

SUBSIDIARY ARRANGEMENT
BETWEEN
THE GOVERNMENT OF AUSTRALIA
AND
THE GOVERNMENT OF THE LAO PEOPLE'S DEMOCRATIC REPUBLIC
RELATING TO THE
LAOS AUSTRALIA RURAL LIVELIHOODS PROGRAM

1. GENERAL

- 1.1. This Subsidiary Arrangement expresses the understanding of the Government of the Lao People's Democratic Republic (GOL) and the Government of Australia (GOA) (the "Parties") and is made pursuant to the terms of Article 5 of the **Memorandum of Understanding on General Terms for Development Cooperation** that came into force on 24 May 2002 (the "MOU"). The terms of the MOU apply to this Subsidiary Arrangement.

2. NAME OF ACTIVITY

- 2.1. The name of the activity is the **Laos-Australia Rural Livelihoods Program (LARLP)** ("the Activity").

3. PURPOSE

- 3.1. The Parties will cooperate in implementing the Activity in support of the rural development needs of the Lao People's Democratic Republic. The goal of the Activity is to increase the economic security and resilience of poor women and men in rural areas. Its specific objective is to provide poor rural families, in particular women, with greater and inclusive access to social protection, financial services, productive assets and opportunities to generate income.

4. COORDINATING AUTHORITIES

- 4.1. The Coordinating Authorities for this Activity will be:

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

For the GOL: Ministry of Planning and Investment (MPI) or such other authority the MPI may nominate.

- 4.2. AusAID may engage suitably qualified contractors and/or organisations to carry out any of its functions under this Subsidiary Arrangement.
- 4.3. The Activity Coordinating Group (ACG) will be responsible for oversight of the Activity and will comprise appointees of the GOA and GOL.

5. DURATION OF THE ACTIVITY

- 5.1. The Parties anticipate that the Activity will be implemented over four (4) years, from the date of execution of this Subsidiary Arrangement to 30 December 2016, or such later date as the GOL and GOA may agree. This Subsidiary Arrangement covers the initial period of the Activity and may be extended subject to review in accordance with a mechanism approved by both GOA and GOL and subject to normal Australian annual parliamentary approval of budget appropriations.
- 5.2. Either Party may advise the other Party of their withdrawal of participation in, or discontinuation of support for, the Activity in accordance with paragraph 16.12.

6. ACTIVITY LOCATION

- 6.1. The Activity will be implemented in Lao PDR.

7. ACTIVITY DESCRIPTION

- 7.1. The Australia-Laos Development Cooperation Strategy 2009-2015 commits AusAID to a program of rural development divided into two areas: infrastructure and rural livelihoods. In June 2012, AusAID approved an operational plan called the Rural Development Delivery Strategy 2012-2016 that sets out Australia's detailed plans for the sector in Lao PDR. This plan **reaffirms Australia's commitment to build sustainable livelihoods that provide both economic security and resilience to poor rural households in Laos.** This strategic focus is consistent with, and will contribute to, achieving the fundamental purpose of Australia's aid program which is to help people overcome poverty.
- 7.2. LARLP, a four-year program with an estimated budget of A\$43.76 million, forms an integral part of the Australia Laos Development Cooperation Strategy 2009 – 2015. The Activity is comprised of the following four components:
 - a. **Social Protection and Sustainable Livelihoods** with a total budget of **██████** million. It will: a) develop and strengthen village-level micro-enterprises enabling poor people to generate income; and b) begin to build a national social protection system – linked to strengthening sustainable livelihoods – that will benefit many vulnerable families. A Micro-Enterprise Challenge Fund will work with poor households who have good access to natural resources and enough labour capacity to engage in a commercial enterprise.
 - b. **Financial Inclusion** with an overall budget of A\$11.55 million will bring together the two main actors currently providing support to the Government of Laos as it seeks to strengthen the micro-finance sector: Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH and the United Nations Capital Development Fund (UNCDF). GIZ will be responsible for a Microfinance and Financial Literacy in Rural Areas Sub-Component focusing on strengthening the sustainability and commercial viability of village banks. GIZ will also provide financial literacy

education to communities and institutions across the entire LARLP. UNCDF will be responsible for an Inclusive Finance for the Poor Sub-Component which will establish a Multi-donor Fund for Inclusive Finance (FIF) to support the development of a range of innovative forms of financial access. The FIF will also support microfinance institutions in extending financial services to rural areas.

