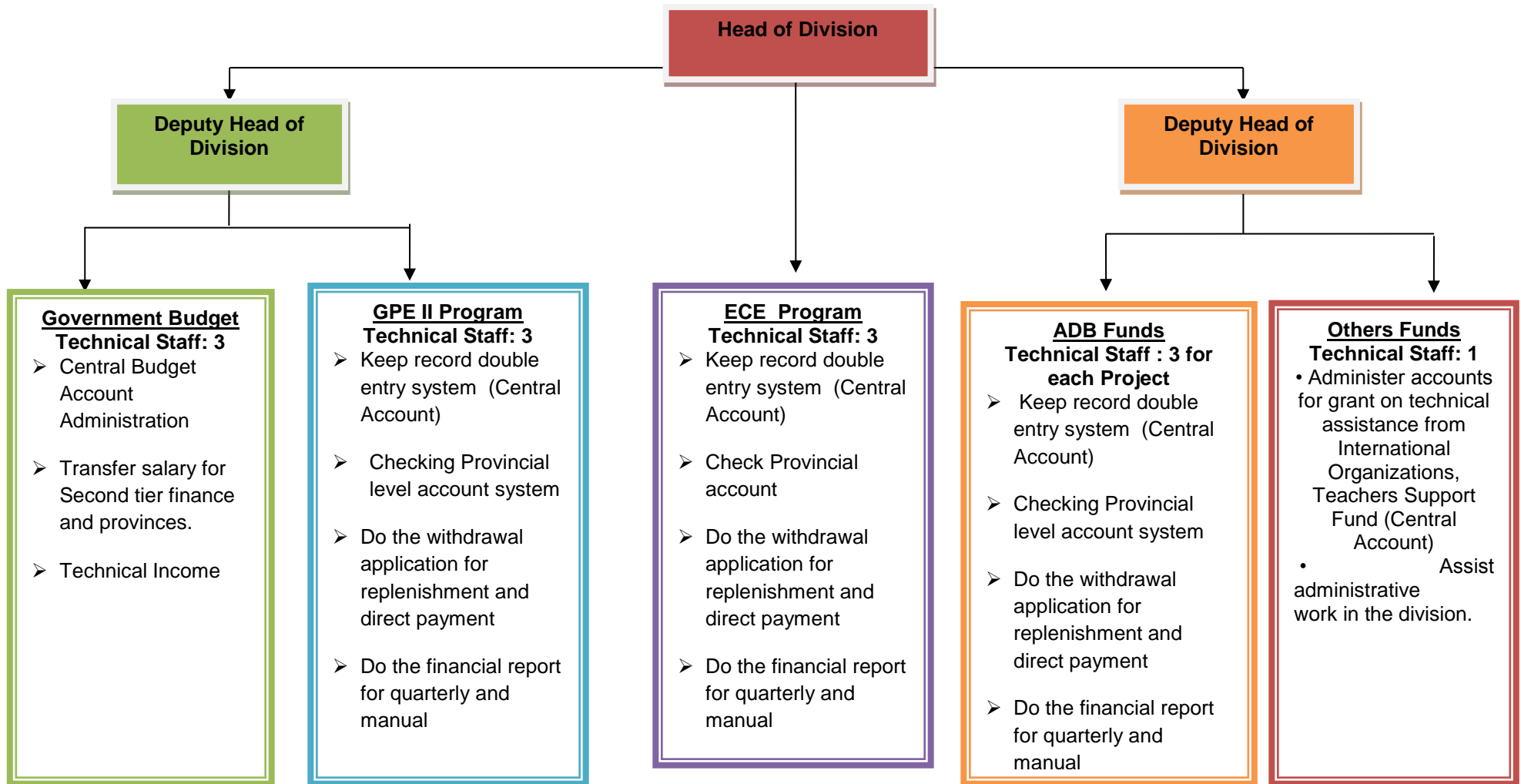
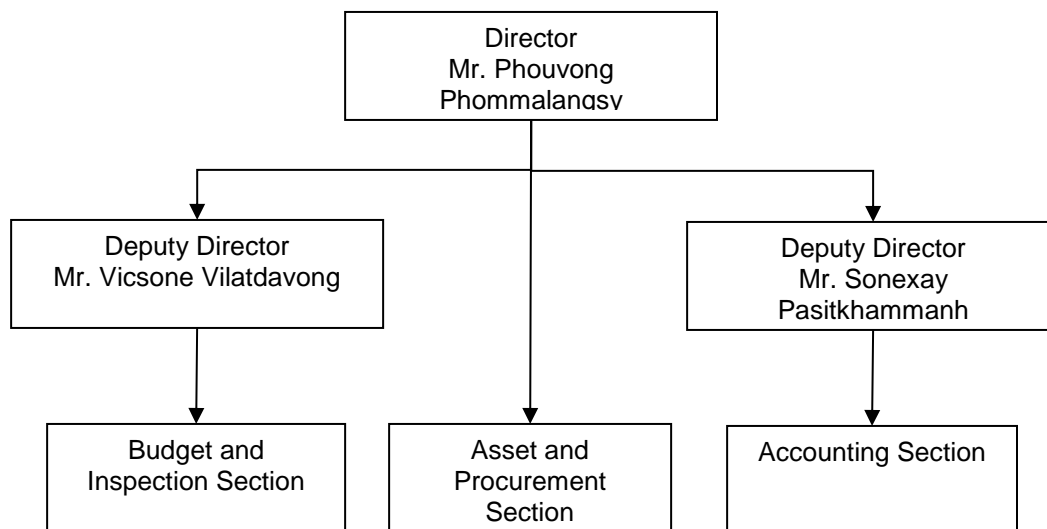


Table A2.1: Education Background of Accounting Division, SKU

No.	Names	Position	Responsibility	Major	Degree
1	Mr. Phouvong Phommalangsy	Director	Overall Administration	Math-Physic teacher	Bachelor
2	Mr. Vicsone Vilatdavong	Deputy Director	Budget	Economics	Bachelor
3	Mr. Sonexay Pasitkhammanh	Deputy Director	Accounting	Business Management	Bachelor
4	Mr. Viengkham Silapanya	Technical Staff	Technical assistance	Business Management	Bachelor
5	Mr. Khen Touchaimany	Technical Staff	Technical assistance	Management - Commerce	Bachelor
6	Ms. Phomsomchay Fachaleun	Technical Staff	Technical assistance	Business Management	Bachelor
7	Ms. Yenta Sanouvong	Volunteer	Secretary	Finance - Banking	Bachelor

Organization Structure of Financial Office of SKU

Note: Currently, each of the three is responsible for one section.

PROCUREMENT CAPACITY ASSESSMENT (SSHEP)

Proposed Project Name: Second Strengthening Higher Education Project (SSHEP) in Lao PDR	Proposed Amount: US\$ 39.8 million
Executing Agency Department of Higher Education Ministry of Education and Sports (MOES)	Source of Funding: ADB
Assessor: Mr. Somphone SIRIPHANH	Date: April 2016
<p>EXPECTED PROCUREMENT</p> <p>Savannakhet PIU (SKU-PIU) Works and Goods large contracts for Savannakhet University Campus</p> <p>Champasack University PIU (CU-PIU) Works and Goods minor contracts for Champasack University</p> <p>National University of Laos PIU (NUOL-PIU) Works and Goods minor contracts for National University of Laos</p> <p>1. The proposed project will involve the Department of Higher Education (DHE), Champasack University (CU), National University of Laos (NUOL), Savannakhet University and Souphanouvong University (SU). Procurement activities under the project will be in accordance with ADB's procurement guidelines (March 2013, as amended from time to time) in the case of goods and works, and ADB's consulting services guidelines (March 2013, as amended from time to time) in the case of consulting services. Procurement of ADB-financed works and goods contracts estimated to cost more than \$2 million for works and \$1 million for goods shall be procured under international competitive bidding (ICB), contracts estimated to cost between \$100,000 and ICB thresholds will be procured through national competitive bidding procedures (NCB), minor items estimated to cost below \$100,000 will be procured through shopping method. Contracts estimated to cost less than \$10,000 may be procured under direct contracting; prior approvals are required for all contracts where "direct contracting" will be applied.</p> <p>2. Overall the goods contracts have an estimated value of \$2.7 million, works contracts have an estimated of \$23.50 million, and consulting services contracts have an estimated value of \$3.965 million.</p>	
<p>GENERAL PROCUREMENT ENVIRONMENT ASSESSMENT</p> <p>3. Risk Assessment - overall risk rating is "low to average"</p> <p>4. Summary of Findings There is an established procurement legal and policy framework in Lao PDR. In 2004, the Prime Minister's Office issued the Prime Minister Decree No. 03/PM dated January 9, 2004, otherwise known as the Decree on Government Procurement of Goods, Works, Maintenance and Services. The Implementing Rules and Regulations was issued through Ministry of Finance Decree No. 063/MOF, dated March 12, 2004, and was subsequently amended by Ministry of Finance Decree No. 0861/MOF, dated May 5, 2009. To supplement its application and full implementation, the Procurement Decree and its implementing rules and regulation, as amended, are supported by corresponding standard bidding documents (SBDs) for goods and works and a procurement manual issued by the Ministry of Finance, Procurement Monitoring Office (PrMO). Pursuant to the Lao PDR's procurement legal and policy</p>	

framework (the Procurement Decree), the goods, works, maintenances and services financed and administered by the project are procured only if they are contained in the annual procurement plan. Proposed items that are not in the procurement plan are not procured until the plan has been updated and approved. For publicly bid projects, bidding opportunities are advertised in an invitation for bids in at least one newspaper of general nationwide circulation for transparency and competition processes.

