

ASIAN DEVELOPMENT BANK



PROJECT PROCUREMENT- RELATED AUDIT REPORT

**Loan No. 1844-LAO (SF)
Second Education Quality Improvement Project**

SUMMARY

1. The Integrity Division (OAGI) conducted a project procurement-related audit (PPRA) on ADB Loan 1844-LAO (SF): Second Education Quality Improvement in the Lao People's Democratic Republic (Lao PDR) from May 2007 to October 2007, with a representative from the Auditor General's Office of the Lao PDR joining during the planning phase and a team of consultants assisting. The PPRA covered 98 contracts amounting to \$7.8 million (92%) of \$8.5 million contracts awarded as of 31 December 2006.
2. The Project's procurement documents were disorganized and not kept systematically; hence, some were unavailable to the Audit team. The absence and misfiling of key documents imposed limitations on the PPRA and may weaken the project management and monitoring during the life of the project.
3. The PPRA concluded that the project generally complied with ADB's Procurement Guidelines and ADB's Guidelines on the Use of Consultants under selected contracts, but identified irregularities in the procurement process that may have violated the anticorruption policy. The PPRA also observed construction defects on newly constructed project buildings and noted possible design flaws. This is a pilot, geographically decentralized ADB-financed project in the Lao PDR. Weak institutional capacity, limited experience in understanding ADB's guidelines, and unclear division of responsibilities at the central and provincial levels may have been inevitable and contributed to the challenges. OAGI is further investigating the indicators of possible fraud and corruption following ADB's Integrity Principles and Guidelines.