

**SUBSIDIARY ARRANGEMENT
BETWEEN
THE GOVERNMENT OF AUSTRALIA
AND
THE GOVERNMENT OF PAPUA NEW GUINEA**

RELATING TO

PNG-AUSTRALIA PARTNERSHIP FOR DEVELOPMENT

PRIORITY OUTCOME 2: HEALTH AND HIV/AIDS

1. GENERAL

- 1.1 This SUBSIDIARY ARRANGEMENT expresses the understandings of the Government of Australia ('GoA') and the Government of Papua New Guinea ('GoPNG') concerning the commitments and contributions respectively of the two Governments in regard to GoA's support for the six priority areas set out in the Schedule to the PNG-Australia Partnership for Development Priority Outcome 2: Health and HIV/AIDS ("the Schedule"). The Schedule is Annex 1 to this Subsidiary Arrangement.
- 1.2 This Subsidiary Arrangement is made pursuant to the terms of Article 17 of the Annex to the Treaty on Development Cooperation that came into force on 31 July 2000 (the "Treaty"). The terms of the Treaty apply to this Subsidiary Arrangement. Unless otherwise provided for in this Subsidiary Arrangement, the Treaty, and any subsequent amendments to the Treaty, applies to this Subsidiary Arrangement. Words and expressions used in this Subsidiary Arrangement that are defined in the Treaty have meanings so defined.
- 1.3 The name of the Program is the Health and HIV/AIDS Program ("the Program").
- 1.4 The Program aims to support GoPNG to pursue progress towards achieving an efficient health system which can deliver an internationally acceptable standard of health service; and a health population free of sexually transmitted infections and HIV and AIDS. Specific Health and HIV and AIDS targets are set out in the Schedule.

2. EXECUTING AUTHORITIES

- 2.1 The Executing Authorities for this Activity will be:

For GoPNG: Department of National Planning and Monitoring (DNPM)
For GOA: The Australian Agency for International Development
(AusAID)

3. **IMPLEMENTING AUTHORITIES**

3.1 The Implementing Agencies for the Program will be:

For the GoPNG: PNG National Department of Health
PNG National AIDS Council Secretariat

For the GoA: GoA will be represented by AusAID Port Moresby, to oversee and to fulfil any part of its commitments under this Subsidiary Arrangement.

4. **PARTICIPATING AGENCIES**

4.1 **For GoPNG:** It is anticipated that the national and provincial government agencies will participate in the Activity. The agencies include, but are not limited to:

- (i) Department of Provincial and Local Government Affairs (DPLGA);
- (ii) Department of Community Development;
- (iii) Department of Education;
- (iv) University of Papua New Guinea and all nursing, midwifery and community health worker training institutions;
- (v) Institute of Medical Research and National Research Institute;
- (vi) Provincial and local-level governments and their administrations (including district administrations); and
- (vii) The Autonomous Bougainville Government.

4.2 **For GoA:** GoA will be represented by AusAID, located in Port Moresby and in sub-national offices in the provinces and Autonomous Region of Bougainville. AusAID will engage a Health and HIV/AIDS Implementation Services Provider to carry out agreed functions under this Subsidiary Arrangement. AusAID may engage other suitably qualified Service Providers to carry out any of its functions under this Subsidiary Arrangement.

5. **DURATION OF THE PROGRAM**

5.1 The Parties anticipate that the Program will be implemented over four years and nine months (from 1 March 2012 to 31 December 2015). This Subsidiary Arrangement is deemed to have taken effect from the date of signing. Subject to this paragraph, it will remain in effect until the end of 2015, or the date that the Program ends (whichever is the later). This Subsidiary Arrangement may be extended by an Exchange of Letters between GoA and GoPNG.

- 5.2 Either Party may advise the other Party of their withdrawal of participation in, or discontinuation of support for, the Program in accordance with the provisions of this Subsidiary Arrangement.

6. PROGRAM LOCATION

- 6.1 The Program will be delivered in Port Moresby, the provinces of Papua New Guinea and in Bougainville. AusAID staff will be located within the Australian High Commission, Port Moresby, and in AusAID sub-national offices to provide oversight of assistance.
- 6.2 Priority provinces for the Health activities under the Program are: Milne Bay, Eastern Highlands, Western Highlands, Western Province and the Autonomous Region of Bougainville. The program may also support Health activities in other provinces.
- 6.3 Priority provinces for HIV/AIDS activities under the Program are the most affected provinces of Eastern Highlands, Western Highlands, Southern Highlands, Morobe, Chimbu, Enga and the Autonomous Region of Bougainville. The Program may also support STI/HIV prevention activities in other provinces.