5. Harmonized standard bidding shall be used throughout the project. In addition;
- all procurement transactions need also to comply with the national procurement decree;
 - all contracts need to be registered once signed by the contractors/suppliers

ORGANIZATIONAL AND STAFF CAPACITY

6. **Risk Assessment** = *average*

7. **Summary of Findings** The project implementation unit (D-PIU), under the Department of Higher Education (DHE), Ministry of Education and Sports (MOES) shall act as the key body running all procurement activities, whether goods, works or consulting services of the Project. The technical staff shall be appointed to undertake all procurement transactions in collaboration with D-PIU). The D-PIU has undertaken procurement, particularly, laboratory equipment, PCs, IT equipment and software for universities and library equipment under the Strengthening Higher Education Project (SHEP). During the project implementation, DHE allocated technical staff to support the PIU and recruited national consultants such as finance officer, procurement officer and civil works quality assurance officer to assist with implementation. Assistance was especially required for procurement due to DHE's lack of procurement department; an ad-hoc procurement unit was appointed to carry out project related procurement of goods and works.

8. The assessment disclosed that 10 technical staff within the Department of Higher Education were appointed to assist the PIU, of whom 4 PIU technical staff were appointed to undertake the procurement works under the project; they had to work in parallel with their existing duties assigned by DHE. However, the following risk factors were identified:

- There are specific job descriptions for each staff member and responsibilities are assigned by the Director and endorsed by MOES minister. However, the bulk of the procurement works was done by the procurement officer (national) as the PIU staff had their line duties at the same time. As a result, the DHE's staff had limited opportunity to gain experience and thus have limited capacity to undertake the procurement activities;
- The 4 technical staff were trained on the procurement only two times a year, organized by ADB (with World Bank and cooperation with the Ministry of Finance), but the training was of short duration and focused only the very general course issues;
- English proficiency is also a major constraint due to the level of English of some staff needs to be improved for supporting the project.

INFORMATION MANAGEMENT

9. **Risk Assessment** = Low to average

10. **Summary of Findings** Under SHEP, D-PIU kept all files of the procurement documents, using a simple coding system number, and all archives including: original contracts, minutes of contract negotiation, bids or proposals, copies of advertisements, minutes of bid openings, bid evaluation reports, record of claims and dispute resolutions, and record of time taken to complete key steps in the process, summary disbursement data as requirement by the country's financial management system. The D-PIU will keep all the procurement documentation for a minimum of 10 years, as required under national laws, while, as a minimum, ADB requires that the signed original contract and evaluation report must be retained for at least two years after the project completion. Therefore, record keeping is not an issue in the context of the current process control, record keeping and audit (PCRA).

PROCUREMENT PRACTICES - Procurement of Goods and Works

11. **Risk Assessment** = average

12. **Summary of Findings** DHE has carried out procurement of goods, works, maintenance and services with the actual budget approved specified in the approved annual procurement plan. Goods, works, maintenance and services are procured only if they are specified in the annual procurement plan (AAP). If additional items are proposed under the project, they are not implemented until the APP has been revised and endorsed by the ADB. For publicly bid projects, bidding opportunities are advertised in an invitation for bids in at least one newspaper of general nationwide circulation for transparency and competition processes.

13. DHE has experience and achieved a level of good understanding in procurement of goods and works for thresholds requiring the use of national and international competitive bidding procedures under various projects including through its direct oversight of the SHEP, and will benefit from continuity, experience, and capacities built under SHEP; especially, there will be a high degree of continuity in the roles of the DHE, the D-PIU, as well as various implementing units supervising specific initiatives. An assessment of the procurement actions carried out by DHE for procuring of goods under the project and a review of the procurement by interviewing the high ranking technical staff who have been working on the procurement by DHE disclosed that the procurement unit is familiar with the procurement procedures for externally-financed projects in Lao PDR as prescribed in the procurement manual No. 036/MOF issued by the Ministry of Finance on 12 March 2004 and no. 0681, dated 5 May 2009 (amended version), which was developed with the assistance of ADB and the World Bank.

PROCUREMENT PRACTICES - Consulting Services

14. **Risk Assessment** = average

15. **Summary of Findings** A Project Implementation Support and Capacity Building Consultant (PISCB) will be recruited by the D-PIU under the loan as part of the consulting services. However, in view of the limited capacity of D-PIU to undertake procurement of a PISCB, it is recommended that a qualified national procurement consultant shall be recruited immediately upon loan signing to help D-PIU in the recruitment of the consulting services to accelerate project implementation. The procurement consultant will assist the D-PIU in the recruitment of a firm for consulting services, particularly, 1) preparation of ADB standard RFP, 2) development of qualification criteria, 3) proposal evaluation, 4) preparation of bid evaluation report, and 5) recommendation for award of contract. The recruitment shall be carried out in strict compliance with ADB procurement guidelines to ensure that such recruitment is approved by ADB. Following Lao PDR Decree on bidding, consulting service tenders are also advertised and expressions of interest are called for in newspapers of national circulation. The evaluation committee members develop evaluation criteria. The D-PIU will use a QCBS evaluation method, ranking by overall score for quality and price. The technical and financial proposals will be submitted in two separate envelopes. Evaluation and ranking of proposals is through ADB's QCBS procedures. Minutes of financial proposal opening are taken and signed. Face to face contract negotiations are held with the winning bidder. The usual basis for the contract negotiations is cost and time of implementation. The minutes of contract negotiations are taken and signed and contracts are awarded within two weeks of the contract negotiations.

EFFECTIVENESS

16. **Risk Assessment** = average

17. **Summary of Findings** From this assessment, it is noted that there is no monitoring and reporting system established in D-PIU, neither is there a system for tracking payment obligations nor a

formal mechanism for dealing with complaints.		
ACCOUNTABILITY MEASURES		
18. Risk Assessment = average		
19. Summary of Findings There is no existing internal auditing body that provides for separate standards to be observed in the course of the performance of procurement functions and activities within MOES. In the same vein, there is no internal auditing system that will manage the conduct of actual procurement from the reception and planning solicitation, selection of sources, award of contract, contract financing and contract administration. There is regular procurement audit that is being established and jointly conducted by the State Auditing Organization (SAO) and the department of finance (DoF), MOES. The objectives of the external audit are focused mainly on expenditures, disbursement of funds, accounts reconciliation, public financial management, and procurement process, fraud and corruption.		
Summary procurement Capacity Assessment and Recommendation		
20. DHE has considerable experience in procuring of goods and services at the level of fair understanding, including under SHEP. However, based on the assessment and findings, the overall project risk associated with general procurement environment is still rated on average as medium. Therefore, to support project implementation, and to mitigate the risk of delays in implementation, DHE should recruit consultants to supplement its procurement capacity; in particular, a qualified, short-term international procurement consultant, who will associate with a national consultant to provide draft bidding documents for goods and works for the big contracts. In addition a team of design and construction supervision specialists will be needed to supervise preparation of civil works plans, quantity surveying, technical specification and other advance action by the EA.		
Intensive training is needed on procurement and contracts management to be provided for both D-PIU and SKU-PIU and the procurement review committee and preparation of bid documents on procuring of goods, works and services and preparation of bid evaluation reports.		
Specific Recommendations for Project Implementation		
Capacity Constraint	Recommended Action	Responsibility and Comment
Savannakhet PIU		
1. No prior experience in procurement following ADB procurement guidelines and systems 2. Limited English proficiency to perform procurement of works, goods and services	1. Provide English language proficiency training of PIU staff 2. Intensive hands-on training on procurement following ADB procurement systems and guidelines; both for staff and procurement review committee.	1. MOES, ADB, SKU 2. Provision through either ADB or through capacity building component of the project
D-PIU		
1. Limited English proficiency to perform procurement of works, goods and services 2. Review of technical specifications and bidding documents slow 3. Limited D-PIU staff knowledge of detailed	1. Intensive hands-on training on procurement following ADB procurement systems and guidelines; both for D-PIU staff and procurement review committee 2. Engage a short-term	1. MOES, ADB to organize 2. SSHEP-funded contractual Procurement Officer, Finance Officer. 3. Provision through either ADB or through capacity building component of the project

<p>technical specifications for civil works, equipment packages</p> <p>4. Gaps in financial management capacity, reporting and record management systems</p>	<p>international procurement consultant to work with a national procurement consultant for preparation of bidding documents</p> <p>3. Provide English language proficiency training of PIU staff</p> <p>4. Project should provide for local contracting of a full time finance officer for support to D-PIU in these aspects.</p>	
<p>General Recommendation, EA Capacity</p>		
<p>1. Limited capacity to prepare the technical specification of civil works, laboratory equipment and review bids</p>	<p>1. Engage individual consultant specialized in the field required to assist the procurement officer for preparing the technical specifications</p>	<p>1. Provision through either ADB or through capacity building component of the project</p>

GRIEVANCE REDRESS MECHANISM FOR CONSTRUCTION AND OPERATION PHASES

Construction phase

If complaints are received during construction phase about impacts to people or their environment in the vicinity of villages, the Owner Engineer/or appointed representative of Head Contractor will consult with the complainant to identify the validity of the claim, record the claim, review the EPM functioning and propose appropriate additional mitigation measures (e.g. additional shielding, change of equipment type, restriction of construction hours in particular area) to be implemented.

