

MEMORANDUM OF UNDERSTANDING

Special Project Administration Mission

Loan 3435/Grant 0500-LAO: Second Strengthening Higher Education Project

19-25 November 2019

I. INTRODUCTION

1. The Asian Development Bank (ADB) conducted a special project administration mission (the mission)¹ of Loan 3435/Grant 0500: Second Strengthening Higher Education Project (the project) from 19-25 November 2019. The mission reviewed (i) the implementation progress of the project activities; (ii) project management, financial, and procurement performances; (iii) the safeguards compliance, covenants and gender aspects of the project. Ministry of Education and Sports (MOES) is the executing agency, and Department of Higher Education (DHE), Savannakhet University (SKU), Champasack University (CU), National University of Laos (NUOL) and Souphanouvong University (SU) are the implementing agencies (IA).

2. The mission started with a kick-off meeting and concluded with a wrap-up meeting chaired by Prof. Dr. Saykhong Saynasine, Director General, DHE, MOES, project director, on 19 November and 25 November 2019, respectively. The mission paid a courtesy call to H.E. Mme. Sengduean Lachanthaboun, the Minister of MOES on 21 November. The mission also met with Mr. Soulivath Souvannachoumklam, Director General, Department of External Finance and Debt Management, Ministry of Finance. Memorandum of Understanding (MOU) summarizes the major issues discussed and agreements reached during the mission. The MOU is subject to approval of higher authorities of the government of Lao PDR (the government) and ADB. The list of persons met is in Appendix 1.

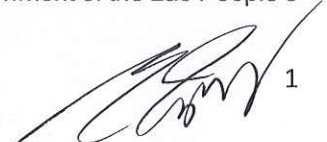
II. PROJECT PROFILE

3. The project was approved by ADB on 20 September 2016, declared effective on 6 January 2017, is scheduled to close on 30 June 2022 (physical completion by 31 December 2021). The Project has a total estimated cost of \$45.67 million, of which ADB will finance 87.4% through a loan in special drawing rights (SDR) 11,832, 000 (\$16.25 million equivalent) and a grant for \$23.47 million. About \$20.9 million of the loan and grant proceeds are earmarked for civil works, of which more than 90% are reserved to establish a new campus at the SKU.

4. The impact of the project is to establish stronger links between education services and socioeconomic needs² and the outcome is to improve quality of higher education services. The

¹ The Mission comprised Yumiko Yamakawa, Education Specialist, SEHS; Khamtanh Chanty, Senior Project Officer, LRM; Annika R. Lawrence, Education Specialist, SEHS; Arlene de Guzman-Bacasmás, Project Analyst, SEHS; Vongphet Soukhavongsa, Safeguards officer, LRM; Theonakhet Saphakdy, Senior Social Development Officer (Gender), LRM. Mr. Yasushi Negishi, Country Director of ADB Lao Resident Mission led the meeting with the minister of MOES.

² Aligned to National Socio-Economic Development Plan VIII (2016-2020), Government of the Lao People's Democratic Republic, Ministry of Planning and Investment.

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project is expected to achieve the outcome through three outputs; (i) Output 1: Quality and relevance of higher education services (teaching, research, extension) enhanced, (ii) Output 2: Access to modern higher education programs introduced, (iii) Output 3: Governance and management of Higher Education Institutes (HEI) strengthened. The project provides support to four public universities (participating universities): CU, NUOL, SKU, and SU, and intends to improve the regulatory framework for HEIs.

III. PROJECT STATUS AND MISSION FINDINGS

5. **Financial performance.** As of 19 November 2019, with the project's elapsed time of 54.6%, \$5.68 million contracts have been awarded (14% of the total loan and grant allocations); disbursements amount to \$5.97 million (15% of the total loan and grant allocation). Against cumulative contract awards and disbursements projections until Q4 2019, the project is rated an **"actual problem"**, having achieved only 22% and 31% of projections, respectively.