- c. **UXO Action** with a budget of A\$5.4 million will enable AusAID to continue its support for UXO clearance, mine risk education and survivor assistance by providing non-earmarked funding to a the United Nations Development Programmes (UNDP) - managed Trust Fund. Funding will be used to support UXO Lao's clearance and risk education operations and will strengthen the National Regulatory Authority, which leads Government of Laos UXO policy, victim assistance, and quality assurance. AusAID will also support the development of an NGO funding window for UXO Action to be established under UNDP.
- d. **AusAID Rural Development Learning Facility** with a budget of ~~XXXXXX~~ million over four years. It will support learning and knowledge generation across AusAID's rural development portfolio through research, evaluation, knowledge management and dissemination of results and findings. In addition, the Learning Facility will provide AusAID with technical advice and other support on rural development and related issues so that AusAID will be better equipped to support government policy development.

8. **COORDINATION AND MANAGEMENT ARRANGEMENTS**

- 8.1. The GOL will provide the following management and coordination functions to assist with the implementation, progress and monitoring of the Activity:
 - (a) Overall coordination of GOL participation in the Activity;
 - (b) Nominating the GOL representative/s to relevant Activity events;
 - (c) Disseminating relevant information about the Activity to all participating line agencies;
 - (d) Ensuring participating line agencies are aware of their responsibilities in relation to provision of counterparts; and
 - (e) Facilitating engagement with other national and local GOL agencies that indicate their interest in being involved in the Activity.

9. **FINANCIAL CONTRIBUTIONS**

GOA

- 9.1. The total GOA contributions to the Activity is estimated to be up to \$A43.76 million including implementation and AusAID in-country management costs. The GOA contributions will cover costs related to the implementation, management, monitoring and evaluation of the Activity.

- 9.2. The provision and disbursement of GOA contributions to the Activity will be subject to the normal Australian annual Parliamentary approval of appropriations.

GOL

- 9.3. The GOL contributions to the Activity will cover resources to enable GOL staff to participate fully in activity related activities necessary for efficient implementation and monitoring.
- 9.4. In accordance with the prevailing laws and regulations in Lao PDR, as well the procedures and policy of the GOL concerning international technical cooperation, the GOL will facilitate the issuance of stay permits, exit and re-entry permits, work permits and other necessary permits for approved Activity experts and international staff and their respective dependants.

10. MONITORING, REVIEW, EVALUATION AND REPORTING ARRANGEMENTS

- 10.1. Whenever possible, the GOA and GOL will undertake joint Activity monitoring and evaluation.
- 10.2. During the mid-term phase of the Activity, AusAID will organise a mandatory independent review that will involve senior AusAID management and GOL representative/s. The mid-term review measures progress against the approved performance indicators as outlined in the Activity Document dated 12 September 2012 (refer Annex 1: Laos Australia Rural Livelihoods Program 2012 - 16).
- 10.3. AusAID will put in place regular annual meetings with its GOL partners to discuss and share lessons from the activities, bringing in implementing partners as required. The MPI will co-chair the meetings with AusAID and the Learning Facility will act as a secretariat. These annual meetings would examine progress in achieving the Activity's high-level results framework.

11. INTELLECTUAL PROPERTY

- 11.1. Despite any other paragraph in this Subsidiary Arrangement, all Intellectual Property rights with respect to the Activity that are vested in the GOA will be retained by the GOA.

12. SETTLEMENT OF DISPUTES

- 12.1. This Subsidiary 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 Subsidiary 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.

13. AMENDMENTS

- 13.1. This Subsidiary Arrangement may be amended at any time through an Exchange of Letters signed by the Parties.

14. ANTI-CORRUPTION

- 14.1. 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.

15. UNDERTAKING TO PREVENT FINANCING OF TERRORISM

- 15.1. 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.
- 15.2. 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).
- 15.3. 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.
- 15.4. 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.

16. COMMENCEMENT AND TERMINATION

- 16.1. This Subsidiary Arrangement will take effect on signature by both Parties.
- 16.2. Either Party may terminate this Subsidiary Arrangement by giving written notice of its intention to terminate to the other Party. In the event that written notice of termination is given, this Subsidiary Arrangement will terminate three months after the date that the other party receives that notice of the intention to terminate.

17. ANNEXES

- 17.1. Annexures to this Subsidiary Arrangement form an integral part of it.

Signed at Vientiane this _____ day of 15 March 2013

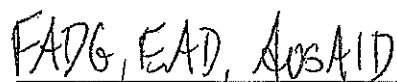
For the Government of Australia



Signature of representative



Printed name of representative

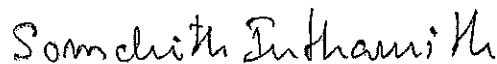


Official title of representative

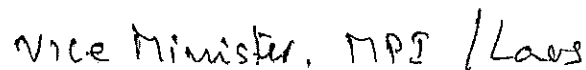
For the Government of Lao PDR



Signature of representative



Printed name of representative



Official title of representative