The form contained Table A4.2 shall be used to record the outcomes of this process. Table A4.1 provides guidance on the GRM process during construction. Tables A4.1 and A4.2 should be included in the contractors' contracts as well as the Owner Engineer contracts or Head Contractors contract. A hand over period or defects liability period matching that of engineering works should be specified in the contracts, during which the EPM in the IEE will be referred to for post construction grievance.

Monthly reports will be prepared identifying any complaints received in relation to construction documenting the actions that were undertaken to resolve such complaints and this record will form a section of the monthly construction progress report for the IEE.

Operation Phase

If complaints are received after construction phase and during operation of the university relating to impacts to people or their environment in the vicinity of villages, the SKU GRM Office will consult with the complainant to identify the validity of the claim, record the claim, review the operation of SKU and propose appropriate additional mitigation measures (e.g. prolonged residence time in lagoons , change of equipment type, restriction of operation of equipment hours in particular area) to be implemented.

The form contained Table A4.4 shall be used to record the outcomes of this process. Table A4.3 provides guidance on the GRM process during operation. Tables A4.3 and A4.4 should be included in the SKU operation manual. A hand over period or defects liability period matching that of engineering works should be specified in the operation manual, during which the EPM in the IEE will be referred to for post construction grievance.

Six monthly reports will be prepared identifying any complaints received in relation to operations documenting the actions that were undertaken to resolve such complaints and this record will be submitted to Government Departments or as required by law.

Figure A4.1: Institutional arrangements and process for Grievance Redress

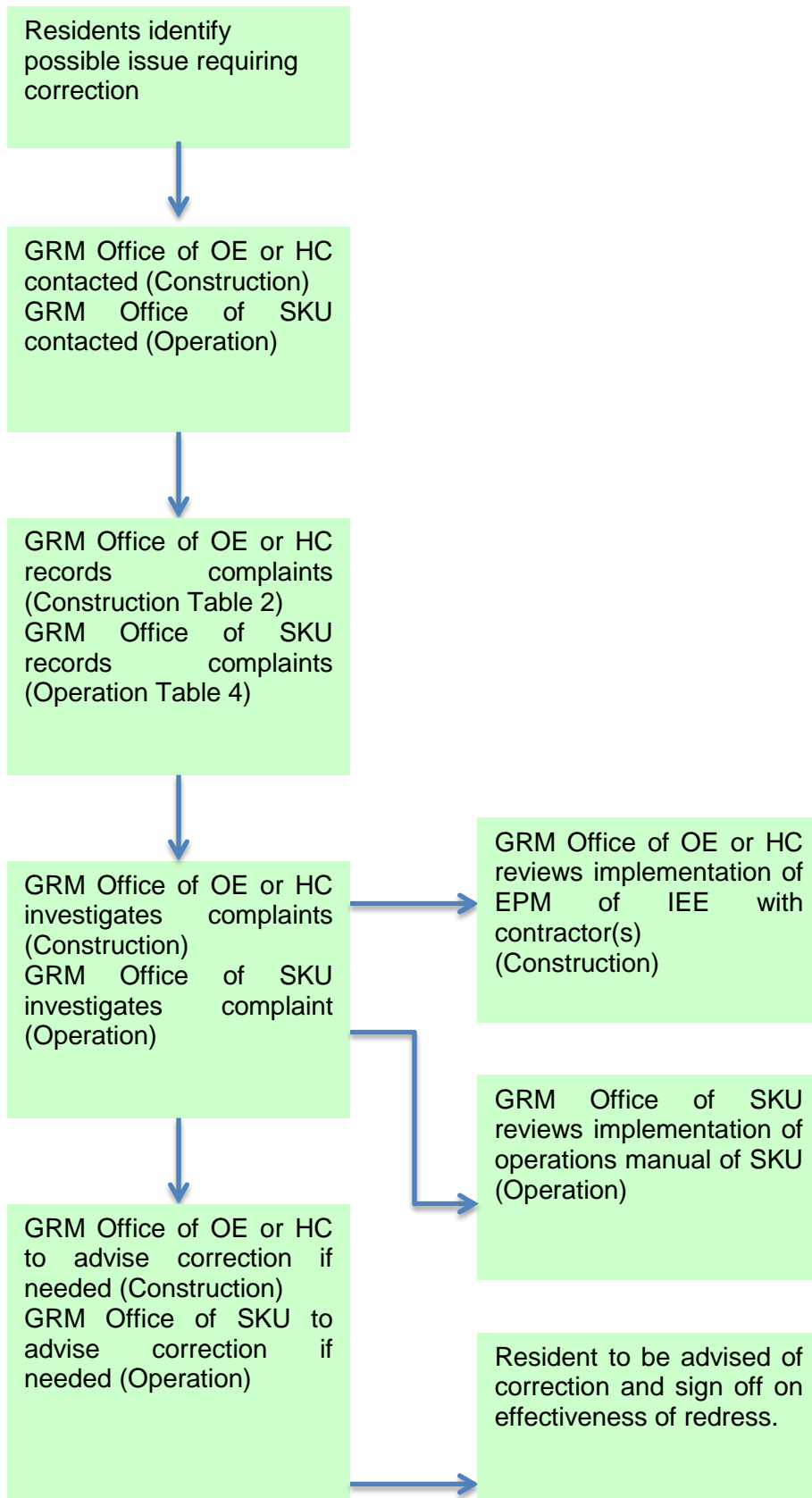


Figure A4.2: Institutional Arrangements for GRM (Construction)

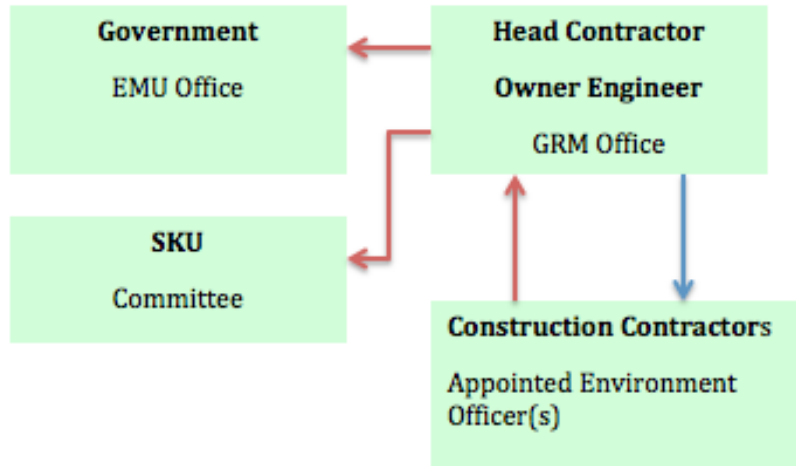
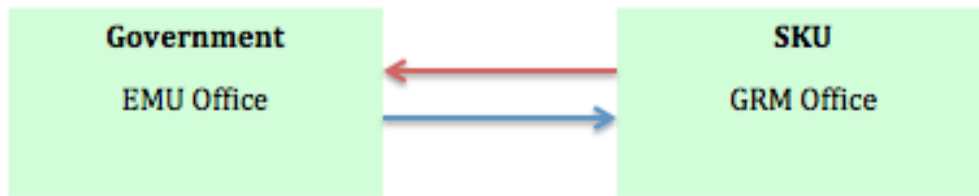


Figure A5.3: Institutional Arrangements for GRM (Operation)



Legend for Figures above:

	Directives
	Reporting

Staffing Requirements:

OE or HC	Environment Engineer (Manager) Environment Engineers (4 persons)
SKU Committee	Environment Officer
Government EMU	As per current situation
Construction Contractor	Environment Officers (5 per each contractor)
SKU GRM Office	Operations Manager Operation staff