7. PROGRAM – KEY PRINCIPLES

- 7.1 The Australian support for this Program is guided by the PNG-Australia Partnership for Development and the objectives and targets covered in the Schedule. The Partnership for Development explicitly supports the PNG Vision 2050, Development Strategic Plan 2010-30 and Medium-Term Development Plan (MTDP) 2011-15.
- 7.2 The Program will support the GoPNG National Health Plan 2011-20 (NHP) and the National HIV and AIDS Strategy (NHS) 2011-15, which addresses key results area 6 of the NHP.
- 7.3 The Program recognises and supports GoPNG's efforts to improve health and STI/HIV service delivery in Papua New Guinea. Key principles in providing support are:
- (i) Capacity development is the process by which people, organisations and society as a whole develop competencies and capabilities that will lead to sustained and self-generating performance improvement. The Program will also develop the capacity of individuals, government (including the National AIDS Council) and civil society to promote change. The model of capacity development in each case will be determined by a capacity diagnostic process;
 - (ii) both Governments recognise the national and intergovernmental issues impinging on service delivery and

supports a whole of government focus on improving intergovernmental financing and management systems;

- (iii) the Program is based on using evidence-based policy and Value for Money criteria for decision making and resource allocations. Value for Money incorporates concepts of compliance, accountability for results, effectiveness (relationship between costs and results) and efficiency;
- (iv) sustainability will be integrated into all aspects of the Program, ensuring more effective and resilient development gains by strengthening systems that PNG itself relies on for the delivery of services, and
- (v) both Governments acknowledge HIV and AIDS as a serious development challenge in PNG which continues to require a long term perspective and a range of immediate, medium and longer-term actions.

7.4 The Program is a long-term commitment of the GoA, recognising the complexity of the issues affecting service delivery and the importance of improvements in this area. There will be opportunities for regular Program review and revision by GoPNG and GoA.

8. PROGRAM DESCRIPTION

8.1 The Program is an evolution of previous AusAID Health and HIV/AIDS Program activities covered by six previous Subsidiary Arrangements. This new Subsidiary Arrangement takes the place of these previous Subsidiary Arrangements:

- (i) Sanap Wantaim: Papua New Guinea – Australia HIV and AIDS Program;
- (ii) Health Sector Capacity Building Services Centre;
- (iii) The Health Education and Clinical Services Program;
- (iv) PNG-Australia support to Institute of Medical Research;
- (v) Health Sector Improvement Program; and
- (vi) The PNG-Australia Sexual Health Improvement Program (PASHIP).

8.2 In accordance with the Schedule at Annex 1 to this Subsidiary Arrangement, the Government of Australia will provide support to the following six priority focus areas.

i. National Health Plan (NHP) Key Result Area 3: Strengthen Health Systems (Financing)

Shared target: Increased proportion of government (functional grants) and development partner contributions that are expended and meet estimated minimum health expenditure required.

Australia's contribution:

- Provide direct financing through the Health Sector Improvement Program (HSIP) trust account to support health priorities (including minimum priority areas) and key national functions
- Provide technical assistance to strengthen provincial and district capacity to effectively plan, budget, spend, monitor and report on total health funding
- Support trialling of innovative approaches such as direct to facility financing and financing to provincial health authorities
- Improve accountability at all administrative levels of the health system, including for Government of Papua New Guinea funded church health services.

ii. NHP Key Result Area 3: Strengthen Health Systems (Drug and Medical Supplies)

Shared target: Reduce stock outs of essential drugs and medical supplies from 25 per cent to 15 per cent each calendar year

Australia's contribution:

- Fund a procurement unit manager in the NDoH to implement National Health Plan strategies of (i) improving the capacity of the procurement and distribution systems (ii) outsourcing logistics management and operations of the drug supply chain and (iii) implementing the 100 per cent medical supply kit system for rural health facilities until a pull system can be implemented
- Distributing 40 per cent medical supply kits in 2011 to at least 75 per cent of hospitals, health centres and aid posts in Papua New Guinea. Future support to procurement and distribution of 100 per cent kits at the request of NDoH under consideration
- Procure and distribute emergency obstetric care equipment to at least 75 per cent of district hospitals and health centres in Papua New Guinea in 2011
- Ensure antiretroviral drugs are distributed to all treatment sites, HIV test kits and reagents to all testing sites, and condoms and ARV for post exposure prophylaxis to all areas, with a focus on rural areas.

