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GRANT NUMBER 0166-LAO(SF)

GRANT AGREEMENT  
(Special Operations)  
(Strengthening Higher Education Project)

between

LAO PEOPLE'S DEMOCRATIC REPUBLIC

and

ASIAN DEVELOPMENT BANK

DATED 23 OCTOBER 2009

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GAS:LAO 42134

**GRANT AGREEMENT  
(Special Operations)**

GRANT AGREEMENT dated 23 October 2009 between LAO PEOPLE'S DEMOCRATIC REPUBLIC (the "Recipient") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) the Recipient has applied to ADB for a grant for the purposes of the Project described in Schedule 1 to this Grant Agreement; and

(B) ADB has agreed to provide a grant to the Recipient from ADB's Special Funds resources upon the terms and conditions hereinafter set forth.

NOW THEREFORE the parties agree as follows:

**ARTICLE I**

**Grant Regulations; Definitions**

Section 1.01. All provisions of the Special Operations Grant Regulations of ADB, dated 7 February 2005 (the "Grant Regulations"), are hereby made applicable to this Grant Agreement with the same force and effect as if they were fully set forth herein.

Section 1.02. The definitions set forth in the Grant Regulations are applicable to this Grant Agreement unless the context requires otherwise. In addition, the following terms have the following meanings:

(a) "Consulting Guidelines" means ADB's Guidelines on the Use of Consultants by Asian Development Bank and Its Recipients dated February 2007, as amended from time to time;

(b) "CU" means the Recipient's Champasack University in Pakse;

(c) "DHE" means the Department of Higher Education within Recipient's MOE or any successor thereto;

(d) "D-PIU" means the DHE Project implementation unit established in accordance with paragraph 4 of Schedule 4 to this Grant Agreement;

(e) "GEGAP" means gender and ethnic groups action plan for the Project agreed between the Recipient and ADB on 29 July 2009;

(f) "Goods" means equipment, furniture, and materials to be financed out of the proceeds of the Grant; and including related services such as transportation, insurance, licensing, installation, commissioning, training, and initial maintenance, but excluding consulting services;

(g) "HEI" means higher education institution;

(h) "ICT" means information and communication technology;

(i) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook dated January 2007, as amended from time to time;

(j) "MOE" means the Recipient's Ministry of Education or successor thereto;

(k) "NRC" means the Recipient's National Research Center;

(l) "NUOL" means the Recipient's National University of Laos in Vientiane;

(m) "PCU" means the Project Coordination Unit established in accordance with paragraph 2 of Schedule 4 to this Grant Agreement;

(n) "PDUs" means the Professional Development Units established at NUOL, CU, and SU in accordance with paragraph 5 of Schedule 4 to this Grant Agreement;

(o) "PIUs" means the Project Implementation Units as described in paragraph 4 of Schedule 4 to this Grant Agreement;

(p) "Procurement Guidelines" means ADB's Procurement Guidelines dated February 2007, as amended from time to time;

(q) "Procurement Plan" means the procurement plan for the Project dated 21 August 2009 and agreed between the Recipient and ADB, as updated from time to time in accordance with Procurement Guidelines, Consulting Guidelines, and other arrangements agreed with ADB;

(r) "Project Executing Agency" or "EA" for the purposes of, and within the meaning of, the Grant Regulations means MOE or any successor thereto acceptable to ADB, which is responsible for the carrying out of the Project;

(s) "Project Facilities" means facilities of NUOL, CU, and SU constructed, rehabilitated, or improved under the Project, and facilities, Goods, Works, and services financed out of the proceeds of the Grant;

(t) "PSC" means the Project Steering Committee established in accordance with paragraph 3 of Schedule 4 to this Grant Agreement;

(u) "SU" means the Recipient's Souphanouvong University in Luang Prabang; and

(v) "Works" means construction or civil works to be financed out of the proceeds of the Grant, including services such as drilling or mapping, and Project related services that are provided as part of a single responsibility or turnkey contract, but excluding consulting services.

## **ARTICLE II**

### **The Grant**

Section 2.01. ADB agrees to make available to the Recipient from ADB's Special Funds resources on terms and conditions set forth in this Grant Agreement an amount of twenty four million and eight hundred thousand Dollars (\$24,800,000).