A. Project progress by Outputs and Sub-Outputs.

6. **Output 1: Quality and relevance of higher education services in teaching, research, and extension is enhanced.** Under Output 1, there are eight sub-outputs. Progress on each sub-output is summarized below:

7. (i) **establish centers of excellence (COEs) in participating universities.** The construction of new COE building at CU (for agronomy, focusing on crops production) has completed in November 2019 and will be completed at NUOL (for environmental science focusing on project-based research) by 31 December 2019. The contract for equipment for CU's COE was signed in November 2019 and is expected to be delivered by January 2020. The contract for NUOL COE equipment will be signed by 3 December 2019. COE strategies for the four participating universities are drafted and being finalized by 31 December 2019. These will then be circulated to the relevant faculty.

8. (ii) **develop curricula for blended learning.** The COE curricula are still in the process of being developed with expected approval by DHE in May 2020. A series of workshops will be conducted to prepare and finalize teaching and learning materials by December 2020 and for teacher training on the new curriculum in 2021.

9. (iii) **strengthen capacities for research and delivery of extension services by (a) establishing competitive research grants, (b) upgrading research laboratories, and (c) providing capacity building programs.** The Competitive Research Fund (CRF) guidelines were drafted and are expected to be finalized in consultation with Department of Finance (DOF) by 31 December 2019. DHE officials and MOF met in October 2019 to discuss the guidelines and ruled that MOES as the executing agency of the project will determine the final approval and does not need to be approved by MOF. The guidelines will be in compliance with the MOF regulation 4000. The mission provided written comments to the project, which will be considered for finalization. The CRF will serve as a pilot documenting best practices, challenges and lessons learned to inform future research policies that will be flexible to current research practices.

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10. For capacity building, a series of workshops were conducted in October 2019 (i) to review the universities' current research capacity; (ii) to formulate a development strategy for research funds; and (iii) to enhance research proposal writing skills.

11. **(iv) postgraduate scholarships at NUOL or foreign partner universities to selected faculty and staff members.** The project will finance total of 115 scholarships (55 master (local), 33 master (international) and 27 doctorate degree (international)), and this activity has made significant progress since the last mission. As of November 2019, 49 local master scholarships (33 female) have been awarded to study at NUOL. 23 scholarships for international master's programs (10 female) and 23 scholarships for international doctorate programs (9 female) have been awarded. The mission acknowledged that the universities' request to consider emerging needs which goes beyond the priority areas agreed by MOES in August 2018. MOES will submit revised scholarship guideline to ADB by 16 December 2019.

12. As the scholarship stipend amounts were determined in 2017, and due to inflation and fluctuation in the exchange rate in Lao currency, DHE will request an increase of 20% for the stipend amount for both local and international scholarship recipients. The stipend will continue to be paid in the local currency. ADB requested detailed cost breakdowns as justification for the proposed increase in stipend proposal. Budget constraints were raised as a challenge to pursuing studies outside the region. The international programs that the academic and MOES staff have chosen to attend are within ASEAN, and this has created savings from the original cost estimates (approximately \$780,000). The universities' management with the project will discuss reallocation options of these savings and report a decision to ADB by 16 December 2019.

13. **(v) establish mechanisms for providing continuing faculty and staff development programs; and (vi) create or strengthen existing international university partnerships and networks for upgrading local programs and services.** The Project in partnership with four universities provides training on pedagogy and instructional methods for university academic staff. As of November 2019, 149 academic staff (47% female) have been trained.³ The 12 training modules, which were developed during the SHEP phase 1 have been identified as needing to be upgraded and revised to meet changing needs (e.g., greater focus on soft skills such as employability and entrepreneurship skills). NUOL will lead the revisions with participation of CU, SKU, and SU master trainers. The revisions are expected to be completed by June 2020. DHE will work to extend these trainings to private colleges to ensure quality higher education more broadly across the country.

14. The universities conducted a teachers' needs assessment and identified 23 topics required by faculty and staff to improve their teaching and management skills. Most of the training are being conducted in-house with a few external trainings. The project mobilized three visiting scholars to further work with the universities on (a) staff development program, (b) international cooperation and networking, (c) strengthening teaching and research capacity. These activities encompass the scope of sub-output 3.1.