iii. NHP Key Result Area 3: Strengthen Health Systems (Health Workforce)

Shared target: Increase in number of health workers (by cadre) per 10,000 population

Australia's contribution:

- Support the University of Papua New Guinea's School of Medical and Health Sciences to increase the quantity and quality of Papua New Guinea health care workers

- Support the maternal health response by funding eight midwifery trainers (to teach at all four midwifery schools) and two obstetric and gynaecological specialists to undertake teaching and direct services at Mt Hagen and Madang hospitals
- Ensure Prevention of Parent to Child Transmission of HIV, HIV and STI counselling, testing and treatment are included in curriculum for mid-wives, nurses and other health care workers
- Provide in-service and pre-service training for HIV testing, counselling, treatment and sexual health to health care workers, including in rural facilities
- Provide in-country scholarships to increase the number of community health workers, nurses and midwives enrolled in Papua New Guinean training institutions.

Specific commitments will be determined once the findings of a World Bank Human Resources for Health analysis are released and the development of the Papua New Guinea Health Workforce Development Plan is completed.

iv. NHP Key Result Area 3: Strengthen Health Systems (Infrastructure)

Shared target: No performance information for health infrastructure is available.

Australia's contribution:

- Support a coordinated approach to rehabilitate aid posts/health centres and establish Community Health Posts that provide maternal and child health delivery services and outreach services (also known as health patrols)¹. The implementation and rollout of this program is guided by the NHP and MTDP and NDoH development budget coordination
- Refurbishing/upgrading all four existing midwifery schools and re-establishing a fifth midwifery school in the New Guinea Islands
- Rehabilitate (or rebuild where not possible to rehabilitate) at least 50 health facilities and all housing for health workers to NDoH minimum standards, including a reliable supply of clean water and appropriate sanitation facilities
- Ensure 15 new STI clinics are completed, and sexual health services linked to maternal and child health, HIV and TB services are used
- The Government of Papua New Guinea will seek assistance from the Government of Australia to support the refurbishment of health infrastructure.

v. NHP Key Result Area 2: Strengthen Partnerships and Coordination with Partners

Australia's contribution:

- Support the improvement of service delivery through implementation of critical reforms such as the Provincial Health Authority

¹ The Asian Development Bank (ADB) will provide technical assistance to develop the model for community health posts. The mechanism for assistance from the Government of Australia will be decided in light of the ADB's recommendations.

- Provide small, medium and large grants to civil society organisations, churches and communities to increase demand for better health service delivery, and to improve health seeking behaviour of communities in the areas of maternal health and hygiene promotion. These grants will be consistent with the MTEF and will be transparent to budgetary processes
- Support provinces to establish service agreements (in line with the National Partnership Policy) with civil society organisations, churches and the private sector to provide health services and report on outcomes
- Improve quality and coverage of health and HIV services supplied by civil society organisations, such as churches and NGOs
- Fund the Institute of Medical Research to develop and implement an agreed research agenda with NDoH.

vi. NHP Key Result Area 6: Reduce the Burden of Communicable Diseases

National HIV&AIDS Strategy (NHS) Priority Area 1: Prevention of HIV and STI

Shared targets:

80 percent of men and women aged 15-59 who had more than one sexual partner in the past 12 months who report the use of a condom during last intercourse

80 per cent of male and female sex workers report the use of a condom with their most recent client

80 per cent of HIV positive pregnant women on antiretroviral treatment (for prevention of parent to child transmission)

80 percent of pregnant women who were tested for HIV and receive their results during pregnancy, during labour and delivery and during the post partum period (<72hours), including those with previously known HIV status.

Australia's contribution:

- Support civil society partners to provide comprehensive prevention to most at risk populations including sex workers and men who have sex with men, with a focus on the National Capital District and the highlands highway provinces
- Support civil society and NDoH partners to improve and expand provision of counselling, testing, prophylaxis and treatment to pregnant women attending ante natal clinics
- Support civil society partners to scale up STI and HIV services linked to TB
- Support delivery of innovative models of STI care and treatment and work with provincial health and civil society partners to improve quality of STI service delivery
- Support innovative prevention campaigns, including by community leaders based on customary norms and traditions
- Support civil society partners to address risk and vulnerability factors associated with transmission of HIV, especially in rural areas.

