

**SUBSIDIARY ARRANGEMENT
BETWEEN
THE GOVERNMENT OF AUSTRALIA
AND
THE GOVERNMENT OF THE PHILIPPINES
RELATING TO THE
PHILIPPINES AUSTRALIA HUMAN RESOURCE AND ORGANISATIONAL
DEVELOPMENT FACILITY (PAHRODF)**

1. General

This Subsidiary Arrangement expresses understandings between the Government of the Philippines (GOP) and the Government of Australia (GOA) and is made pursuant to the terms of Article 5 of the General Agreement on Development Cooperation (GADC) that came into force on 28 October 1994. The terms of the GADC apply to this Subsidiary Arrangement.

In respect of the Australian Development Scholarships, the GOP and GOA have agreed that this Subsidiary Arrangement terminates and replaces the Memorandum of Understanding (MOU) entered into between GOA and GOP on the Australian Development Scholarships on 11 October 1997. This Subsidiary Arrangement also terminates and supersedes the Subsidiary Arrangement on the Philippines Australia Human Resource Development Facility (PAHRDF) signed by GOA and GOP on 20 August 2004.

2. Name of Facility

The name of the Facility is the Philippines Australia Human Resource and Organisational Development Facility (hereinafter referred to as 'the Facility').

3. Definitions

Definitions for purposes of this Subsidiary Arrangement are at Annex A.

4. Duration of the Facility

The Facility is projected to be implemented over five years. This Subsidiary Arrangement covers the five years of the Facility. The Australian contribution to the Facility and all commitments given herein will cease five years from the mutually arranged date of Facility commencement, or on such other date as may be mutually decided by GOP and GOA.

Either party may advise of their withdrawal of participation in or discontinuation of support for the Facility in accordance with Paragraph 14.

5. Facility Location(s)

The Facility will be located in the Philippines, with a main Facility office in Metro Manila and a field office.

6. Facility Description and Objectives

Background

This Facility builds on a previous program of assistance through the Philippines-Australia Human Resource Development Facility (PAHRDF), which commenced in 2004 and is due to be completed by 30 September 2010. External reviews of PAHRDF recommended that Australia continue providing assistance in human resource development to underpin implementation of the Australia Philippines Development Assistance Strategy 2007-2011 (DAS) but reposition the Facility to support broader organisational reform and enhance its strategic institutional engagements. With this in mind, the Facility has been re-structured and re-named as the Philippines Australia Human Resource and Organisational Development Facility.

Facility Description

The goal of the Facility is to enhance the effectiveness of selected programs and reform agenda under the Australia-Philippines Development Assistance Strategy (DAS). The Facility will also manage Australia Awards programs such as the Australian Development Scholarships (ADS) and the Australia Leadership Awards Scholarships (ALA).

Objectives

Development Objectives

- a. To develop or strengthen Human Resource Development (HRD), Human Resource Management (HRM), planning, management, administration competencies and organisational capacities of targeted individuals, organisations and groups of organisations and support systems for service delivery.
- b. To enable targeted individuals and organisations to make better use of HRD, HRM, planning, management, administration and support systems for service delivery competencies and organisational capacities.
- c. To enable individuals and organisations to build and maintain relationships, share and build on enhanced competencies, capacities, and lessons learnt from research and knowledge synthesis initiatives.

Management Objectives

- a. To ensure efficient and effective targeting of organisations and delivery of human resource and organisational development assistance in support of the implementation of the DAS.

- b. To ensure effective engagements with strategically selected organisations, groups of organisations and individuals to identify their needs with respect to development of Facility targeted competencies and capacity in relation to the DAS.
- c. To ensure that selected organisations, groups of organisations and individuals receive appropriate types and quality of support.

7. Implementing Agencies

As a bilateral program, GOP and GOA are formally accountable and ultimately responsible for the direction, decisions, and activities carried out under the Facility. The Implementing Agencies for the Facility will be:

For the GOP:

The National Economic and Development Authority (NEDA) and
The Civil Service Commission (CSC)

For the GOA:

The Australian Agency for International Development (AusAID)

AusAID may engage suitably qualified contractors to carry out any part of its commitments under this Subsidiary Arrangement.

In this Subsidiary Arrangement unless the context otherwise requires, reference to 'Party' means both GOA and GOP.