15. **(vii) develop university information technology infrastructure systems.** The contract for the software development and upgrading of Lao University Management System 2.0 (LUMS)

³ DMF target is 600 (at least 40% women).



was signed on 18 November 2019.⁴ A full equipment needs assessment will be conducted by NUOL with assistance from the firm to determine updated and sufficient equipment that is required for the program to fully function. The Mission confirmed that a priority for support to operationalization of LUMS 2.0 across the four universities is to strengthen the data center at NUOL. The internet connection at all four universities has been upgraded. These activities support and are closely connected with sub-output 3.5.

16. **(viii) support employment skills development through the creation of an innovation fund for extracurricular activities (IFECA).** The mission reviewed the draft guidelines and made suggestions for simplifying the implementation process of IFECA. The universities shared plans for activity proposals related to traditional Lao culture, employment preparation, project-based learning and community development. Similar to CRF guidelines, the project will finalize the guidelines in consultation with DOF and seek approval from MOES minister for implementation. The Mission agreed that if funds should be operational in 2020 and expect one activity to be approved and running per university at minimum by the Mid-Term Review to continue this project component.

17. **Output 2: Access to modern higher education programs introduced.** The Project will support the establishment of a modern campus at Savannakhet University (SKU) following international standards, with an initial capacity of 3,700 students. The new campus will include faculty buildings (classrooms and laboratories), administration facilities and student dormitory with furniture and equipment. A design firm (C+A with MSA) has been contracted to prepare the detailed engineering design (DED) for SKU new campus. The Project will also strengthen systems for student selection and admissions applicable at the university level.

18. Finalization of the DED for SKU new campus has been delayed. The design firm was mobilized in March 2018 and was supposed to complete the DED by November 2018. Due to limited capacity of the executing agency in contract management, delayed approvals and progress payment, and incomplete deliverables submission from the design firm, the work has been significantly delayed. The contract was extended twice up to 31 August 2019 to complete the DED in two phases (core-campus and auxiliary campus designs). The executing agency expressed dissatisfaction on the overall performance of the design firm. The Mission acknowledged the strong leadership and commitment from DHE required to make the significant progress from the previous review mission. The Mission strongly urged continued close monitoring of procurement and civil works to ensure timely completion of SKU campus development.

19. **Civil works 1 (CW1).** CW1 (\$7 million) includes two faculty buildings (Linguistic and Engineering) and campus infrastructure. The executing agency issued invitation for bids on 24 July 2019 and the bid was opened on 4 September 2019. The executing agency submitted the bid evaluation report (BER) of CW1 to ADB on 14 November 2019. The Mission advised the executing agency on next steps to award the contract in a timely manner.

20. **Civil works 4 (CW4).** CW4 (\$10 million) includes a faculty building (IT), Tech Cluster building, student dormitory, and landscaping and covered walkway. The design firm has submitted

⁴ The contract amount \$130,050.



the final DED for auxiliary campus which includes a student dormitory for CW4 in October 2019 and the Project is reviewing it to confirm completeness of the deliverables. Approvals from (i) education construction and design division (MOES), (ii) MOES management, and (iii) provincial public works and transport department in Savannakhet are expected by 16 December 2019.⁵ The procurement specialists are drafting the bidding documents in parallel with approval processes. These will be submitted to ADB by 2 January 2020. The executing agency will issue the invitation for bids on 17 January 2020.

21. Based on engineer's estimate and the project campus development specialist review, the CW4 construction period is estimated for 36 months. The Mission discussed with the Minister of MOES and Ministry of Finance the detailed schedule to complete all the project activities including the SKU civil works which requires the project extension. The executing agency, senior management of SKU and the Mission agreed to the timebound action plan outlined in Table 1.