## **ARTICLE III**

### **Use of Proceeds of the Grant**

Section 3.01. The Recipient shall cause the proceeds of the Grant to be applied to the financing of expenditures on the Project in accordance with the provisions of this Grant Agreement.

Section 3.02. The Goods, Works, consulting services and other items of expenditure to be financed out of the proceeds of the Grant and the allocation of amounts of the Grant among different categories of such Goods, Works, consulting services and other items of expenditure shall be in accordance with the provisions of Schedule 2 to this Grant Agreement, as such Schedule may be amended from time to time by agreement between the Recipient and ADB.

Section 3.03. Except as ADB may otherwise agree, all Goods, Works and consulting services to be financed out of the proceeds of the Grant shall be procured in accordance with the provisions of Schedule 3 to this Grant Agreement.

Section 3.04. Withdrawals from the Grant Account in respect of Goods, Works and consulting services shall be made only on account of expenditures relating to

- (a) Goods which are produced in and supplied from and Works and consulting services which are supplied from such member countries of ADB as shall have been specified by ADB from time to time as eligible sources for procurement; and
- (b) Goods, Works and consulting services which meet such other eligibility requirements as shall have been specified by ADB from time to time.

Section 3.05. The Grant Closing Date for the purposes of Section 8.02 of the Grant Regulations shall be 30 June 2016 or such other date as may from time to time be agreed between the Recipient and ADB.

## **ARTICLE IV**

### **Particular Covenants**

Section 4.01. In the carrying out of the Project and operation of the Project Facilities, the Recipient shall perform, or cause to be performed, all obligations set forth in Schedule 4 to this Grant Agreement.

Section 4.02. (a) The Recipient shall (i) maintain, or cause to be maintained, separate accounts for the Project; (ii) have such accounts and related financial statements audited annually, in accordance with appropriate auditing standards consistently applied, by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB; (iii) furnish to ADB, as soon as available but in any event not later than six months after the end of each related fiscal year of the Recipient, certified copies of such audited accounts and financial statements and the report of the auditors relating thereto (including the auditors' opinion on the use of the Grant proceeds and compliance with the financial covenants of this Grant Agreement as well as on the use of the procedures for imprest account/statement of expenditures), all in the English language; and (iv) furnish to ADB such other information concerning such accounts and financial statements and the audit thereof as ADB shall from time to time reasonably request.

(b) The Recipient shall enable ADB, upon ADB's request, to discuss the Recipient's financial statements for the Project and its financial affairs related to the Project from time to time with the auditors appointed by the Recipient pursuant to Section 4.02(a) hereabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB, provided that any such discussion shall be conducted only in the presence of an authorized officer of the Recipient unless the Recipient shall otherwise agree.

Section 4.03. The Recipient shall enable ADB's representatives to inspect the Project, the goods financed out of the proceeds of the Grant, and any relevant records and documents.

## **ARTICLE V**

### **Effectiveness**

Section 5.01. A date ninety (90) days after the date of this Grant Agreement is specified for the effectiveness of the Grant Agreement for the purposes of Section 9.04 of the Grant Regulations.

## ARTICLE VI

### Miscellaneous

Section 6.01. The Minister of Finance of the Recipient is designated as representative of the Recipient for the purposes of Section 11.02 of the Grant Regulations.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the Grant Regulations:

#### For the Recipient

Ministry of Finance  
PO Box 46  
23 Singha Road  
Vientiane, Lao PDR

Facsimile Number:

+856 21 412142.

#### For ADB

Asian Development Bank  
P.O. Box 789  
0980 Manila, Philippines

Facsimile Numbers:

+632 636 2444  
+632 636 2228.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Grant Agreement to be signed in their respective names and to be delivered at the principal office of ADB, as of the day and year first above written.

LAO PEOPLE'S DEMOCRATIC REPUBLIC

By 

\_\_\_\_\_  
H.E. MRS. VIENGTHONG SIPHANDONE  
Vice Minister  
Ministry of Finance

ASIAN DEVELOPMENT BANK

By 

\_\_\_\_\_  
GIL-NONG KIM  
Country Director  
LAO Resident Mission

## SCHEDULE 1

### Description of the Project

1. The expected impact of the Project is increased economic competitiveness and employment opportunities of higher education graduates by aligning them with the demands of the labor market. The expected outcome of the Project is expanded, improved, and equitable higher education system and institutions by 2015 mainly by strengthening the DHE and upgrading the three public universities, NUOL, CU and SU.