8. Implementation Arrangement

a. Delivery Modality

AusAID will engage a suitably qualified Managing Contractor (MC) to carry out management and administration of the Facility. The MC may sub-contract delivery of program activities under this Subsidiary Arrangement.

b. Coordination and Management Arrangements

The Facility will be under the strategic direction of the Facility Board (FB) composed of representatives from AusAID, NEDA and the CSC. Operational direction of the Facility will be provided by the Facility Coordinating Committee (FCC) composed of representatives from AusAID, NEDA and CSC. From time to time, the FB and FCC may invite other GOP agencies and specialists to participate in the discussions.

All Australia Awards programs, such as the ADS and ALA, will be administered in accordance with prevailing Australian Government scholarships guidelines. The GOP and GOA, through the Facility Board, may mutually agree on additional rules and regulations relating to Australia Development Scholarships such as country-specific eligibility criteria, scholarships categories and application processes, and obligations

for training and scholarships recipients, as long as these are consistent with prevailing Australian Government scholarships guidelines.

9. Financial Contributions

a. GOA contributions

The contributions of the GOA are estimated to be up to A\$65 million for the five-year period of the Facility. The indicative contribution of the GOA for the first year of the Facility will be A\$7,000,000. GOA funding contributions will cover implementation, management and monitoring of the Facility and related activities. Approximately 52% of the total GOA contribution is allocated for in-Australia graduate degree programs (Masters and PhDs) under the Australian Development Scholarships. GOA is committed to provide separate funding to support ADS Masters and PhDs awardees completing their studies beyond the five-year life of the Facility. The estimated contribution excludes funding for Australian Leadership Awards and other Australian Awards that are funded directly by AusAID in Canberra.

Disbursement of Australian contributions will be subject to the normal Australian annual parliamentary approval of appropriations.

GOA contributions will cover the following inputs:

- (i) Procurement
 - The supply of necessary vehicles for the Facility;
 - The supply of necessary office equipment to support the functioning of two Facility offices;
- (ii) Delivery of Human Resource and Organisational Development (HR/OD) and Research and Knowledge Management activities
 - The GOA will meet all course fees and training delivery costs related to long-term, short-course and other HR/OD support as well as costs of research and knowledge management activities. The proposed Australian support for these activities will be outlined in the Annual Plans.
- (iii) Facility management and support costs
- (iv) Independent evaluations commissioned by GOA

b. GOP counterpart contributions

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

- (i) Salary costs for all GOP agencies (national offices and local government units) staff for the duration of the training;

- (ii) Provision of venues, local resource persons, course presenters and/or administrative support for in-Philippines training activities with GOP agencies, as negotiated for each training facility;
- (iii) Costs associated with the preparation and delivery of health, travel and other relevant documentation for trainees; and
- (iv) GOP participation in FAB and FCC meetings and other relevant fora.

It is understood that the GOP contribution will be mostly in-kind. All honoraria expenses of the personnel from GOP incurred in relation with the activities under the Facility will be financed by the GOP from its own budget. Items (i) to (iii) above shall be borne by GOP through the partner/recipient agencies. Item (iv) shall be the responsibility of the co-implementing agencies (i.e. NEDA and CSC).

The following GOP counterpart contribution for the implementation, progress and monitoring of the Facility shall be provided through NEDA and CSC:

- (i) Overall coordination of GOP participation in the Facility;
- (ii) Undertake strategic Facility implementation with AusAID, advocate for sustained interest and commitment of partner organisations, and coordinate other government agencies' to support effective Facility implementation;
- (iii) Advice to the FB and FCC to improve the synergy of the Facility with other related GOP and donor initiatives;
- (iv) Disseminate relevant information about technical assistance opportunities under the Facility to all participating line agencies, including disseminating lessons learned and reforms coming from the Facility to national government agencies such as the CSC;
- (v) Ensure participating GOP agencies are aware of their responsibilities in relation to provision of counterparts, training costs, and service obligations;
- (vi) Facilitate engagement with other national and local GOP agencies of relevance to the DAS and that show interest to be involved in the Facility; and
- (vii) Participate in monitoring and evaluation missions jointly with AusAID and assist and facilitate approval of the Facility review and the annual plans.