22. **Construction supervision firm.** ADB provided support to the executing agency based on their request to select the SKU construction supervision firm. ADB issued the request for proposal on 13 November 2019 to the shortlisted firms; the firms will submit proposals by 9 December 2019. It is expected that the construction supervision firm will be mobilized before CW1 construction commencement in January 2020. The Mission discussed that the current budget allocation for construction supervision firm (\$540,000) should be increased to cover the CW4 construction period.

Table 1: Timebound action plan (CW1 and CW4)

| Key Action | Target | Responsible body |
|--|----------------------------|------------------|
| CW-1 | | |
| 1. Obtain BER NOL from ADB | 13 Dec 2019 | ADB |
| 2. Obtain clearance from MOES minister | 16 -20 Dec 2019 | SSHEP/MOES |
| 3. Notification to successful bidder | 23 Dec 2019 | SSHEP/MOES |
| 4. Contract issue/performance security | 23 Dec-16 Jan 2020 | SSHEP |
| 5. Contract signing | 16 Jan 2020 | SSHEP |
| 6. Contractor mobilization | 17 Jan – 20 Feb 2020 | Contractor |
| 7. Construction (24 months) | 20 Feb 2020- 20 Feb 2022 | Contractor |
| CW-4 | | |
| 1. Draft bid documents | 17-27 Dec 2019 | SSHEP |
| 2. ADB review and approval | 2-15 Jan 2020 | ADB |
| 3. IFB advertisement | 17 Jan 2020 | ADB |
| 4. Bid opening | 28 Feb 2020 | SSHEP |
| 5. Bid evaluation | 2 Mar- 1 May 2020 | SSHEP, BEC |
| 6. Obtain BER NOL from ADB | 2- 15 May 2020 | ADB |
| 7. Notification and award | 18 May- 12 June 2020 | SSHEP/MOES |
| 8. Contractor mobilization | 15 June- 20 July 2020 | Contractor |
| 9. Construction (36 months) | 20 July 2020- 20 July 2023 | Contractor |

⁵ DED approval from the authorities for IT faculty building and Tech cluster was obtained as part of core campus design in July 2019. Auxiliary campus design includes a student dormitory, teacher houses, sports facilities, open market, furniture, etc.

23. **Output 3: Governance and management of higher education institutions strengthened.** Under Output 3, there are seven sub-outputs. Progress of each sub-output is summarized below:

24. **(i) staff development of participating university managers and administrators.** Each university submitted their training plan based on their own training needs assessment. The PIC consolidated the findings and developed a professional training development plan (PTDP) which includes: (i) training methods, (ii) number trainees, (iii) budget and (iv) timeline.

25. **(ii) international visiting scholar programs to the Lao PDR as part of the continuing professional development for university officials.** The project mobilized three visiting scholars as of November 2019 and has a plan to mobilize 23 more visiting scholars. The Mission strongly recommended consolidating the large number of proposed visiting scholars to facilitate the hiring process and ensure quality inputs. The Project will discuss with the universities how visiting scholars can be best mobilized to contribute to their needs.

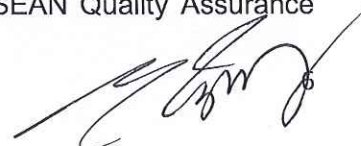
26. **(iii) review of the regulatory and financing framework for HEIs.** The TOR for a policy study on a regulatory and financing framework for HEIs was approved by ADB in November 2019. A local firm is expected to be contracted in Q1 2020 to conduct this study. The Mission notes that the selection method for the research firm will be changed through a minor change in scope from ICS to CQS. The firm is expected to be mobilized by April 2020; the firm will collect data from the universities in May 2020; and the report is expected to be completed for dissemination by July 2020. DHE will share the study at the annual Higher Education Management Forum in end December 2020.

27. **(iv) tracer studies and employer surveys, including assessment of higher education sector performance.** Trainings for tracer studies and employer surveys have commenced with core teams from each university assigned. The universities have agreed upon the tracer study and employer survey guidelines and need to prepare individual budgets. NUOL emphasized that the questionnaires need to be further contextualized to the contexts of the different universities. A second workshop will be held in December 2019 to train enumerators. The studies will target 1000 graduates, 30 private companies, and 30 government agencies. The first round of surveys is expected to be completed by June 2020.