2. The Project comprises four (4) outputs:

**Output 1: Strengthened Management, Financing, and Governance of Higher Education System**

- (i) enhancing management capacity of MOE and public HEIs by supporting (a) provision of in-country and international training for DHE staff; (b) provision of master and doctoral degree programs for DHE staff; (c) provision for participation of DHE staff in international forums, conferences, and associations; (d) establishment of management information system (MIS) at DHE, MOE and HEIs and provision of capacity development program for managing the MIS; and (e) provision of assisting DHE to prepare annual and periodic reports, newsletters and better management of projects funded by overseas development assistance;
- (ii) improving higher education financing by supporting MOE and public universities to (a) review the budget mechanism to identify its weakness and improve its efficiency and relevance; (b) restructure quota student admission system for better targeting and more equitable budget allocation of tuition subsidies and living allowances for the poor and disadvantaged students; (c) increase tuition fees for "regular" non-quota students; and (d) diversify the revenue sources of public universities, in cooperation with the private sector; and
- (iii) enhancing governance systems for public and private HEIs by supporting (a) establishment of clearly defined governance and management structures at each university; (b) establishment and/or strengthening of university council at CU, SU, and NUOL with representatives from local government, private sector, cultural and related social sectors; (c) provision of short and long-term training and capacity building for the administrative staff of NUOL, CU and SU; (d) provision of administrative building and related facilities at CU; (e) development of policy and regulatory systems for higher education sector; and (f) development of a national system of quality assurance and accreditation, including assistance for MOE to develop a quality audit system.

**Output 2: Enhanced Relevance and Capacity for Quality Improvement of Higher Education**

- (i) enhancing relevance of courses, curriculum and teaching materials by supporting (a) periodic tracer studies to gather benchmark information on graduates and monitor their performance in the labor market; (b) development of new courses to align them with labor market needs; (c) training of staff members of the HEIs on the use of the revised and/or updated curriculum; (d) establishment of alumni associations and introduction of career orientation and counseling programs; (e) development and/or updating, printing, and distribution of textbooks and learning materials in Lao language of approximately 15 subjects, prioritizing common-core courses and bridging programs for disadvantaged; and (f) provision of curriculum development workshops and overseas study visits for academic staff to enhance their skills in contemporary curriculum design;
- (ii) strengthening quality assurance, accreditation and credit system by providing (a) advisory services, training, and necessary equipment to support capacity building of the Central Quality Assurance Center (QAC) at MOE; and (b) help QAC and HEIs to further develop systematic and fully standardized course credit systems;
- (iii) enhancing teaching and research capacities of public university faculty by supporting (a) establishment of a PDU under DHE, MOE; (b) provision of international doctoral and master degree programs, study tours and training programs, in-country master degree, and short-term development programs for the staff and faculty of the public HEIs; (c) provision of inviting foreign scholars and/or professionals to give advice on academic program development and review, e-learning approaches, international exchange and cooperation, university-industry linkage, and research methodology and publication; (d) development and implementation of an induction program for all new academic staff; (e) pilot program for matching scholarship grant scheme with 50:50 matching between the Project and partner universities to provide scholarships for staff/faculty members of NUOL, CU and SU; (f) provision of upgrading a Research Coordination Committee at NUOL to NRC; and (g) development of a training scheme to improve the publication writing skills of academic staff and to devise course modules on academic research skills development for inclusion in undergraduate and graduate programs;
- (iv) improving teaching and learning environment by supporting (a) establishment and development of ICT-based teaching and learning centers at NUOL, CU and SU; and (b) development of basic infrastructure such as road, water and power supply systems, construction of one (1) multipurpose central building for ICT-based teaching and learning center, two (2) faculty/department office blocks with furniture, two (2) faculty housing blocks with furniture, one (1) science laboratory building and equipment, and one (1) auditorium/conference hall with furniture at CU; and

- (v) strengthening regional and international links by supporting
  - (a) capacity development of HEIs to expand and strengthen academic and/or student exchange programs with neighboring countries;
  - (b) MOE to strengthen its cooperation with Southeast Asia Ministers of Education Organization and other existing similar networks; and
  - (c) NUOL, CU and SU each to identify two (2) to three (3) international twinning or sandwich programs, and reach agreements with foreign universities.