Table A4.1: Grievance Redress Process for Construction Phase

CONSTRUCTION ACTIVITIES INCLUDED IN GRM	EMP REFERENCE	POTENTIAL RISKS or IMPACTS OF ACTIVITIES IDENTIFIED IN EPM	GRIEVANCE REDRESS
<p>Clearing of vegetation Exposure of areas Spoil Disposal Establishment Stockpile Establishment Use of access roads for construction In stream Works</p>	<p>Attachment A (Erosion and Sediment Control Plan) Attachment B (Spoil Disposal Plan) Attachment C (Water Quality Monitoring Plan) Attachment I (Re-vegetation and Landscape Plan) Attachment J (Vegetation Clearance Plan)</p>	<p>Sediments in waterways Effects on fauna Clearing of habitat areas Impacts on agricultural land</p>	<p>Local residents should notify the GR office of the Owner Engineer or head contractor if unusual sediment loads are visible in waterways downstream of the construction site and if they believe the sediments are derived from construction activities. Residents to advise OE and HC if vegetation clearance suspected to cause habitat harm including harming agricultural fields and if re-vegetation causes spread of weeds or unwanted species in ESA. Owner engineer to record (Table 2) the complaint and review with the contractor the implementation of the EPM related to activities generating erosion and sedimentation impacts. Owner engineer to certify proper working of the EPM by checking EPM works and water quality data. Residents to be advised of correction and adequate working of the EPM Residents to sign off on resolution of grievance.</p>
<p>Blasting for quarrying and tunnelling Operation of trucks & machinery Use of herbicides for vegetation clearance</p>	<p>Attachment D (Chemical Products and Spillage Management Plan) Attachment J (Vegetation Clearance Plan)</p>	<p>Leakages or spill Leakages or spill Human health effect Effects on nearby vegetation / sensitive vegetation</p>	<p>Local residents should notify the GR office of the Owner Engineer or Head Contractor if hazardous materials are detected in waterways, soil in fields. Haz Mats include chemicals, pesticides, fuels, oils, paints, solvents, concrete mixtures, bentonite, drilling muds. Owner engineer to record (Table 2) the complaint and review with the contractor the implementation of the EPM related to activities generating HazMat impacts. Owner engineer to certify proper working of the EPM by checking EPM works and water and air quality data. Residents to be advised of correction and adequate working of the EPM. Residents to sign off on resolution of grievance.</p>
<p>Clearance of vegetation Vehicle movements on unsealed roads Crushing plant operation Vehicle and equipment use Waste burning Waste disposal</p>	<p>Attachment F (Dust and Emissions Control Plan) Attachment K (Waste Management and Disposal Plan)</p>	<p>Dust generation Dust generation Dust generation Exhaust emissions Emissions from burning activities Odour generation Health impacts due to inappropriate collection methods of hazardous waste</p>	<p>Local residents should notify the GR office of the Owner Engineer or Head Contractor if dust or odours or noxious emissions are detected in the vicinity of villages including homes and public buildings. Owner Engineer to record (Table 2) the complaint and review with the contractor the implementation of the EPM related to activities generating air pollution impacts including machinery operation and waste dumping. Owner engineer to certify proper working of the EPM by checking EPM works, waste collection process and air quality data. Residents to be advised of correction and adequate working of the EPM.</p>

CONSTRUCTION ACTIVITIES INCLUDED IN GRM	EMP REFERENCE	POTENTIAL RISKS or IMPACTS OF ACTIVITIES IDENTIFIED IN EPM	GRIEVANCE REDRESS
		Environmental pollution due to spills during collection	Residents to sign off on resolution of grievance.
Site establishment and construction works Blasting activities Traffic movements	Attachment G (Noise Control Plan)	Noise impacts on villages and settlements Health impacts for workers	Local residents should notify the GR office of the Owner Engineer or Head Contractor if noise is detected in the vicinity of villages including homes and public buildings. Owner Engineer to record (Table 2) the complaint and review with the contractor the implementation of the EPM related to activities generating noise pollution impacts. Owner engineer to certify proper working of the EPM by checking EPM works and air quality data. Residents to be advised of correction and adequate working of the EPM. Residents to sign off on resolution of grievance.
Site disturbance works	Attachment H (PCR Plan)	Potential adverse impacts on previously unidentified items of cultural significance	Local residents should notify the GR office of the Owner Engineer or Head Contractor if they suspect or witness physical cultural resources (PCR) being threatened by construction activities. Owner Engineer to record (Table 2) the complaint and review with the contractor the implementation of the EPM related to activities generating threat to PCR. Owner engineer to certify proper working of the EPM by checking EPM process for PCR. Residents to be advised of correction and adequate working of the EPM. Residents to sign off on resolution of grievance.
Traffic Movement	Attachment M (Traffic and Access Management Plan)	Safety issues for residents of nearby villages	Local residents should notify the GR office of the Owner Engineer or Head Contractor if they witness dangerous conditions from construction traffic on ESA roads. Owner Engineer to record (Table 2) the complaint and review with the contractor the implementation of the EPM related to traffic activities. Owner engineer to certify proper working of the EPM by checking EPM process for Traffic and Access Management. Residents to be advised of correction and adequate working of the EPM. Residents to sign off on resolution of grievance.
Sighting of suspected UXO	Attachment N (UXO Management Plan)	Risk of injury or fatality to the public	Local residents should notify the GR office of the Owner Engineer or Head Contractor if they suspect seeing UXO in the ESA. Owner Engineer to record (Table 2) the conditions of the sighting (location, time etc) and review with the contractor the implementation of the EPM related to UXO clearance. Owner engineer to certify proper working of the EPM by checking EPM process for UXO Management. Residents to be advised of actions taken and

CONSTRUCTION ACTIVITIES INCLUDED IN GRM	EMP REFERENCE	POTENTIAL RISKS or IMPACTS OF ACTIVITIES IDENTIFIED IN EPM	GRIEVANCE REDRESS
			adequate working of the EPM. Residents to sign off on resolution of grievance.
Camp design and operation	Attachment O (Workers Camps Construction and Management)	Range of environmental and public health and social issues associated with inappropriate workers camp planning and operation Waste generation and disposal impacts Workers behaviour impacts Camp followers impacts Traffic Impacts Disease spread Hunting and poaching impacts	Local residents should notify the GR office of the Owner Engineer or Head Contractor if they believe being impacted by workers camps and construction personnel. Owner Engineer to record (Table 2) the conditions of the grievance (location, time etc) and review with the contractor the implementation of the EPM related to camp operation. Owner engineer to certify proper working of the EPM by checking EPM process for Camp Management. Residents to be advised of actions taken and adequate working of the EPM. Residents to sign off on resolution of grievance.

Table A4.2: GRM Construction Complaints Record Form

Date of meeting	
Responsible Officer of OE or HC	
Name of complainant	
Location of residence	
Nature of complaint (e.g. noise or odour source, duration, type etc.)	
Actions proposed to resolve complaint	
OE or HC Verify actions implemented (Date and signature)	
Details of follow-up consultation with complainant if required	

Table A4.3: Grievance Redress Process for Operation Phase

OPERATION ACTIVITIES INCLUDED IN GRM	IEE REFERENCE	POTENTIAL RISKS or IMPACTS OF ACTIVITIES IDENTIFIED IN IEE	GRIEVANCE REDRESS
Clearance of Forests	Section V B 1	Effects on fauna Clearing of habitat areas	<p>Local residents should notify the GR office of the SKU GRM Office if unusual fauna or flora effects are visible in areas surrounding SKU site and if they believe such effects are derived from the operation of the SKU</p> <p>Residents to advise SKU if fauna or flora effects are suspected to cause habitat harm including harming agricultural fields e.g. if re-vegetation has caused spread of unwanted weeds or unwanted any species in ESA.</p> <p>SKU GRM Office to record (Table 4) the complaint and review with the OE or HC (if during the defects liability period) or with SKU Officers the implementation of the EPM related to activities generating the flora or fauna impacts.</p> <p>SKU GRM Office to consult with SKU operations office for relevance of claim to SKU operation and possible modifications to operations procedures</p> <p>Residents to be advised of correction and adequate working of the operation of SKU</p> <p>Residents to sign off on resolution of grievance.</p>
Discharge of wastewater and drainage to surrounding waterways	Section V B 3	Water quality not suitable for intended beneficial use. Water quality causes public health harm	<p>Local residents should notify the GR office of the SKU GRM Office if unusual water quality effects are visible or notable in areas surrounding SKU site and if they believe such effects are derived from the operation of the SKU, in particular the WWTPs lagoons</p> <p>Residents to advise SKU if water quality effects are suspected to cause harm including harming agricultural fields, or there is a suspected public health issue from the discharge water.</p> <p>SKU GRM Office to record (Table 4) the complaint and review with the OE or HC (if during the defects liability period) or with SKU Officers (if after defects liability period) the operational activity suspected to cause the grievance.</p> <p>SKU GRM Office to consult with SKU operations office for relevance of claim to SKU operation and possible modifications to operations procedures.</p> <p>Residents to be advised of correction and adequate working of the operation of SKU</p> <p>Residents to sign off on resolution of grievance.</p>
Increased Traffic to villagers due to operation of SKU	Section V B 4	Air quality, Safety of residents, Noise	<p>Local residents should notify the GR office of the SKU GRM Office if marked increase in traffic effects are visible and noted in areas surrounding SKU site and if they believe such effects are derived from the operation of the SKU.</p> <p>Residents to advise SKU if traffic effects are suspected to cause harm including excessive fumes from vehicles and safety of residents.</p>

OPERATION ACTIVITIES INCLUDED IN GRM	IEE REFERENCE	POTENTIAL RISKS or IMPACTS OF ACTIVITIES IDENTIFIED IN IEE	GRIEVANCE REDRESS
			SKU GRM Office to record (Table 4) the complaint. SKU GRM Office to consult with SKU operations office for relevance of claim to SKU operation and possible modifications to operations procedures Residents to be advised of correction and adequate working of the operation of SKU Residents to sign off on resolution of grievance.

Table A4.4: GRM Operation Complaints Record Form

Date of meeting	
Responsible Officer of SKU GRM Office	
Name of complainant	
Location of residents	
Nature of complaint (e.g. noise or odour source, duration, type etc.)	
Actions proposed to resolve complaint	
SKU Verify actions implemented (Date and signature)	
Details of follow-up consultation with complainant if required	

TAXES AND DUTIES

1. **The Remit** was set by ADB and GOL during the PPTA review mission in January 2016, as follows. The issue of project taxation was discussed with MOF. MOF confirmed that:

- (i) taxes will be financed by government counterpart funds;
- (ii) tax exemption for imported materials and equipment (all deducted from the MOES budget); and
- (iii) in-kind contribution in the form of government salary and office space.