NHS Priority Area 2: Counselling, testing, treatment, care and support

Shared target: 80 per cent of adults and children with advanced HIV infection receive antiretroviral therapy.

Australia's contribution:

- Support the expansion of quality STI and HIV testing integrated into existing health services and facilities, including in rural areas
- See ensuring ARV distribution under 2. NHP Key result area 3: Strengthen health systems (drug and medical supplies)
- See health worker HIV training under 3. NHP Key result area 3: Strengthen health systems (health workforce).

NHS Priority Area 3: System Strengthening

Shared target: 75 per cent of technical assistance deployed to support NHS implementation at subnational level compared to total TA; 90 percent of provincial governments report to the PLSSMA on their specific HIV responsibilities under the Determination on Service Delivery².

Australia's contribution:

- Following a capacity diagnostic process, provide technical assistance and organisational capacity building to support NHS implementation at the sub-national level, including by civil society organisation partners, including in rural areas
- Support NDoH to strengthen surveillance systems (biological and behavioural surveys, case reporting and STI and HIV surveillance)
- Fund national HIV research grants and training programs for researchers.

Cross cutting across NHP key result areas 4 to 8 is the need for effective surveillance and response to disease outbreaks. The Partnership will provide support to this strategy and to improving evidence based decision-making.

- 8.3 Funding will also be provided for program and administrative support, including: ad hoc AusAID reviews; independent appraisals; in-house monitoring and evaluation; meetings; workshops and other program-related expenditure.

9. COORDINATION AND MANAGEMENT ARRANGEMENTS

- 9.1 The GoPNG will convene and chair coordinating mechanisms for the Health and HIV&AIDS sector.
- 9.2 The Health Sector Partnership Committee (HSPC) is the existing central governance and decision making body for PNG's health sector and is chaired by the Secretary for Health.
- 9.3 The National AIDS Council Secretariat is responsible for overall coordination of the national HIV response. A National HIV Strategy (NHS) Steering Committee (a sub-committee of the National AIDS Council) will continue to coordinate the annual planning process for implementation of the NHS. The

² National HIV and AIDS Strategy 2011-2015 targets

Program will continue to participate in this annual planning process to jointly appraise and select civil society activities to be funded by the Program. These activities are consolidated within an overall NHS annual implementation plan with recommended funding allocations under the development budget for NACS, which includes donor-funded and GoPNG funded activities.

- 9.4 GoPNG and GoA will mutually establish other necessary coordination mechanisms to ensure sufficient dialogue on issues related to the Program. Such dialogue will include discussion on the Program's performance, strategic issues, direction of the sector and the provision of resources to the Program by both Governments.

10. MATERIALS, SERVICES AND EQUIPMENT TO BE SUPPLIED

- 10.1 The GOA will provide funding, supplies, assets and specialised personnel for the implementation of the Program. GoA funded procurement utilising GoA contributions will ensure open and fair competition. Value for Money will be adhered to in purchasing.
- 10.2 Further to and without limiting Clause 10 of the Annex to the Treaty, the GoPNG will ensure that GoA funded supplies are available for the unrestricted use of the relevant activity and will not be withdrawn from such use without the consent of the GoA.
- 10.3 Under the procurement Agent Services Program, the Procurement Agent working on behalf of AusAID is responsible for overseeing the importing of all goods to be supplied under the program. However it will be expected that the GoPNG facilitate the effective clearance, when required, through customs of all procured items such as medical supplies, equipment and infrastructure materials as per the DCT conditions which waive all taxes and fees.
- 10.4 Through its Implementation Services Provider, the GoA will exercise administrative control over such supplies for the duration of the activity in question or such other time as mutually arranged between both Parties.
- 10.5 The Implementation Services Provider will advise both Parties on a regular basis as to which assets have been purchased for use by the Program, which assets are the property of the GoPNG, and which assets are the properties of the Services Provider. Where GoPNG has possession and administrative control over assets purchased using GoA funds under the Program, GoPNG will be responsible for insurance and/or replacement of such assets.
- 10.6 Following testing of any equipment supplied pursuant to this Subsidiary Arrangement, the GoPNG will bear all risks associated with the installation and maintenance of the equipment, subject to any express warranties held by the GoA in relation to the suppliers of this equipment. In return for these commitments, the GoA on behalf of the GoPNG, will exercise any rights it may have against the suppliers of such equipment should such equipment be found defective in any manner.