**Output 3: Increased Equity and Access in Higher Education**

- (i) targeting better selection criteria and procedures for quota students by supporting
  - (a) reforming the admission system and introduction of tuition fee for the non-quota regular students;
  - (b) the high-level task force on student admission to be located at MOE for establishing standardized selection criteria for quota students; and
  - (c) development of diagnostic pre-entry skills tests to determine competency levels of quota students; and
- (ii) increasing enrollment capacity at CU by providing
  - (a) approximately five (5) multipurpose buildings with furniture, each consisting of about 12 classrooms (a total of about 60 classrooms);
  - (b) approximately two (2) student dormitories with furniture (female and male) accommodating about 300 students each; and
  - (c) approximately six (6) toilet/wash facility blocks.

**Output 4: Effective Project Management and Implementation**

Providing (a) equipment, vehicles, and other necessary materials and furniture for the DHE of MOE and CU, together with core package of equipment for NUOL and SU; and (b) international and national consultants to support Project implementation.

3. The Project is expected to be completed by 31 December 2015.

## SCHEDULE 2

### Allocation and Withdrawal of Grant Proceeds

#### General

1. The table attached to this Schedule sets forth the Categories of Goods, Works and consulting services and other items of expenditure to be financed out of the proceeds of the Grant and the allocation of amounts of the Grant to each such Category (hereinafter called the Table). (Reference to "Category" or "Categories" in this Schedule is to a Category or Categories of the Table and reference to "Subcategory" or "Subcategories" in this Schedule is to a Subcategory or Subcategories of a Category.)

#### Percentages of ADB Financing

2. Except as ADB may otherwise agree, the items of the Categories and Subcategories listed in the Table shall be financed out of the proceeds of the Grant on the basis of the percentages set forth in the Table.

#### Reallocation

3. Notwithstanding the allocation of Grant proceeds and the withdrawal percentages set forth in the Table,

(a) if the amount of the Grant allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may, by notice to the Recipient, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Grant which have been allocated to another Category but, in the opinion of ADB, are not needed to meet other expenditures; and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the withdrawal percentage applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made; and

(b) if the amount of the Grant then allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, by notice to the Recipient, reallocate such excess amount to any other Category.

#### Disbursement Procedures

4. Except as ADB may otherwise agree, the Grant proceeds for financing Goods, Works, consulting services and other items shall be disbursed in accordance with Loan Disbursement Handbook.

#### Imprest Account; Statement of Expenditures

5. (a) Except as ADB may otherwise agree, the Recipient shall establish immediately after the Effective Date, an imprest account at the Bank of Lao PDR. The imprest account shall be established, managed, replenished and liquidated in accordance with Loan Disbursement Handbook and detailed arrangements agreed upon between the Recipient and ADB. The currency of the imprest account shall be Dollar. The amount to be deposited into the imprest account shall not exceed the lower of (i) the estimated

expenditure, to be financed through the Project imprest account, for the next six months of Project implementation, or (ii) the equivalent of ten percent (10%) of the Grant amount.

(b) The statement of expenditures (SOE) procedure may be used for reimbursement of eligible expenditures and to liquidate advances provided into the imprest account, in accordance with Loan Disbursement Handbook and detailed arrangements agreed upon between the Recipient and ADB. Any individual payment to be reimbursed or liquidated under the SOE procedure shall not exceed fifty thousand Dollars (\$50,000).

**TABLE**

<b>ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS (Strengthening Higher Education Project)</b>				
<b>CATEGORY</b>				<b>ADB FINANCING</b>
<b>Number</b>	<b>Item</b>	<b>Amount Allocated</b>		<b>Percentage and Basis for Withdrawal from the Grant Account</b>
		<b>Category</b>	<b>Subcategory</b>	
1	Civil Works	7,690,000		100 percent of total expenditure*
2	Equipment, Furniture and Vehicles	3,990,000		100 percent of total expenditure*
3	Textbooks/Materials	2,250,000		100 percent of total expenditure*
4	Staff Development	4,300,000		
4A	Staff/Faculty Development Program		2,300,000	100 percent of total expenditure*
4B	Matching Scholarship Grant Scheme		2,000,000	100 percent of total expenditure*
5	Consulting Services	3,090,000		
5A	International (including short term individuals)		700,000	100 percent of total expenditure*
5B	Others (excluding short term individuals)		2,390,000	100 percent of total expenditure*
6	Studies	300,000		100 percent of total expenditure*
7	Recurrent Cost	500,000		
7A	Operations and Maintenance (Consumable and Miscellaneous)		270,000	90 percent of total expenditure
7B	Project Management		230,000	90 percent of total expenditure
8	Unallocated	2,680,000		
	Total	24,800,000		