2. Value-Added Tax (VAT) on local commodities will be financed as a non-cash transaction against the relevant budget line. Income and profit tax will be applied to both international and local consultants and firms in accordance with the tax law and decree on taxation but that, in order to avoid double taxation, firms registered in countries with reciprocal taxation agreements will not be subjected to Lao taxes (MOES will officially request MOF to produce the list of countries). The TA consultants will estimate the total counterpart funding and break down figures on an annual basis in order to inform the MOES DOF. It is essential that annual taxes and duties for exemption are included in the MOES annual budgets. This will be included in an appendix to the RRP.

3. The remit has two strands: the accurate estimation of taxes and duties forming part of the costs of SSHEP, and assistance from SSHEP and MOES to MOF in collecting taxes due in relation to SSHEP activities, including those which are liabilities of firms and employees rather than SSHEP itself.

4. **Sources** can be divided into two kinds:

- a) Laws – the Lao *Tax Law 2012*, *VAT Law No.52/NA 2015*, and *Tax Law 2016* which came into force in May 2016. The Tax Law 2012 is partly available in English on the Lao Tax Department web-site, but it is largely overtaken by the two later laws which can be read in Lao at www.laoofficialgazette.gov.la. The PPTA Team had confidential access to an unofficial translation of the 2015 Law. The 2016 Law was published in May 2016; no English translation available at the time of writing.
- b) Guidance on how the Lao PDR tax system operates, for which the web-sites of DFDL lawyers, and accountants KPMG and PWC, have been used.

5. The laws are not easy to use. The 2015 and 2016 laws are very recent. Lawyers and accountants indicate that in some respect interpretation is uncertain, because associated secondary legislation is not yet available, or because the law leaves much to be settled by negotiation between GOL and the tax-payer.

6. **Basic Features of the Lao Tax System** applying to Lao people and companies include:

- a) The Lao VAT is an indirect tax collected on the consumption of goods and services within Laos. It is set at a uniform rate of 10% on all goods and services except those specifically exempted;
- b) Import duties are set at different rates depending on the type of goods imported. Where goods are imported by a Lao trader and then used in making a taxable supply to an end-user in Laos, those goods will bear both import duty and VAT costs;

- c) Personal income tax is payable at rates ranging from 5% up to 24% depending on monthly income. The 24% rate applies to monthly incomes in excess of KN40 million (about US\$4,900).
- d) Company profits are taxed on a similar scale; again the maximum 24% rate applies to profits above KN40 million a month.

7. **More Detail on VAT and Import Duties.** Exemptions from VAT relevant to SSHEP and provided for in the 2015 VAT Law¹ include:

- a) The importation [and] sale of authorized learning and teaching textbooks, modern learning and teaching equipment including computers, (LCD) projectors and other modern education equipment to serve teaching activities as authorized by relevant ministry;
- b) The supply of education services by such as childcare centers, kindergartens, primary [and] secondary schools, vocational schools, vocational training centers, colleges, academies and universities;
- c) Goods and services supplied to assistance projects as defined in the agreements, treaties, contracts that the government has signed

8. The part of exemption (a) highlighted yellow and the whole of exemption (b) were already present in the VAT Law 2006, and are built into the project cost estimates as at 17-06-2016. The exemption for “modern teaching equipment” was added by the 2015 VAT law, and is not yet reflected in the cost estimates.

9. **Income and Profits Tax for Lao People and Companies.** As in other countries, employers of Lao staff calculate income tax and deduct it from salary for paying over to the Tax Office. HIFAB has performed this service on behalf of local consultants during SHEP 1. The Lao tax authorities will expect consulting services contractors under SSHEP to do the same for their local staff. Lao companies are taxed on their profits based on annual financial results. Although in principle official overseas aid has in the past been free of tax, in practice profits tax amounts have been agreed with the Tax Department by Lao companies participating in aid projects such as SHEP 1, and have been factored into tender prices. It is not clear whether the Lao tax authorities will expect SSHEP to deduct a profits tax element from payments to Lao companies. It would be in the ADB’s interest to argue against that as an unwarranted burden on SSHEP’s slender administrative resources.

10. **Tax Treatment of Foreign People and Companies.** Under recent legislation there is no concept of residence for tax purposes in Lao law. In principle people who work in Laos are required to pay Lao income tax no matter how short their stay in the country, and companies must pay Lao profits tax whether registered in Laos or abroad. As noted in the remit, there are some exceptions from these rules for countries having double taxation treaties (DTTs) with Laos which currently include China, Thailand and Vietnam.² Apart from that, foreign consultants and even visiting scholars (VS) working for SSHEP would in principle be liable for Lao income tax, in just the same way that local consultants are now.

¹ These are three of the 24 exemptions listed in Article 12 of the 2015 VAT Law (unofficially translated).

² A fuller list of countries having DTTs with Laos comprises: Belarus, Brunei, China, Kuwait (not in force), Luxembourg, Malaysia, Myanmar, North Korea, Russia, South Korea, Thailand and Vietnam. (Accessed 23-06-2016 on the PWC web-site). In March 2016 the PPTA Team was not able to obtain from MOES the official list of DTT countries referred to in the remit.

11. The application of GOL income tax to international consultants and VS is problematic because most countries continue to apply their own taxes to nationals who work abroad for short periods. For example, any period of work overseas by an Australian national lasting 90 days or less is fully taxed in Australia. It is clear from footnote 2 above that in many cases this problem of double taxation will not be solved by exempting persons from countries with current DTTs with Lao PDR.

12. Some countries without a DTT might be willing to give a credit for income tax already paid in Laos against income tax due in the home country, but that is speculative. To be sure of continuing recruitment of international consultants and visiting scholars from a wide base ADB would need either:

- a) To gross up its consultant price³ to allow for the payment of Lao as well as home income tax, at least for short-term consultants and VS; or
- b) Request from GOL a provision in the funding agreement for SSHEP exempting international consultants and visiting scholars from Lao income tax. Article 45 of the Tax Law 2016 provides for agreements exempting foreigners from the normal application of Lao income tax.

13. Lao PDR operates a Foreign Contractor Withholding Tax (FCWT) in order to collect VAT and profits tax revenue from foreign companies which are not registered and do not maintain a presence in Laos. Article 33 of the Lao Tax Law of 2005⁴ gives the basic concept:

For enterprises which carry out business in a foreign country[,] but [which] carry out activities or enter into joint ventures under contracts which generate income in the Lao PDR, such enterprises must declare and pay profit tax in the Lao PDR. Before making payment to such foreign enterprises[,] project owners or enterprises must withhold profit tax in order to pay to the State budget.

14. Such taxes on foreign contractors are not uncommon in developing countries – Papua New Guinea and Vietnam both have FCWTs. Although it is termed a withholding tax, there is no provision in the Lao version of FCWT for a refund to the supplier in the event that his actual profit is below the deemed rate.

15. Under FCWT the “Lao business operator” contracting with a foreign company withholds percentages of the contract sum as follows:

- 10% as an equivalent to the domestic VAT but without rebates for input VAT;
- A deemed profit margin (DPM) which varies by economic sector – it is 10% for construction and 20% for services. The DPM is multiplied by 24% to get the Deemed Profits Tax Rate (DPTR) applicable to the contract sum. So for example the DPTR applying to a contract for Design and Construction Management would be (20% \times 24%=4.8%).

16. The remit implies that SSHEP is to be regarded as a Lao business operator, and to apply FCWT.

³ Assuming that the prices used in the cost estimates of \$23,600 per person-month per international consultant, and \$11,000 per VS are not intended to cover the payment of local income tax.

⁴ Official translation. Further information about FCWT has been sourced from the PWC web-site which cites Article 21 of Instruction No. 2137/MOF on Implementation of the Tax Law 2005.

17. The impact of FCWT within SSHEP will be less than it normally is because the tax withheld and paid over to MOF will be refunded to SSHEP as Government counterpart contribution.⁵ Suppose that a foreign contractor (“Forco”) contracts to supply SSHEP with services over 15 months for a sum of \$1m to be paid in equal quarterly instalments. The FCWT rate is 14.8%. The first instalment is \$200,000 less 14.8% - \$170,400. However during the next quarter a GOL counterpart contribution is received, so the second instalment is a full \$200,000 – the basic instalment of \$170,400 plus payment of the \$29,600 withheld in the first quarter. The same happens in subsequent quarters. On this basis the overall impact of FCWT on Forco is not to reduce the amount paid, but to shift it over time, assuming that everything goes to plan.

18. To operate FCWT on the basis set out above would require disclosure of the arrangements to prospective tenderers, and would add significantly to the work of the SSHEP PIU. It could lead to serious difficulties if there were delays in the payment chain. An alternative would be to treat FCWT in the same way as import duties; SSHEP contracts would be exempt from FCWT, but when an FCWT-liable contract was awarded the value of the exemption would be calculated, and MOES would budget for that value. The cost of the exemption would be paid for from the MOES budget, and would score as part of the GOL contribution to SSHEP. However such an exemption would be unfair unless it also applied to the profits tax liabilities of local contractors working for SSHEP – which might be a sticking point for GOL.