28. **(v) upgrade of the higher education management information system.** A firm has been mobilized in November 2019 to upgrade and develop additional modules under LUMS. The software development and prototype testing is expected to take 12 months.

29. **(vi) implementation of the government's national human resource development strategy, 2016-2025.** The Human Resources Development Office disseminated the National Human Resource Development Strategy 2025 through workshops at national and provincial levels. They have created and adopted a manual for implementation of student-staff quota planning for TVET and higher education, and plan to disseminate the manual in Q1 2020.

30. **(vii) further strengthening of quality assurance for HEIs.** Two resource persons were recruited in September 2019 to write a report on the current status of the four participating universities' quality assurance systems. The report will be sent to ASEAN Quality Assurance



Network (AQAN) by December 2019 to be evaluated against the AQAN Framework for accreditation. Recommendations from the report will be given to the universities. In February 2020, the expert will return to review the university progress and make a final report to submit to AQAN. AQAN will then send a reviewer in March 2020 with further recommendations to improve quality of higher education.

B. Other Mission Findings

31. **Year 2020 Workplan.** Draft workplan for implementation of 2020 project activities was discussed. The Mission offered comments to improve submission that the project committed to address. Meetings with the four universities will also review the workplan by end November 2019. The workplan will then be referred for the MOES DHE and DOF's review and submitted to ADB by end December 2019 for approval in January 2020. The Mission recommended that each university PIU develops annual schedule to implement their respective activities as planned.

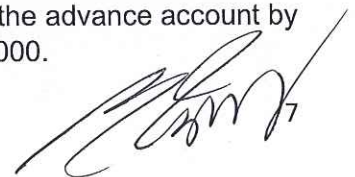
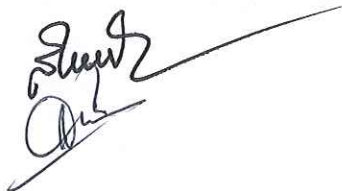
32. **ADB's revised project performance rating system.** The Mission briefed the project on the new project performance rating (PPR) system that now has a more comprehensive scoring tool including the assessment of performance in technical, safeguards, and financial management areas in addition to the contract award and disbursements. Weighting for the outputs and indicators was discussed.

33. **Site visit to National University of Laos.** The Mission visited NUOL to better understand how the Project is progressing including the soon to be completed COE building. The Mission met with President of NUOL, Prof. Dr. Somsy Gnophanxay, to brief him on the project and share appreciation for NUOL's commitment to strengthening quality of higher education in Lao PDR. The President shared NUOL's vision and plans for 2030. The Mission also met with heads of the different faculties and offices relevant to the project who shared more detailed progress updates and the realities of the challenges they face.

C. Project Management

34. **Submission of audited project financial statement (APFS) reports.** APFS for FY2019 reporting will be due for submission to ADB on 30 June 2020. The Mission recommended coordination with the State Audit's office to ensure that audit will be conducted on time, and the audit report submitted before the submission deadline. Findings of the FY2018 audit should also be sufficiently addressed prior to the conduct of the FY2019 audit. The Mission highlighted on ADB's new project performance rating, the financial management indicator places significant importance on the (i) timely submission of audit reports; (ii) unqualified auditor's opinion; and (iii) satisfactory address of audit issues flagged by the previous year's audit report.

35. **Status of advance account.** The Mission estimated that the current level of advance at \$1.8 million is sufficient to support 2020 project activities. Grant's advance account was originally opened for \$0.800 million. Additional advance for \$1 million was requested and disbursed in October 2019. The Mission recommended a more frequent utilization of the advance account by submitting withdrawal applications as soon as expenditures reach \$200,000.



36. An initial advance to the loan account has been disbursed for \$1.94 million, which will support contractual obligations of civil works contracts (COEs and SKU), and initial and subsequent payments to SKU civil works (CW1 and CW4). If during implementation of these contracts, the executing agency finds its cashflow tight, additional advance can be requested to avoid compromising contractual reputation.