\* Exclusive of taxes and duties imposed within the territory of the Recipient.

### SCHEDULE 3

#### Procurement of Goods, Works, and Consulting Services

##### A. General

1. All Goods, Works and consulting services to be financed out of the proceeds of the Grant shall be subject to and governed by the Procurement Guidelines, and the Consulting Guidelines, respectively.
2. All terms used and not otherwise defined in this Grant Agreement have the meanings provided in the Procurement Guidelines and/or the Consulting Guidelines, as applicable.

##### B. Procurement for Goods and Works

3. Except as ADB may otherwise agree, Goods and Works shall only be procured on the basis of the methods of procurement set forth below:

International Competitive Bidding
National Competitive Bidding
Shopping

The methods of procurement are subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Recipient may only modify the methods of procurement or threshold values with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.

4. Domestic Preference. The Recipient may grant a margin of preference in the evaluation of bids under international competitive bidding in accordance with paragraphs 2.55(a) and 2.56 of the Procurement Guidelines for domestically manufactured Goods and paragraphs 2.55(b) and 2.56 of the Procurement Guidelines for domestic Works.
5. National Competitive Bidding. The Recipient and ADB shall ensure that, prior to the commencement of any procurement activity under national competitive bidding, the Recipient's national competitive bidding procedures are consistent with the Procurement Guidelines. Any modifications or clarifications to such procedures agreed between the Recipient and ADB shall be set out in the Procurement Plan. Any subsequent change to the agreed modifications and clarifications shall become effective only after written approval of such change by the Recipient and ADB.

##### C. Selection of Consulting Services

6. Quality- and Cost-Based Selection. Except as ADB may otherwise agree, and except as set forth in the paragraph below, the Recipient shall apply quality and cost-based selection for selecting and engaging consulting services.

7. The Recipient shall apply the following method for selecting and engaging the specified consulting services, in accordance with, among other things, the procedures set forth in the Procurement Plan.

8. The Recipient shall recruit individual consultants including (i) international scholars and/or professionals for development of academic and research programs; and (ii) administrative assistants and accountants, as needed, to assist the PIUs in Project accounting and financial management, and other tasks in accordance with procedures acceptable to ADB for recruiting individual consultants.

**D. Industrial or Intellectual Property Rights**

9. (a) The Recipient shall ensure that all Goods and Works procured (including without limitation all computer hardware, software and systems, whether separately procured or incorporated within other goods and services procured) do not violate or infringe any industrial property or intellectual property right or claim of any third party.

(b) The Recipient shall ensure that all contracts for the procurement of Goods and Works contain appropriate representations, warranties and, if appropriate, indemnities from the contractor or supplier with respect to the matters referred to in subparagraph (a) of this paragraph.

10. The Recipient shall ensure that all ADB-financed contracts with consultants contain appropriate representations, warranties and, if appropriate, indemnities from the consultants to ensure that the consulting services provided do not violate or infringe any industrial property or intellectual property right or claim of any third party.

**E. ADB's Review of Procurement Decisions**

11. All contracts procured under international competitive bidding, first two contracts for Works and Goods procured under the national competitive bidding, and shopping procedures and contracts for consulting services shall be subject to prior review by ADB, unless otherwise agreed between the Recipient and ADB and set forth in the Procurement Plan.