19. **Operation of Tax and Duty Arrangements as Between SSHEP, MOF and MOES.** The basic concept as outlined in the remit has three steps:

- a) SSHEP pays VAT as invoiced by suppliers, applies income tax to project personnel of Lao nationality as required, withholds FCWT and records the value of import duty exemptions received. SSHEP remits VAT and income tax, and the amounts of FCWT withheld to MOF;
- b) MOES budgets for the amount of VAT, import duty and the VAT element of FCWT payable in each year;
- c) MOF refunds to SSHEP amounts of VAT, import duty and the VAT element of FCWT paid as the GOL counterpart contribution to SSHEP, and deducts the cost from the MOES budget provision for SSHEP as a non-cash transaction.

20. These arrangements are exacting for all parties. Among matters to be confirmed before loan agreement are:

- a) Lao companies supplying to SSHEP continue to pay income profits taxes to the Lao Tax Department directly, rather than through these arrangements;
- b) The counterpart contribution budgeted for by MOES and paid to SSHEP is sourced only from VAT proceeds, import duty values, and the VAT element of FCWT. The proceeds of taxes on income and profits including the profit element of FCWT are excluded because these taxes are not SSHEP liabilities;
- c) Target time limits for payments from SSHEP to MOF, and from MOF to SSHEP. For example, SSHEP must pay tax withheld to MOF within say 30 days from the date of withholding; MOF must pay counterpart contributions to SSHEP by the 15th day of the third month of each quarter, covering all tax payments received from SSHEP more than 30 days before the date of payment;

⁵ This paragraph assumes that tax refunds through counterpart contributions will be applied to the benefit of the sub-output taxed. There are other options.

- d) The amounts refundable to SSHEP are not reduced in the event that they exceed the MOES budget provision for the counterpart contribution in a given year.

21. The three-way cash flows required by the arrangements are not large in absolute terms but they are significant for the MOES budget, particularly in the years 2018 and 2019 when SSHEP expenditure is projected to peak. Given the difficulty of accurate budgeting for the tax payments and the cash-flow squeezes to which Lao budgets are prone, the risks of a breakdown in the arrangements are significant. They can be mitigated by addressing matters (a-d) above in the GOL-ADB funding agreement.

22. **Estimating Taxes and Duties for the RRP and PAM.** Table A5.1 attached reproduces SSHEP cost estimates by year as they stood at 22nd June 2016. The total for taxes and duties is \$4.006m, of which \$2.63m is for VAT and \$1.37m is for import duties. The projected incidence across years shows a very marked peak in 2018 and 2019, reflecting the intention to open the new campus for Savannakhet University in time for the 2019-20 academic year. The estimates assume that contracts will be awarded around the target dates included in the Procurement Plan. Estimating at this stage is subject to a wide margin of error. SSHEP and MOES will need to liaise closely year by year when MOES budgets are being drawn up to ensure that the estimates made by MOES for SSHEP taxes and duties in the year ahead reflect the starting dates of contracts, and progress of expenditure, as they are known at the time in question.

23. Table A5.2 attached shows the incidence of taxes and duties by output and sub-output as at 17th June 2016. It shows that the SKU infrastructure project accounts for \$3.42m (85%) within the total of \$4.01m estimated for taxes and duties. For that reason the SKU project is shown in greater detail in Table A5.2. Much of the rest of the taxes and duties also relate to Civil Works and Equipment, on the NUOL Research Centre in Output 1, and at Champasak University in Output 2.

24. It is not possible to make accurate estimates of import duties at this stage because the import content of the SSHEP activities is not known in detail. As the Bill of Quantities (BOQ) for each contract is established, SSHEP will draw up a submission for exemption from duties for relevant goods and services specified in the BOQ. Meanwhile in order to arrive at approximate estimates the following assumptions have been made:

<i>Import content by expenditure type</i>	
i Civil works	57%
ii Fixtures furnishings and equipment	80%
iii Laboratory and ICT equipment	80%
iv Vehicles	100%
<i>Rate of import duty</i>	8.3%

25. The 57% for Civil Works is the average of ball-park estimates made by C+A design consortium for import content in different kinds of civil works in Laos. The percentages at (ii-iv) above are guesses based on the likely very high import content of such items in Laos. The 8.3%⁶ rate of import duty is the simple average most-favoured-nation tariff applied to non-agricultural products in Laos according to WTO Tariff Profiles 2015. As a sample calculation, the

⁶ In the estimates the 8.3% has had to be applied to the final cost of the goods. If the final cost were say 20% more than the import cost to allow for importer costs and profit, 8.3% on final cost would be worth nearly 10% on import cost.

pre-tax estimate for civil works on the faculty buildings at Savannakhet University is \$3,381,361. That is multiplied by (0.57X0.083) to produce an import duty estimate of \$159,972.

26. Possible Impacts on the Estimates of New Information on Taxes and Duties.

Matters which could alter the estimates as they stood at 17th January include;

- a) Exemption for modern teaching equipment would reduce tax costs for SKU, NUOL Research Centre, and CU by about \$335,000 – see Table A5.3. The PPTA Team should draw MOES's intention to the scope for claiming this tax saving, not least because MOES would need to approve the equipment list under the terms of the exemption. It is here assumed that the saving is applied to reduce costs rather than to increase spending on the items exempted from tax.
- b) Possible impacts of FCWT on contracts, of which the two contracts for consulting services amounting in all to about \$3 million are the most likely. Given the uncertainty of which contracts will be liable for FCWT it is proposed not to estimate for FCWT as such at this stage. However it would be prudent to apply VAT to the whole of the two consulting contracts; that was not done in the 17th June estimates, out of a belief that Lao VAT would not apply to international consulting. It now appears that Lao VAT would apply to such contracts, if won by Lao-firms or foreign firms liable for FCWT. Table A5.4 below shows that the net impact would be an increase in VAT costs of about \$304,000.

27. The net effect on costs falling to the GOL counterpart contribution of adjustments (a) and (b) above would be a decrease of about \$30,000. On the assumptions stated there is no impact on costs funded by ADB.

28. Summary of Main Points

- a) Most exemptions available under Lao PDR VAT law are already factored into the estimates. The newly found exemption for modern teaching equipment will be factored into the final version of this note. (para 6)
- b) In the loan negotiations ADB should seek an exemption from Lao PDR income tax for international consultants and visiting scholars. (para 11).
- c) Lao PDR operates a Foreign Contractors Withholding Tax (FCWT). The remit implies that SSHEP will need to withhold FCWT from its contractors. It is recommended that ADB consider whether to press for FCWT to be handled on an exemption basis, as is already proposed for import duties. (paras 12-15).
- d) The arrangements for operating the tax and duty arrangements requested by MOF are complex and expose ADB to significant risk if other parties are unwilling, or unable, to fulfil their obligations on time. It is recommended that ADB seek to agree with GOL measures to mitigate the risks (paras 16-17).
- e) It is not proposed to attempt estimates on a full FCWT basis for the RRP and PAM, but to note FCWT as a factor to be addressed in RFTs and, as necessary, at contract stage. (para 23).
- f) The PPTA Team proposes that, subject to discussion with MOES of the new VAT exemption for modern teaching equipment, the estimates for RRP should be adjusted downwards to allow for the equipment exemption and upwards to allow for the application of Lao VAT to consulting contracts (on the basis that either domestic VAT or FCWT is likely to apply). (para 23)

Table A5.1: SSHEP Cost Estimates by Year

Item	Total Cost	2017	2018	2019	2020	2021
A. Investment Costs						
1 Civil Works	20.723		8.540	12.183		
2 Equipment and Vehicles	3.800	0.315	1.858	1.628	0.000	0.000
3 Design and Construction Management	1.500	0.750	0.200	0.200	0.200	0.150
5 Capacity Development	7.174	0.000	1.148	2.009	2.009	2.009
6 Consulting Services	2.292	0.149	0.458	0.562	0.562	0.562
7 Taxes and Duties	4.006	0.135	1.375	1.874	0.314	0.308
Subtotal (A)	39.496	1.349	13.578	18.457	3.085	3.029
B. Recurrent Costs						
1 Project Management - TA staff costs	0.490	0.074	0.113	0.113	0.113	0.080
2 Office space, GoL staff, utilities - in kind	0.500	0.075	0.115	0.115	0.115	0.080
Subtotal (B)	0.990	0.149	0.228	0.228	0.228	0.160
Total Base Cost	40.486	1.497	13.806	18.684	3.313	3.189
C. Contingencies	4.555	0.113	1.304	2.168	0.459	0.512
1 Physical	1.867	0.069	0.637	0.862	0.153	0.147
2 Price	2.688	0.044	0.667	1.306	0.306	0.365
D. Financing Charges During Implementation	0.524		0.037	0.127	0.180	0.180
1	0.524		0.037	0.127	0.180	0.180
Total Project Cost (A+B+C+D)	45.565	1.610	15.147	20.979	3.952	3.881
% Total Project Cost	100%	3.53%	33.24%	46.04%	8.67%	8.52%

Note: Costs have been profiled over the project life-span in line with the intended timing of contract awards. The projected timing of expenditure on Civil Works, and Equipment and Vehicles, reflects the target to open the new campus of Savannakhet University for the 2019–2020 academic year.