10.7 If GoA is of the opinion that in relation to any GoA funded procurement using GoPNG systems:

- (i) tendering procedures have not been followed or were not fair and open; and
- (ii) if goods and/or services delivered under the contract are not of acceptable quality or not completed,

GoA may, at its discretion, immediately notify the GoPNG and require the reimbursement by GoPNG of GoA funds spent on that procurement.

10.8 On cessation of GoA commitments under the Program, including completion of the Program, or expiry or termination of this Subsidiary Arrangement, the following will apply:

- (a) For assets used under the Program: all GoA funded supplies together with other equipment, vehicles and building used for the Program that are not already under GoPNG possession and administrative control, will become the property of GoPNG. However, should GoA continue to require these assets for the effective delivery of the aid program, GoA may retain ownership of them, following negotiations with GoPNG.
- (b) For Implementation Services Provider assets: all assets owned by the Services Provider will remain the property of the relevant Services Provider.

10.9 Further to and without limiting Clauses 4 and 10 of the Annex (Procedures Applying to Jointly Programmed Aid) to the Treaty, GoPNG will provide the following materials, services and equipment for the Program:

- (i) Provision of personnel and facilities necessary to enable GoA funded organisations and personnel to efficiently and economically carry out activities under the Program;
- (ii) Continued provision of office premises at Muruk Haus, Somare Circuit, Port Moresby for use by the Program;
- (iii) access to all relevant agencies and relevant office facilities, documentation and personnel and provision of appropriate offices and work facilities within the nominated agencies;
- (iv) Provision of any benefits not specifically provided for in the Treaty or this Subsidiary Arrangement, which are granted by the GoPNG to aid or development cooperation organisations and personnel from countries other than Australia;
- (v) Provision of all other necessary approvals and authorities for carrying out activities under the Program; and

- (vi) Incidental costs associated with Program related overseas activities, including passport formalities, provision of exit permits etc.

11. FINANCIAL CONTRIBUTIONS

- 11.1 The total GoA contributions to the Program will be up to AUD 450 million for the period 1 March 2012 to 31 December 2015, subject to prevailing exchange rate at the time and GoA budget processes.
- 11.2 The provision and disbursement of GoA contributions to the Program will be subject to the normal Australian annual parliamentary approval of appropriations. In determining GoA's contribution to the Program each year, consideration will be given to the total resources available and performance in the context of the Program's performance monitoring and review framework.
- 11.3 The GoA may increase its contributions to the Program above the amount specified in clause 11.1, provided that such increase is recorded in an Exchange of Letters between the two Governments.
- 11.4 The GoA will discuss with GoPNG on an annual basis its contributions to the Program and do so at a time and in a manner that will inform GoPNG annual planning and budget processes.

12. COMMITMENTS OF THE GOVERNMENT OF PAPUA NEW GUINEA

- 12.1 Final responsibility for the implementation of the Program will rest with the GoPNG. The GoPNG will provide overall leadership in planning, administration, implementation and monitoring and review of this Program.
- 12.2 The GoPNG will engage in and lead discussions with GoA on further articulation of policies and priorities under the NHP and NHS and performance of the institutions in implementing these policies and priorities. In the context of the GoPNG budget processes, GoPNG will facilitate discussion with GoA about allocations and expenditures for the Program from both GoPNG, GoA and other sources.
- 12.3 The GoPNG will convene and chair coordinating mechanisms for the sector. The Implementation Services Provider will organise and provide administrative support for these meetings, as required and as appropriate.
- 12.4 The GoPNG will at least maintain the proportion of GoPNG budget allocations and actual expenditure for Health and HIV&AIDS in each year of the Program in accordance with commitments in the P4D Schedule.
- 12.5 The GoPNG will ensure that all Annual Agency Plans are consistent with its policies and priorities under the NHP and NHS.

- 12.6 The GoPNG will take all necessary measures to facilitate the implementation of the Program as outlined in Clause 8.2. This will include facilitating the effective clearance, when required, through customs of all procured items such as medical supplies, equipment and infrastructure materials as per the DCT conditions which waive all taxes and fees.