## SCHEDULE 4

### Execution of Project and Operation of Project Facilities; Financial Matters

#### **Project Implementation and Coordination**

1. Project Execution Agency. MOE shall be the EA responsible for the carrying out of the Project.
2. Project Coordination Unit. A PCU headed by the Director General of DHE as Project Director, assisted by the Deputy Director General of DHE as Deputy Project Director shall be established. PCU shall be responsible for (i) facilitating policy dialogue across MOE departments and the participating universities; and (ii) supervising and overseeing Project implementation.
3. Project Steering Committee. The already established PSC shall continue to provide overall guidance to the Project and support cross-agency policy dialogue. The PSC shall be chaired by the MOE Vice Minister in charge of higher education. The PSC shall comprise representatives of MOE, NUOL, CU and SU, and representatives from the Recipient's Ministry of Finance, Ministry of Foreign Affairs, Ministry of Planning and Investment, and the Office of the Prime Minister.
4. Project Implementation Units. A D-PIU, headed by the Deputy Director General of DHE as Project Manager, shall be established to implement and supervise Project activities at the central level. D-PIU shall, among other things, be responsible for (i) consolidating Project reporting; and (ii) reviewing withdrawal applications for endorsement by MOE's Department of Finance. Various departments and institutions of MOE, as part of the D-PIU shall be responsible for activities that fall within their area of responsibility. PIUs shall also be established in NUOL, CU and SU, headed by the respective university's Vice-President as Project Manager, to coordinate with D-PIU and concerned provincial authorities in implementing and supervising the Project, including procurement activities, monitoring, and reporting.
5. Professional Development Unit. One (1) PDU shall be established under DHE, which will be located at NUOL, and linked with the PDUs established at CU and SU and D-PIU. The PDU at NUOL, with the assistance from PDUs at CU and SU, shall be responsible for (i) developing and implementing an induction program for all new academic staff; (ii) finalizing selection criteria for the matching scholarship scheme; (iii) assisting NUOL, SU and CU in identifying international partner universities for staff and/or faculty of NUOL, CU, and SU to undertake foreign degree or training programs financed by the Project including the 50:50 matching scholarship grant scheme; and (iv) developing result based monitoring and evaluation program based on post-activity assessment system to evaluate the effectiveness of the degree and training programs. The PDUs at SU and CU shall coordinate with the respective PIUs at SU and CU.

**Project Operation and Maintenance**

6. MOE shall ensure that University Councils at CU and SU are established by 2010. MOE shall further ensure that representatives from local government, private sector, cultural and related social sector shall comprise at least 30% membership of University Councils of NUOL, CU, and SU by 2013.
7. MOE shall ensure that a tuition fee for regular non-quota courses is introduced amounting to (i) 50% of the average tuition fee charged for the special courses starting from 2011; (ii) 75% of the average tuition fee charged for the special courses by 2013; and (iii) 100% of the average tuition fee charged for the special courses by 2015.
8. MOE shall ensure that the share of quota students is reduced from (i) 50% to 30% by 2013; and (ii) 30% to 20% by 2015 for increased enrollment of females, ethnic groups and poor students.
9. MOE shall ensure that a ministerial decision is promulgated and implemented in 2011 introducing the revised increased dormitory fee for the regular non-quota students. MOE shall further ensure that university regulations, for NUOL, SU, and CU, are promulgated to implement and introduce in 2011 the improved benefit structure for their respective staff members.
10. MOE shall ensure that the Research Coordination Committee at NUOL is upgraded into NRC within six (6) months from the Effective Date. MOE shall further ensure that the NRC assists the faculty members at NUOL, SU and CU in formulating proposals for research grants.
11. MOE shall ensure that agreements are executed with all selected candidates for receiving scholarships or grants for undertaking foreign degree or local masters degree program ensuring that the scholarship recipients shall continue working with the same ministry or institution from which they were originally selected for at least five (5) years after completing a foreign degree or local masters degree program.
12. MOE shall ensure that the construction of Project Facilities is only carried out on the land that is owned by the Recipient, with valid legal title free from all encumbrances and controversies.
13. The Recipient shall ensure that the counterpart funds for the Project implementation are provided on time. The Recipient shall further ensure that submission of annual budgetary appropriation requests for the higher education sub-sector is made on time to ensure prompt disbursement of appropriate funds for the Project throughout the implementation period.
14. MOE shall ensure that ICT resources, developed under the Project, are operated and maintained and periodically upgraded after the Project completion in accordance with the budgetary plan developed under the Project.
15. MOE shall ensure that PDUs develop a (i) merit-based and transparent selection criteria for staff and/or faculty of NUOL, CU, and SU to undertake foreign degree or training programs financed by the Project including the 50:50 matching scholarship grant

scheme; and (ii) result based monitoring and evaluation program based on post-activity assessment system to evaluate the effectiveness of the degree and training programs.