Source: PPTA staff estimates.

**Table A5.2: Summary of Tax and Duty Costs by Output and Sub-Output
Units: 000s**

<i>Number</i>	<i>Output/Sub-Output</i>	<i>Institutions</i>	<i>Foreign</i>	<i>Local</i>	<i>Total</i>
1	<i>Quality and Relevance of HE Services Improved</i>				
1.1	Centres of excellence (COEs)	NUOL, CU, SKU			
Total 1.1	Pre-tax cost of COEs		2,120	306	2,426
Taxes 1.1	VAT and Import Duties for COEs		161	143	304
1.2	Curriculum Development (CD) in line with modern pedagogical principles and practices	NUOL, CU, SU, SKU			
1.2.1	New curriculum developed in four disciplines		100	477	577
Total 1.2	Pre-tax cost of CD		307	813	1,120
Taxes 1.2	VAT and Import Duties for CD		7	35	42
Total 1.3	Output 1.3		3,370	459	3,830
Taxes 1.3	VAT and duties under 1.3		0	0	0
1.4	Expand e-learning and e-library (ELEL) systems.	MOES DHE, NUOL, CU, SU, SKU			
Total 1.4	Pre-tax cost of ELEL		339	520	859
Taxes 1.4	VAT and Duties for ELEL		23	37	60
1.5	Establish an innovation fund (IFECA) to support extra-curricular activities.	NUOL, CU, SU, SKU			
Total 1.5	Pre-tax cost of Output 1.5		0	96	96
Taxes 1.5	VAT and Import Duties for IFECA		0	1	1
1.6	Establish a Competitive Fund for Research Grants (CRF)	MOES DHE, NUOL, CU, SU, SKU			
Total 1.6	Pre-tax cost of CRF		303	1,057	1,360
Taxes 1.6	VAT and Duties for CRF		0	6	6
	<i>Totals for Output 1</i>				
1	<i>Pre-tax Cost</i>		6,439	3,251	9,691
Taxes 1	<i>VAT and Duties</i>		190	223	413
Total	<i>Tax-inclusive Cost of Output 1</i>		6,630	3,474	10,104

<i>Number</i>	<i>Output/Sub-Output</i>	<i>Institutions</i>	<i>Foreign</i>	<i>Local</i>	<i>Total</i>
2.1	<i>Phase 1 of new campus for Savannakhet University (SKU)</i>		0	0	0
2.1.1	Common buildings	Items 2.1 to 2.6 assigned 60% local, 40% foreign. Items 2.1.7 to 2.1.9 assigned 80% foreign, 20% local. Items 2.10 & 2.11 100% foreign.	2,585	3,877	6,462
2.1.2	Faculty buildings		1,353	2,029	3,381
2.1.3	Student accommodation		822	1,233	2,055
2.1.4	Covered walkway		362	542	904
2.1.5	Mechanical, Electrical and Plumbing		846	1,269	2,115
2.1.6	Landscaping		637	956	1,593
2.1.8	Information technology	Import content assumed: 57% for 2.1.1 to 2.1.6, 80% for 2.1.7 - 2.1.9, 100% for 2.1.10 and 2.1.11.	448	112	560
2.1.9	Laboratory equipment		658	165	823
2.1.10	SKU Buses		170	0	170
2.1.11	Service vehicles		300	0	300
Total 2.1	Total Pre-tax cost for SKU Phase 1		11,413	10,991	22,403
VAT 2.1	VAT @10% on items 2.1.1 to 2.1.11		1,141	1,099	2,240
Duty 2.1	Import duty @ 8.3%	1,180	0	1,180	
Taxes 2.1	VAT and Duties	2,321	1,099	3,421	
2.3	<i>SKU Campus - Design and Construction Management (DCM)</i>	Placeholder nos. Consultants and PMs not known as at 20-06-16.	0	0	0
Total 2.3	Total Pre-tax cost of DCM		1,050	450	1,500
Tax 2.3	Tax costs for DCM to be estimated.		0	0	0
	Total Tax-Inclusive Cost for SKU Campus (all items)		14,784	12,540	27,324
2.4	Champasak University - three labs	CU	0	0	0
Total 2.4	Total Pre-Tax cost for CU		382	191	574
Tax 2.4	VAT and Import Duty for CU		101	20	121
2	<i>Total Pre-tax Cost of Output 2</i>		12,845	11,632	24,477
<i>Taxes 2</i>	<i>VAT and Import Duties for Out't 2</i>		2,422	1,119	3,541
<i>Total 2</i>	<i>Total Tax-inclusive Cost of Out't 2</i>		15,267	12,751	28,019
3	Governance and Management of HE Improved				
3	Pre-tax Cost for Output 3		191	403	594
Taxes 3	VAT and Import Duty for Output 3		0	22	22
3	Total Tax-Inclusive Cost of Output 3		191	425	616
4	Effective Project Management And Implementation		0	0	0
4	Total Pre-tax Cost for Project Management (PM)		552	1,167	1,719
Taxes 4	VAT and Import Duty for PM		0	29	29
Total 4	Total Tax-Inclusive Cost of Item 4		552	1,197	1,749
5	GRAND TOTALS		0	0	0
5.1	Pre-tax Cost of All Outputs		20,028	16,453	36,481
5.2	VAT and Import Duty		2,613	1,394	4,006
5.3	Total Tax-Inclusive Base Costs		22,640	17,847	40,487

Table A5.3: Estimate of the Benefit of Exempting Modern Teaching Equipment from VAT

<i>Item No.</i>	<i>Title</i>	<i>Total Pre-VAT Cost</i>	<i>Estimated VAT</i>	<i>Total Cost</i>
1.1.5	Equipment of COEs	181,818	18,182	200,000
1.1.6	NUOL Research Centre - Equipment	1,181,818	118,182	1,300,000
2.1.8	Information technology (part)	450,000	45,000	495,000
2.1.9	Laboratory Equipment	1,184,770	118,477	1,303,247
3.3.2	Equipment and vehicles for Champasack University	429,545	42,955	472,500
Totals		3,427,952	342,795	3,770,747

Notes.

1. Pre-VAT costs include import duties. It has been assumed that imported teaching equipment will still be counted for the purpose of valuing the import duty exemption.

2. Item numbers are as in Cost Estimates.

3. COE = Centre of Excellence, NUOL = National University of Laos.

4. Item 1.8 is made up of both IT infrastructure such as servers and cabling, and computers and software. It is assumed here that only computers and software will score as "teaching equipment" but the point is arguable.

5. The vehicle at issue at Champasack is a tractor for the Agriculture Faculty, which is taken to be teaching equipment.

Table A5.4: Estimate of the Cost of Applying VAT to Consulting Contracts

<i>Item No.</i>	<i>Title</i>	<i>PreVAT Cost</i>	<i>Estimated VAT</i>	<i>Total Cost</i>
None	Consulting Services for Capacity Building	1,451,800	145,180	1,596,980
1.1.2	Visiting Scholars	756,000	75,600	831,600
2.3	Design and Construction Management	1,500,000	150,000	1,650,000
Totals	Additional VAT	3,533,500	335,418	3,868,918
			303,891	

Notes.

1. None of the contracts in Table A5.4 will carry import duty.

2. The Additional VAT needing to be put into the Estimates is less by \$31,527 than the total Estimated VAT on the three contracts because Consulting Services for Capacity Building already had that amount included as VAT on local consultant contracts.

COST ESTIMATES
PPTA-8837 Lao - Second Strengthening Higher Education Program
Detailed Base Costs as at 30th July 2016

Number	Output/Sub-Output	Institutions	Unit	Quantity		Unit Cost \$		Total Cost \$		
				Foreign	Local	Foreign	Local	Foreign	Local	Total
1	Quality and Relevance of HE Services (teaching, research and extension) improved									
1.1	Centres of excellence (COEs)	NUOL, CU, SKU								
1.1.1	Consulting services - Excellence & Research Specialists		Person Months	4.5	6	23,000	3,273	103,500	19,636	123,136
1.1.2	Visiting Professors (VPs)	CU, SKU	Person Months	66		11,455		756,000		756,000
1.1.3	Adjunct lecturers (ALs)	CU, SKU	Annual input of 1 AL (4 credits)		32		3,636		116,364	116,364
1.1.4	Training	NUOL, CU, SKU	Cost per course		3		6,273		18,818	18,818
1.1.5	Equipment of CoEs	SKU	Lump sum					165,218		165,218
1.1.6	NUOL Centre for Environmental Excellence		Lump sum					21,545	150,812	172,356
	NUOL Centre -Equipment		List supplied.					1,073,918		1,073,918
Total 1.1	Pre-tax cost of COEs							2,120,181	305,630	2,425,810
1.1	VAT and Import Duties for COEs							170,028	133,962	303,990
1.2	Curriculum Development (CD) in line with modern pedagogical principles and practices	NUOL, CU,SU, SKU								
1.2.1	New curriculum developed in four disciplines		Lump sum					100,000	477,273	577,273
1.2.2	Consulting services - Curriculum Development Specialists	MoES DHE, NUOL, CU,SU, SKU	Person Months	9	18	23,000	3,273	207,000	58,909	265,909
1.2.3	Support curriculum and course development	MoES DHE, NUOL, CU,SU, SKU	Training event/ workshop		20		9,545		190,909	190,909
1.2.4	Teacher training professional development	NUOL, CU,SU, SKU	Trainee		600		143		85,909	85,909
Total 1.2	Pre-tax cost of CD							307,000	813,000	1,120,000
Taxes 1.2	VAT and Import Duties for CD							6,500	35,300	41,800

