

**SUBSIDIARY ARRANGEMENT
BETWEEN
THE GOVERNMENT OF THE REPUBLIC OF THE PHILIPPINES
AND
THE GOVERNMENT OF AUSTRALIA
RELATING TO THE
PHILIPPINES-AUSTRALIA PUBLIC FINANCIAL MANAGEMENT
PROGRAM**

1. GENERAL PROVISIONS

- 1.1. This **ARRANGEMENT** expresses the understandings and intentions of the Government of the Republic of the Philippines (hereinafter referred to as **GOP**) and the Government of Australia (hereinafter referred to as **GOA**) concerning the responsibilities and contributions in regard to the Philippines-Australia Public Financial Management Program (hereinafter referred to as "the Program").
- 1.2. This **ARRANGEMENT** is entered into pursuant to the provisions of the General Agreement on Development Cooperation (**GADC**) between the **GOA** and the **GOP** signed on 28 October 1994 at Sydney, Australia, governing the program of development cooperation between the two Governments.

2. DEFINITIONS

- 2.1. For the purposes of this **ARRANGEMENT**:

"Team Leader" and "Program Coordinator" mean the positions under the Program designated to AusAID personnel of the Australian Embassy-Manila.

"Service Provider" means the organization, institution, company or consortium contracted by the **GOA** to manage the administration of the Program.

All other definitions are as specified in Article 3 of the **GADC**.

3. IMPLEMENTATION

- 3.1. As a bilateral program the **GOP** and the **GOA** are formally accountable and ultimately responsible for the direction, decisions and activities under the Program. The Executing Agencies for the Program are:

For the **GOP**: the Department of Budget and Management (**DBM**).

For the **GOA**: the Australian Agency for International Development (**AusAID**).

- 3.2. A Program Steering Committee (**PSC**) will oversee the conduct of the Program and provide strategic oversight to Program planning and implementation and decide funding priorities year to year. It will comprise representatives of the

DBM, the Department of Finance–Bureau of Treasury (DOF–BTr), the Commission on Audit (COA), and AusAID. The National Economic and Development Authority (NEDA) will play an advisory role to the PSC.

- 3.3. AusAID will directly manage the Program and designate its personnel to the positions of Team Leader and Program Coordinator.
- 3.4. AusAID will contract a suitably qualified Service Provider to carry out the administration of the Program. The Service Provider may sub-contract the delivery of mutually agreed activities under the Program.
- 3.5. The Service Provider will establish a Program Office in Metro Manila that is readily accessible to the GOP, AusAID and other program partners.

4. OBJECTIVES

- 4.1. The goal of the Program is improvement in the efficiency, accountability and transparency of public fund use in the Philippines to enable better service delivery.
- 4.2. The Program will assist the GOP to implement its “*Philippine Public Financial Management Reform Roadmap*.”
- 4.3. The direction, decisions and activities under the Program will be guided by four Strategic Objectives:

Objective 1: Increase the efficiency and effectiveness of the allocation, utilisation and reporting of budgeted funds by oversight agencies

Objective 2: Improve PFM capability in select departments to enable more efficient utilisation and accountability of public funds for service delivery

Objective 3: Generate more timely, reliable and accessible public expenditure management information

Objective 4: Strengthen external oversight of public expenditure management linked to physical performance information.

5. CONTRIBUTIONS

- 5.1. The contributions of the GOA and the GOP and the categories of expenditure to be funded by each are detailed in **Annex 1** and **Annex 2** of this **ARRANGEMENT**.
- 5.2. The estimated contribution of the GOA to the Program is up to 30 million Australian dollars over five years.

- 5.3. Disbursement of the GOA contributions will be subject to the normal annual approval of appropriations by the Australian Parliament.
- 5.4. The contribution of the GOP to the program will be determined on an annual basis dependent upon the nature and extent of Program activities.

6. PROGRAM SUPPLIES, MOTOR VEHICLES AND PROFESSIONAL AND TECHNICAL MATERIAL AND SERVICES

- 6.1. Subject to Paragraph 7 of this **ARRANGEMENT**, Article 7 of the GADC will apply to all Program supplies, motor vehicles, professional and technical material and services provided for the implementation of the activities under the Program.
- 6.2. In respect of supplies, motor vehicles and professional and technical material and services required by the Program, whether imported into or procured within the Philippines, the GOP will:
 - (a) coordinate with concerned agencies in the exemption of Expanded Value Added Tax (EVAT) and other duties and taxes imposed in the Philippines, and be responsible for inspection fees, storage charges and all other levies, fees and charges levied in the Philippines
 - (b) facilitate the expeditious clearance and release of imported supplies and motor vehicles including the provision of appropriate customs and wharfage facilities.
- 6.3. Supplies and motor vehicles provided for the use of the Program by the GOA will be available for restricted Program use and will not be withdrawn from such use without the consent of AusAID. The Service Provider will exercise administrative control over such supplies and motor vehicles for the duration of the Program or such other time as mutually arranged by both Governments.
- 6.4. Motor vehicles provided by the GOA for the Program's use will be registered and insured jointly in the names of the Australian Embassy, representing AusAID, and the Program. At the end of the Program's life span, all motor vehicles will be handed over to AusAID who will reassign them in accordance with the requirements of the program of development cooperation between the two Governments.