10. Project Personnel

a. Government of Australia

The GOA will cover all costs for the full-time management of the Facility as follows:

- Facility Director who will be based in Metro Manila
- Deputy Facility Director who will be based in the field office
- Human Resource Development Adviser
- Organisational Development Adviser
- Monitoring and Evaluation Adviser
- Facility management staff

b. Counterpart Staff of GOP

The GOP will:

- Nominate the GOP representatives on the Facility Board and Facility Coordinating Committee; and
- Assign the NEDA and CSC to undertake the responsibilities of GOP regarding operational issues related to Facility implementation.

11. Monitoring, Review, Evaluation and Reporting Arrangements

The GOA and GOP will undertake monitoring and evaluation of the Facility.

GOA may commission independent evaluations for the Facility based on current AusAID evaluation guidelines.

Key reports to be produced by the MC and submitted to the GOA and GOP (through the FB and FCC) include:

- Annual Facility Strategy Papers
- Annual Plans and Budgets
- Annual Thematic Evaluations
- Six-monthly Monitoring and Evaluation Reports
- Strategy Papers on Gender, Anti-Corruption, Disability and Communications
- Facility Completion Report

The Facility will provide the following GOP-specific monitoring and evaluation requirements:

- Facility logical framework to be submitted prior to implementation
- Progress reports submitted per semester which reflects targets and actual physical and financial accomplishments, and issues/problems encountered
- Annual report for the ODA Portfolio Review

12. Intellectual Property

Pursuant to Paragraph 1 of Article 13 of the GADC, the parties have decided that any Intellectual Property issues that might arise during the carrying out of the Facility will be addressed in an Implementing Arrangement in accordance with Article 13.

13. Settlement of Disputes

This Subsidiary Arrangement is not governed by international law. The parties will work together in a spirit of openness, transparency and consultation to implement the Facility. Effective information flows and communication are crucial to building and sustaining confidence and trust between Parties. GOP and GOA will endeavour jointly in a spirit of co-operation and mutual trust to resolve any difficulties or misunderstandings which may arise.

14. Amendments to/Termination of the Subsidiary Arrangement

This Subsidiary Arrangement may be amended at any time by an Exchange of Letters between the parties.

Termination of this Subsidiary Arrangement may be effected by one Party on giving 90 days written notice and reasons for the termination to the other Party.

15. Anti-Corruption

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 Facility.

16. Undertaking to Prevent Financing of Terrorism

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.

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)

The Parties will cooperate to ensure that no Facility funds are used, directly or indirectly, to provide support to individuals or entities associated with terrorism. If, during the term of the Subsidiary Arrangement, either Party discovers a link between any organisation or individual associated with terrorism it will inform the other party.

17. Entry into Effect

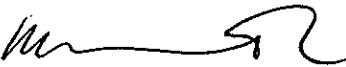
This Subsidiary Arrangement will take effect from the date it has been signed (by both parties).

ANNEXURES to this Subsidiary Arrangement form an integral part of it.

IN WITNESS THEREOF, the undersigned have signed this Subsidiary Arrangement.

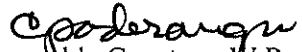
Signed in triplicate, at MAKATI CITY, on this 23rd day of September in the year of two thousand and ten, in three (3) originals in the English language, all of the texts being equally authentic.

FOR THE GOVERNMENT
OF AUSTRALIA



H.E. Rod Smith
Ambassador

FOR THE GOVERNMENT
OF THE PHILIPPINES



Honorable Cayetano W Paderanga Jr
Socio-Economic Planning Secretary and
Director General, National Economic
and Development Authority



Honorable Francisco T Duque III
Chairman
Civil Service Commission

ANNEX A

DEFINITIONS

Australia Awards include, but are not limited to, Australian Development Scholarships (ADS), Australia Leadership Awards Scholarships (ALAS), Australia Leadership Awards Fellowships (ALAF) and Short Course Awards.

DAS means the Australia Philippines Development Assistance Strategy 2007-2011

FB means Facility Board

FCC means Facility Coordination Committee

GOP means Government of the Philippines

GOA means Government of Australia

Managing Contractor refers to the organization, institution, company or consortium contracted by the GOA to manage and administer the Facility in accordance with this Subsidiary Arrangement.

PAHRODF means “Philippines Australia Human Resource and Organisational Development Facility” and referred to as the “Facility”

All other definitions come from Article 3 of the GADC.