37. **Counterpart Funding.** The executing agency requested \$1.4 million as counterpart funding for 2020 operations. It is expected that advice of counterpart provision will be received from MOES by end December. The executing agency, however, is not optimistic that \$1.4 million will be provided due to fiscal problems of the Lao government. The Mission expressed strong concern that for the SKU civil works packages delayed payments to the contractor from counterpart funding for the taxes and duties would create significant delays in the construction process.

38. **Contract awards and disbursement projections for Q4 2019.** Only two contracts, estimated at \$1.25 million, will be awarded in Q4 2019. For disbursements, only one withdrawal application, estimated at \$0.438 million, will be expected before ADB's disbursement cutoff of 12 December 2019. This will cover payments for various workshops, matching scholarships program, SKU design's 5th payment, and various recurrent costs. This would reflect a 26% contract awards achievement and 33% of disbursements projections if achieved. However, the Project's rating will remain actual problem (red). The following packages are expected to be awarded in Q4 2019:

| Contract awards Q4 2019 | | | | |
|-------------------------|---|--------------------------------|--------|---------------------------------------|
| | Package Description | Estimated contract amount (\$) | Method | Status as of 20 Nov |
| 1. | G1: equipment for NUOL COE | 1.12 | ICB | BER approved |
| 2. | Software development and upgrading for LUMS | 0.13 | QCBS | Signed contract approved; PCSS issued |

39. Disbursement plan for Q4:

| Disbursement Q4 2019 | | | |
|----------------------|-------------|--------------------------------|--|
| | Description | Estimated contract amount (\$) | Status as of 20 Nov |
| 1. | WA 0014 | 0.438 | With MOF; to be submitted before 12 Dec 2019 |

40. **Contract awards and disbursement projections for 2020.** The mission also discussed projections for 2020 contract awards and disbursements, which total \$15.15 million for contract awards and \$5.97 million for disbursements. Award of SKU civil works packages CW1 and CW4 comprise about 80% of projected contract awards. Disbursements will be for payments of contracts awarded in 2019. Details below:

| | Contract Awards | Disbursements |
|--------------|-----------------|---------------|
| Loan 3435 | 8.75 | 1.67 |
| Grant 0500 | 6.40 | 4.30 |
| Total | 15.15 | 5.97 |

41. The mission recommended DHE consider additional support from a senior financial officer to work with MOES DOF to facilitate the process of contract awards and disbursements and to accelerate withdrawal applications. DHE is reviewing a TOR for this additional position and will decide if to proceed by end November 2019.

42. **Procurement.**

(1) **Civil Works.**

- **COEs construction at CU and NUOL.** (see para 7).
- **SKU civil works.** (see para 17-22)

(2) **Equipment.**

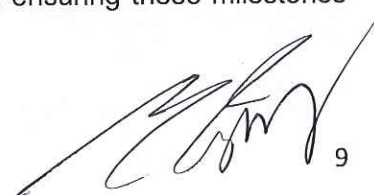
- Contract for CU COE equipment was awarded in November 2019.
- Bid evaluation for the procurement of NUOL COE equipment has been completed; contract award is planned by 3 December 2019.
- Procurement of various equipment for SKU will commence in 2021.

(3) **Consulting Services.**

- Recruitment of SKU construction supervision firm is ongoing. (see para 22).
- PIC (TTT) mobilized a new team leader from 4 October 2019 after a long vacancy period. The mission noted that the team leader will work full time for the first six months to support the project implementation.
- Under Output 3, two resource persons (international and national) have been recruited to support development of quality assurance standards and guidelines, and the national qualification framework on Laos higher education quality assurance system (see para. 30).
- Recruitment of consulting firm to conduct higher education institutions (HEI) framework policy will be through consultant qualification selection (CQS) method. Revised terms of reference have been approved by ADB. Following approval of the revised procurement plan and of the minor change to address change of selection method from individual consultant selection (ICS) to CQS, the EA can proceed to advertise in the CSRN.