16. MOE shall ensure that by 2013 (i) the policy and regulatory system, developed under the Project, is implemented for effective regulation of both public and private HEIs; (ii) the accreditation criteria, developed under the Project, is made applicable to private and public HEIs; and (iii) the quality assurance system is implemented in accordance with the standards, and quality auditing manual, developed under the Project.

### **Social and Environmental Safeguards**

17. MOE shall ensure that (i) the GEGAP prepared for the Project is fully implemented and monitored in a timely manner in accordance with its terms, related regulations of the Recipient, ADB's *Policy on Gender and Development* (1998) and *Policy on Indigenous Peoples* (1998) and adequate resources are allocated for this purpose; (ii) the student quota system is revised to increase the ratio of female quota students from ethnic groups; (iii) the living allowances for disadvantaged quota students are increased; and (iv) special preference is given to women from ethnic groups while recruiting faculty members and staff for NUOL, CU, and SU, including 40% women members in the University Councils, and 50% female teaching staff for postgraduate degrees.

18. MOE shall ensure that the site selection, design, construction, replacement work, and operation of Project Facilities are implemented in accordance with the relevant environmental regulations and standards of the Recipient as well as ADB's *Environment Policy* (2002).

### **Governance and Anticorruption Measures**

19. MOE shall ensure that (i) periodic inspections of the Project contractor's 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; (iii) contracts, financed under the Project, include provisions specifying the right of ADB to audit and examine the records and accounts of MOE, contractors, suppliers, consultants, and other service providers as they relate to the Project; (iv) information regarding procurement, including a list of participating bidders, name of the winning bidder, and procedures adopted in awarding contracts, is posted on the MOE website; and (v) a grievance redress task force is established at the MOE, NUOL, CU and SU to receive and resolve complaints/grievances or act upon reports from stakeholders on misuse of funds and other irregularities. The task force shall (a) review and address grievances of stakeholders of the Project, in relation to either the Project, any of the service providers, or any person responsible for carrying out any aspect of the Project; and (b) proactively and constructively respond to them.

20. Without limitation to the overall application of Section 4.02 of this Grant Agreement, MOE shall ensure that (i) separate records and accounts are maintained for the Project to identify Goods and services financed under the Project; (ii) Project accounts, including financial statements, are audited annually as part of the regular audit by the National Audit Authority of the Recipient, using international accounting and auditing standards; (iii) 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 covenants of this Grant Agreement is submitted to ADB no later than six (6) months after the

close of each fiscal year of the Recipient in English language; and (iv) a separate audit opinion is issued on the use of the imprest account and statement of expenditure procedures.

21. MOE shall ensure that (i) DHE prepares quarterly reports on Project implementation and submit them to ADB within 30 days of each quarter; (ii) the reports are 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 covenants, and proposed Project activities for the succeeding quarter; and (iii) a Project completion report is submitted to ADB, within three (3) months after physical completion of the Project, providing details of Project implementation and accomplishments.

22. MOE shall ensure that (i) Project achievements are monitored to evaluate implementation and development impacts at various stages of the Project cycle; (ii) a higher education sector development monitoring framework, using the result-based monitoring indicators, is developed under the Higher Education Sector Master Plan, 2010–2020; and (iii) the Project performance monitoring and evaluation system is based on the monitoring indicators developed under the Higher Education Sector Master Plan, 2010-2020, the gender targets specified in the GEGAP, as well as other sex-disaggregated data and analysis.

23. The Recipient and ADB shall conduct semiannual review of the Project. The reviews shall assess progress in each output areas, identify difficulties or constraints and help determine ways to overcome them. The Recipient and ADB shall jointly undertake a midterm review of the Project in the last quarter of year 3 of the Project implementation. The midterm review shall (i) assess the Project performance against targets and benchmarks; (ii) identify and recommend necessary changes in the Project design and implementation arrangements; (iii) review compliance with grant covenants; and (iv) indicate planning for the second half of the Project. The findings of the midterm review shall be discussed at the midterm seminar to be attended by MOE leadership and senior staff, representatives of Recipient's concerned ministries and agencies, the consultants and ADB.