7. INTELLECTUAL PROPERTY

- 7.1. Pursuant to Article 13 of the GADC, all intellectual property held by the GOA in any Australian project supplies and professional and technical material under the Program will be retained by the GOA.
- 7.2. The GOA will grant to the GOP a non-exclusive royalty-free licence in respect of the intellectual property rights subsisting in Australian project supplies and professional and technical material owned by the GOA. Such licence will

continue until otherwise mutually decided between the Governments and will include the right to deal with the intellectual property for the purpose of the Program objectives and as the GOP considers expedient.

8. SETTLEMENT OF DISPUTES

- 8.1. This **ARRANGEMENT** serves only as a record of the parties' intentions and does not constitute or create (and is not intended to create) rights or obligations under domestic or international law and will not give rise to any legal process and will not be deemed to constitute or create any legally binding or enforceable rights or obligations (expressed or implied). Consequently, any dispute, controversy, or claim, which arises out of the interpretation or application of this **ARRANGEMENT** will not be subject to adjudication or arbitration, but will instead be dealt with through amicable consultations and negotiations as the only method of achieving the peaceful settlement of that dispute, controversy, or claim.

9. ANTI-CORRUPTION

- 9.1. Consistent with both Parties' commitment to good governance, accountability, and transparency, each Party reserves the right to investigate, directly or through its agents, any alleged corrupt, fraudulent, collusive, or coercive practices relating to the Activity.

10. UNDERTAKING TO PREVENT FINANCING OF TERRORISM

- 10.1. Both Parties are firmly committed to the international fight against terrorism and, in particular, the financing of terrorism consistent with United Nations Security Council (UNSC) regulations relating to terrorism, including UNSC Resolution 1373 (2001), 1267 (1999) and related resolutions.
- 10.2. Both Parties reaffirm their commitment to the principles of the International Convention for the Suppression of the Financing of Terrorism (New York, 9 December 1999).
- 10.3. The Parties will cooperate to ensure that no Activity funds are used, directly or indirectly, to provide support to individuals or entities associated with terrorism.
- 10.4. If, during the term of this Subsidiary Arrangement, either Party discovers an organisation or individual involved in the Activity is associated with terrorism, it will immediately inform the other Party.

11. AMENDMENTS

- 11.1. Amendments to this **ARRANGEMENT** may be made at any time by an exchange of letters between the two Governments.

12. DURATION


12.1. This **ARRANGEMENT** will take effect from the date of its signature. The Program will take effect from a date to be decided on by the two Governments. The Australian contribution to the Program and all commitments given herein will cease five years from the mutually arranged date of Program commencement, or on such other date as may be mutually decided by the two Governments.

12.2. ANNEXURES 1 and 2 to this **ARRANGEMENT** form an integral part of it.

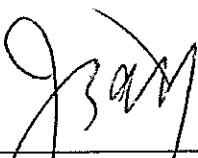
SIGNED in the City of Makati, Philippines this 15th day of September 2011.

For the Government of the
Republic of the Philippines

For the Government of Australia



Hon. Florencio B. Abad
Secretary
Department of Budget and Management



Mr. James Batley
Deputy Director General
Australian Agency for International
Development

ANNEX 1

GENERAL RESPONSIBILITIES OF THE GOVERNMENT OF AUSTRALIA

The GOA will make contributions totaling an estimated 30 million Australian dollars to the Program over five years.

The contributions of the GOA, listed by the type of inputs are set out below:

(a) Personnel:

The GOA will provide all costs for Australian and other full-time senior management and long-term, short-term and periodic personnel dedicated to the Program.

(One) Team Leader for sixty (60) months appointed by AusAID.

(One) Program Coordinator for sixty (60) months appointed by AusAID.

(One) Program Manager for sixty (60) months contracted by the Service Provider.

(One) Monitoring and Evaluation Specialist for sixty (60) months contracted by the Service Provider.

Project management and administrative support staff of the Program Office contracted by the Service Provider.

Technical Advisory Team contracted by the Service Provider and comprised of a small number of experts in specific areas who will provide technical inputs to the Program.

Long-term, short-term and periodic technical assistance personnel contracted by the Service Provider to implement Program activities.

(b) Procurement:

The GOA will meet all costs for the supply of motor vehicles, office furniture, equipment and supplies to support the functioning of the Program Office in Metro Manila and the implementation of Program activities.

(c) Training Delivery:

The GOA will meet selected workshop and training activity delivery costs as outlined in the Annual Action Plans.

(d) Other project management and administrative support costs.

ANNEX 2

GENERAL RESPONSIBILITIES OF THE GOVERNMENT OF THE REPUBLIC OF THE PHILIPPINES

The GOP contribution to the program will be determined on an annual basis dependent upon the nature and extent of Program activities. The expectation is that the GOP contribution will be mostly in-kind.

The GOP will make counterpart contributions to the Program as follows:

- (a) Salary costs for all GOP agency staff involved in the implementation of the Program
- (b) Provision of meeting venues, office space, local resource persons and logistical support of the GOP agencies as necessary
- (c) Participation of the GOP agencies in the PSC meetings.