43. **Procurement Plan.** An updated procurement plan will be submitted by 30 November 2019. Changes will cover (i) package reference for SKU fixtures and furniture (G13) from goods to works; and (ii) CSI ST 1-9 package on studies for conduct of HEI framework policy's selection method upgrade to CQS.

44. **Timelines of remaining packages.** The EA also presented a timeline for the procurement of remaining big packages. The mission sought the EA's support in ensuring these milestones are met. Any slips will delay projected award of these packages.



9

| Package | Description | IFB advertisement/ CSRN publishing | Completion |
|------------------|-----------------------------|---------------------------------------|---------------------------|
| CW1 | SKU civil works 1 | 24 Jul 2019 | 2 Feb 2022 |
| CW4 | SKU civil works 4 | 17 Jan 2020 | 18 Jan 2023 ^a |
| G13 ^b | SKU fixtures and furnishing | 26 Jan 2021 | 27 Jul 2021 |
| G6 | SKU IT equipment | 26 Jan 2021 | 25 Oct 2021 |
| G7 | SKU lab equipment | 26 Jan 2021 | 24 Nov 2021 |
| CSF5 | HEI reform study | 1 Dec 2019 | 1 Apr 2020 (mobilization) |

^a To be confirmed.

^b G13 will be revised to CW5 as part of SKU civil works packages.

VI. PROJECT SPECIFIC ASSURANCE AND SAFEGUARDS ASPECTS

45. **Loan and Grant covenants.** All covenants are being complied with. Updated status of compliance is presented in Appendix 2.

46. **Safeguards.** The Project remains category B for environment, for the component for SKU civil works. At other project sites, the classification is category C as the civil works are minor. The project currently has no outstanding issues regarding environmental safeguards. The Mission advised the executing agency and SKU to include the updated Environment Management Plan in the SKU construction contract. The Mission requested SKU to share with ADB the Environmental Compliance Certificate obtained from Savannakhet Provincial Department of Natural Resources and Environment prior to awarding the contract (CW1), and to establish a Project Grievance Redress Mechanism and send to ADB a letter confirming the establishment of this mechanism before commencement of the civil works. The Mission also reminded the executing agency and SKU to assign an environmental health safety officer and recruit a national environmental consultant to provide support on monitoring and reporting of Environment Management Plan implementation.

47. **Gender Action Plan Implementation.** The Project is categorized as Gender Equity Theme (GEN). The GAP includes 12 activities and 13 targets.⁶ 9 (75%) out of 12 activities were achieved and on-track, one activity needs more information, and two activities were not yet due; 9 (69%) out of 13 targets were achieved and on-track; two targets were not achieved and two targets were not yet due. The mission recommended (i) the Project to include all gender targets into project's M&E system by December 2019; and (ii) the PIC gender consultant to visit each university to consult with the respective gender committees on strategies to increase number of female participants in trainings, incentives for female students in STEM, and female members in other university management committees and councils by Q1 2020. The detailed gender action plan monitoring report is in Appendix 3.

IV. MAIN AGREEMENTS

48. **Extension of loan and grant closing date.** The Mission briefed H.E. Mme. Sengduean Lachanthaboun, Minister of Education and Sports on the status of the Project and past delays.

⁶ The GAP will be updated to reflect all gender targets and activities across project documents.

The Minister requested the mission to extend the project for 18 months to fully achieve the project outcomes. The executing agency will send a letter requesting an extension for 18 months to the Ministry of Finance. The Mission also met with Mr. Soulivath Souvannachoumklam, Director-General, Department of External Finance and Debt Management to review this issue. He agreed with the proposed extension of the project until December 2023. He committed MOF's support to proceed and expedite this process once receiving the request from MOES.