1.3	Upgrading qualifications and strengthening networks									
1.3.1	Masters' degree- international	NUOL,CU,SKU	trainee	33		30,530		1,007,500		1,007,500
1.3.2	Doctoral degree- international	KU	trainee	27		39,277		1,052,760		1,052,760
1.3.3	Masters' degree - local	NUOL,CU,SKU	trainee		55		8,350		459,270	459,270
1.3.4	Matching contributions to foreign scholarships - co-financing	NUOL,CU,SKU	trainee					1,260,000		1,260,000
1.3.5	Strengthen international partnerships & networks through faculty and post-grad exchanges, seminars etc.	MoES DHE, NUOL, CU,SU, SKU	Lump sum for study visits abroad.					50,000		50,000
Total 1.3	Output 1.3							3,370,260	459,270	3,829,530
Taxes 1.3	VAT and duties under 1.3									0
1.4	Expand e-learning and e-library (ELEL) systems to all public universities.	MoES DHE, NUOL, CU,SU, SKU								
1.4.1	Consulting services - ICT-based Education Specialists		Person Months	6	6	23,000	3,273	138,000	19,636	157,636
1.4.2	Courses in Moodle for academic staff		Trainee		500	150	239	75,000	119,318	194,318
1.4.3	Subsidy for Internet connection		Tapering annual subsidy						254,545	254,545
1.4.4	Complete remaining 4 LUMS modules		Module		4	14,773	14,773	59,091	59,091	118,182
1.4.5	Upgrade for HE IT hub at NUOL							67,343	67,343	134,685
Total 1.4	Pre-tax cost of ELEL							339,433	519,933	859,367
Taxes 1.4	VAT and Duties for ELEL							22,962	37,272	60,234
1.5	Establish an innovation fund (IFECA) to support extra-curricular activities.	NUOL, CU,SOU, SKU								
1.5.1	Grants from IFECA		Average grant		35		2,071		72,500	72,500
1.5.2	Prizes from IFECA		Average prize		6		2,000		12,000	12,000
1.5.3	Miscellaneous expenses for unis		Lump sum		1				11,500	11,500
Total 1.5	Pre-tax cost of Output 1.5							0	96,000	96,000
Taxes 1.5	VAT and Import Duties for IFECA								1,150	1,150

1.6	Establish a Competitive Fund for Research Grants (CRF)	MoES DHE, NUOL, CU, SU, SKU								
1.6.1	Grants for Education and Letters		Average grant		10		4,800		48,000	48,000
1.6.2	Grants for Economics, Business, Law		Average grant		11		9,818		108,000	108,000
1.6.3	Grants for Science and Agriculture		Average grant		29		28,966		840,000	840,000
1.6.4	Selection panels		Panel		5		24,803	82,425	41,591	124,016
1.6.5	Consulting services - Excellence & Research Capacity Development Specialists		Person Months	4.5	6	23,000	3,273	103,500	19,636	123,136
1.6.6	Management Costs							106,200		106,200
1.6.7	Training and Study tour		Lump sum			10,500		10,500	0	10,500
Total 1.6	Pre-tax cost of CRF							302,625	1,057,227	1,359,852
Taxes 1.6	VAT and Duties for CRF								6,123	6,123
1	Totals for Output 1									
	Pre-tax Cost							6,439,499	3,251,061	9,690,560
Taxes 1	VAT and Duties							199,494	213,812	413,306
Total	Tax-inclusive Cost of Output 1							6,638,993	3,464,873	10,103,866
2	Access to Higher Education Increased									
2.1	Phase 1 of new campus for Savannakhet University (SKU)									
2.1.1	Common buildings	Items 2.1 to 2.6 assigned 40% local ,	Square metre		10,562			3,877,070	2,584,713	6,461,783
2.1.2	Faculty buildings	60% foreign. Items	Square metre		5,463			2,028,816	1,352,544	3,381,361
2.1.3	Student accommodation	2.1.7 to 2.1.9	Square metre		3,730			1,233,138	822,092	2,055,230
2.1.4	Covered walkway	assigned 80%	Square metre		6,952			542,256	361,504	903,760
2.1.5	Mechanical, Electrical and Plumbing	foreign,20% local.	Lump sum					1,268,750	845,833	2,114,583
2.1.6	Landscaping	Costs per sq m vary	Lump Sum					955,939	637,293	1,593,232
2.1.7	Fixtures, furnishings and equipment	between buildings	Lump Sum					3,232,415	808,104	4,040,519
2.1.8	Information technology	under 2.1.1 and	Lump Sum					448,000	112,000	560,000
2.1.9	Laboratory equipment	2.1.2	Lump sum					658,400	164,600	823,000
2.1.10	SKU Buses							170,000	0	170,000
2.1.11	Project vehicles	includes DHE and SKU vehicles						300,000	0	300,000
Total 2.1	Total Pre-tax cost for SKU Phase 1							14,714,784	7,688,683	22,403,468

VAT 2.1	VAT @10% on items 2.1.1 to 2.1.11							1,471,478	768,868	2,240,347
Duty 2.1	Import duty @ 8.3%	assumed: 57% for 2.1.1 to 2.1.6, 80% for 2.1.7 - 2.1.9, 100% for 2.1.10 and						1,180,217	0	1,180,217
Taxes 2.1	VAT and Duties							2,651,696	768,868	3,420,564
2.3	SKU Campus - Design and Construction Management (DCM)	Placeholder nos. Consultants and PMs not known as								
2.3.1	Detailed campus design							630,000	270,000	900,000
2.3.2	Supervision of construction							420,000	180,000	600,000
Total 2.3	Total Pre-tax cost of DCM							1,050,000	450,000	1,500,000
Taxes 2.3	Tax costs for DCM to be estimated.									
	Total Tax-Inclusive Cost for SKU Campus (all items)							18,416,480	8,907,552	27,324,032
2.4	Champasak University - three labs	CU								
2.4.1	Civil Works		Square metre		600		370		191,315	191,315
2.4.2	Equipment and vehicles		List Specified					398,171		398,171
Total 2.4	Total Pre-Tax cost for CU							398,171	191,315	589,486
Taxes 2.4	VAT and Import Duty for CU							63,136	41,877	105,013
2	Total Pre-tax Cost of Output 2							16,162,955	8,329,999	24,492,954
Taxes 2	VAT and Import Duties for Output 2							2,714,832	810,745	3,525,577
Total 2	Total Tax-inclusive Cost of Output 2							18,877,788	9,140,744	28,018,531
3	Governance and Management of HE Improved									
3.1	Capacity development for university administrators	MoES DHE, NUOL, CU,SU, SKU, Private HEIs	Trainee		200	150	250	30,000	45,455	75,455
3.2	Scholarships for HE senior management in MOES	MOES DHE	Trainee	5	3	28,200	8,350	141,000	25,051	166,051
3.2	Policy studies on quality, performance, efficiency and effectiveness in HE.	Long-term consultant inputs costed elsewhere.	Costs for local surveys and field-work						95,455	95,455
3.3	Employment surveys and tracer studies to be undertaken.	NUOL, CU,SU, SKU	Lump sum						45,455	45,455
3.4	Human Resource Development Office (HRDO)	GoL Ministries, NUOL, CU,SU, SKU								
3.4.1	Consulting Services		Person months		6		3,273		19,636	19,636
3.4.2	Capacity Building and Support							20,000	171,818	191,818
Total 3.4	Total for HRDO							20,000	191,454	211,454
3	Pre-tax Cost for Output 3							191,000	402,870	593,870
Taxes 3	VAT and Import Duty for Output 3							0	23,410	23,410
3	Total Tax-Inclusive Cost of Output 3							191,000	426,280	617,280

4	Effective Project Management And Implementation								
4.1	Establish PIUs at the 4 MoES-funded universities, and MoES-based PIU to support delivery of SKU campus, with local PIU participation.								
4.1.1	PIU staff and expenses	Staff member		8		48,125		385,000	385,000
4.1.2	PIU expenses	Lump sum						104,545	104,545
4.1.2	MoEs staff and office space (in kind)	Lump sum						500,000	500,000
4.2	Consulting Services								
4.2.1	Team Leader	Person Months	24		23,000		552,000		552,000
4.2.2	Deputy Team Leader	Person Months		24		5,364		128,727	128,727
4.2.3	Gender Specialist	Person Months		12		3,273		39,273	39,273
4.2.4	Procurement Specialist	Person Months	4	9	23,000	3,273	92,000	29,455	121,455
4	Total Pre-tax Cost for Project Management (PM)						644,000	1,187,000	1,831,000
Taxes 4	VAT and Import Duty for PM						0	31,109	31,109
Total 4	Total Tax-Inclusive Cost of Output 4						644,000	1,218,109	1,862,109
5	GRAND TOTALS								
5.1	Pre-tax Cost of All Outputs						23,437,454	13,170,930	36,608,385
5.2	VAT and Import Duty						2,914,326	1,079,076	3,993,402
5.3	Total Tax-Inclusive Base Costs						26,351,780	14,250,006	40,601,787