13. FINANCIAL MANAGEMENT

- 13.1 GoA's financial contribution through the Program will be via a range of mechanisms. These may include GoPNG sector wide or agency specific trust accounts, and Implementation Services Provider managed mechanisms including technical assistance and procurement.

14. MONITORING, REVIEW, EVALUATION AND REPORTING ARRANGEMENTS

- 14.1 GoA and GoPNG will undertake Program monitoring and evaluation of the Program on a regular basis, using multiple GoPNG data sources as well as independent review. Regular reporting on Program progress will facilitate dialogue between the Parties and inform program management.
- 14.2 The Program will continue to use the Independent Review Group (IRG) on HIV and AIDS established in 2007 to provide independent review and advice on the national HIV response. The IRG is a joint PNG-donor monitoring mechanism which reports to the NHS Steering Committee and all participating donors. The IRG comprises an expert group of Papua New Guinean and international advisers.
- 14.3 Evaluations, audits and reviews of the Program may be carried out at times arranged between and mutually convenient to both Governments. Where appropriate, such work will be carried out by joint investigation teams appointed by both Governments. AusAID may request an independent review.

15. INTELLECTUAL PROPERTY

- 15.1 Recognising that it is desirable to use or exploit advances or discoveries which may be made in the course of the Program under this Subsidiary Arrangement, GOPNG and AusAID will discuss:
- (a) the equitable allocation of ownership of all intellectual property arising directly or indirectly from the Program;
 - (b) the equitable licensing of such other intellectual property; and
 - (c) where it is within their power, the equitable licensing of such other intellectual property as is necessary for the utilisation of the results of the Program.

- 15.2 The Intellectual Property rights with respect to all documents, files and software written or funded by GoA under the Program will vest in the GoA.
- 15.3 GoA may make available to the public documents, files and software in which it holds Intellectual Property rights.
- 15.4 Despite any other paragraph in this Subsidiary Arrangement, all Intellectual Property rights with respect to the Program that are vested in the GoA will be retained by the GoA.
- 15.5 GoA grants a license to GoPNG to use its Intellectual Property created in the course of the Program.
- 15.6 The above clauses do not apply to Intellectual Property rights in or in relation to sub-contracts for research which the Implementing Services Provider may enter into on behalf of AusAID. In such cases Intellectual Property remains the property of the Institution carrying out the research subject to the Implementing Services Provider ensuring that AusAID receives a worldwide, irrevocable, royalty free license to reproduce, adapt, or otherwise exploit research materials for non-commercial purposes.

16. CLAIMS BY SERVICE PROVIDERS, NON-GOVERNMENT ORGANISATIONS AND INDIVIDUALS

- 16.1 The GoA will ensure that all Australian personnel obtain insurance against damage which may result from their acts or omissions in the course of carrying out activities in PNG.
- 16.2 Non-government organisations (NGOs) funded through the Program will indemnify the GoA in respect of claims against the GoA for damages arising from each funded NGO's failure to carry out its functions under this Subsidiary Arrangement.
- 16.3 GoPNG will indemnify GoA in respect of claims brought by the Service Provider against GoA for damages arising from GoPNG failure to carry out its functions under this Subsidiary Arrangement.

17. SETTLEMENT OF DISPUTES

- 17.1 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).
- 17.2 This Subsidiary Arrangement is neither a treaty nor an instrument of treaty status. 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.

18. AMENDMENTS

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

19. ANTI-CORRUPTION

- 19.1 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.
- 19.2 The Program will take into account 'The Joint Statement on Zero Tolerance on Fraud in Australia's aid Program to PNG', signed jointly by the National Planning Minister and AusAID's Director General, on 21 February 2012.

20. UNDERTAKING TO PREVENT FINANCING OF TERRORISM

- 20.1 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.
- 20.2 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).
- 20.3 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.
- 20.4 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.

21. COMMENCEMENT AND TERMINATION

- 21.1 This Subsidiary Arrangement will take effect on signature by both Parties.
- 21.2 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.

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

Signed at Port Moresby this 15th day of May 2012

For the Government of Australia

For the Government of Papua New
Guinea

Stuart Schaefer

Signature of representative

[Signature]

Signature of representative

Stuart Schaefer

Printed name of representative

Dr Peter G. Kora

Printed name of representative

Minister Posthumus

Official title of representative

SECRETARY

Official title of representative