49. **Reallocation of taxes and duties for SKU civil works.** The Minister MOES agreed in the same letter requesting the project extension to also request from MOF approval of reallocation of taxes and duties under the SKU civil works packages (CW 1, CW4, and G13/CW 5) from government counterpart funds to be covered by the ADB loan/grant. The government will cover taxes and duties for other packages. The main reason of reallocation is due to tight fiscal situation and the government prioritization to recover the flood-affected areas in terms of budget allocation. There is high uncertainty that the requested counterpart fund for the project will be approved by the national assembly. In addition, it will be done to avoid potential delays in construction due to staged payments to the selected contractor. DG Department of External Finance and Debt Management was also briefed on this issue and agreed to support this decision on fund allocation by MOES to prevent further delays.

50. The executing agency committed to increasing in-kind contributions (i.e. number of counterparts) to ensure smooth implementation of the project. After reallocation of taxes and duties of SKU civil works to ADB loan/grant, the government contribution is estimated at 3.4 % (\$1.44 million) of the total project cost, which is estimated at \$42.37 million. The ADB total loan and grant remains the same (\$39.92 million).

51. The letter addressing the above issues will be drafted by DHE and submitted to the Minister MOES by 26 November. MOES will then submit the letter with DHE's close follow up to MOF for approval by 29 November. MOF will send the letter request for extension and reallocation of counterpart funds to ADB by first week of December. The Mission agreed to seek ADB management's approval on these requests by end December 2019.

V. CONCLUSION AND NEXT STEPS

52. The Mission acknowledged the strong effort made by the executing agency since the last review mission to progress with the project activities on the previously agreed upon schedule. Recognizing the impact of significant start-up delays in the project, this SPAM has led to a proposal for project extension and fund reallocation that will mitigate further delays.

53. MOES and the Mission agreed on the following time-bound actions.

Table 2: Project Time-bound Action Plan

| No. | Action/ Milestone | Target Date | Responsibility |
|-----|---|-------------|----------------|
| 1 | Submit draft letter to Minister MOES for extension and reallocation of taxes and duties | 26 Nov 2019 | DHE |
| 2 | Submit updated procurement plan | 30 Nov 2019 | DHE, PIC |

| | | | |
|----|---|-------------|-----------------------------|
| 3 | Submit request letter for extension and reallocation of taxes and duties to MOF | 29 Nov 2019 | DHE, MOES |
| 4 | Request letter for extension and reallocation of taxes and duties sent to ADB | 6 Dec 2019 | DHE, MOF |
| 5 | Submit revised scholarship guidelines to ADB | 16 Dec 2019 | MOES |
| 6 | Share decision on project savings reallocation priorities with ADB | 16 Dec 2019 | DHE |
| 7 | Submit withdrawal application 0014 to MOF | 12 Dec 2019 | DHE, DOF, PIC |
| 8 | Submit workplan for year 2020 | 31 Dec 2019 | DHE, PIC |
| 9 | Approval on CRF and IFECA guidelines by MOES minister | 31 Dec 2019 | DHE, DOF |
| 10 | Finalize COE strategies for NUOL, SKU, CU, SU | 31 Dec 2019 | DHE, PIC, NUOL, SKU, CU, SU |
| 11 | Mobilize firm for policy study on a regulatory and financing framework for HEIs | Apr 2020 | DHE, PIC |
| 12 | Approve COE curricula | May 2020 | DHE |
| 13 | Loan Review Mission | May 2020 | ADB, DHE, PIC |
| 14 | Mid-Term Review Mission | Q4 2020 | ADB, DHE, PIC |

54. **Next mission schedule.** Subject to approval of the government and ADB, it was tentatively agreed that ADB would conduct the next loan/grant review mission in May 2020 and the Mid-Term Review mission by end 2020. During these interim periods, ADB and the executing agency will continue regular follow-up video-conference meetings to track progress on the above action plan.

VI. ACKNOWLEDGEMENTS

55. The mission extended its sincere appreciation for the support provided by MOES and participating universities.

Vientiane, 25 November 2019

On Behalf of the Ministry of Education and Sports

Assoc. Prof. Dr. Saykhong Saynasine
Director General, Department of Higher Education

On Behalf of the Asian Development Bank

Yumiko Yamakawa
ADB Mission Leader