

**SUBSIDIARY ARRANGEMENT
BETWEEN
THE GOVERNMENT OF AUSTRALIA
AND
THE GOVERNMENT OF INDONESIA
RELATING TO THE
AUSTRALIA INDONESIA PARTNERSHIP FOR ECONOMIC
DEVELOPMENT (PROSPERA)**

1. GENERAL

- 1.1. This Subsidiary Arrangement expresses the understanding between the Government of Indonesia (GOI) and the Government of Australia (GOA) (the "Parties") and is made pursuant to the terms of Article IV of the General Agreement on Development Cooperation (GADC) done at Jakarta, on the ninth day of July 1998. The terms of the GADC apply to this Subsidiary Arrangement.

2. NAME OF ACTIVITY

- 2.1. The name of the activity is the **Australia Indonesia Partnership for Economic Development (known in English as AIECO, in Indonesian as PROSPERA)** ("the Activity").

3. PURPOSE

- 3.1. The Parties will cooperate in implementing the Activity in support of the development needs of Indonesia. The purpose of the Activity is to share experience and support skill exchange and development by the Australian Public Service, internationally experienced and locally recruited advisers to support the implementation of priority Indonesian economic and public sector reforms.

4. COORDINATING AND IMPLEMENTING AUTHORITIES

- 4.1. The Coordinating Authorities for this Activity will be:
- | | |
|--------------|--|
| For the GOA: | Department of Foreign Affairs and Trade
("DFAT") |
| For the GOI: | Coordinating Ministry for Economic Affairs
(CMEA) |
- For the GOI Implementing Agency: CMEA or such other authorities the GOI may nominate.
- 4.2. The GOA and the GOI will discuss and determine the Governance Structure of the Activity, which consists of Advisory Board, Executive Committee, Secretariat and Implementing Agencies.

- 4.3. The Advisory Board will meet at least once a year to discuss the progress of the previous year and approve the work plan of the following year.
- 4.4. The GOA may engage suitably qualified contractors and/or other organisations to carry out any of its functions under this Subsidiary Arrangement.

5. **DURATION OF THE ACTIVITY**

- 5.1. The Parties anticipate that the Activity will be implemented over five (5) years (March 2018 – February 2023). This Subsidiary Arrangement covers the initial period of the Activity. The duration of the Activity may be extended for a further 3 years subject to review in accordance with a mechanism approved by both GOA and GOI and subject to normal Australian annual parliamentary approval of budget appropriations.
- 5.2. This Subsidiary Arrangement also covers all activities implemented through Government Partnership Fund Phase II (GPF II) and Australia Indonesia Partnership for Economic Governance (AIPEG) during the transition period from 1 January 2018 to 28 February 2018, or for a longer period as otherwise determined between GOA and GOI, to support the mobilisation of the Activity.
- 5.3. Either Party may advise the other Party of their withdrawal of participation in, or discontinuation of support for, the Activity in accordance with paragraph 17.1.

6. **ACTIVITY LOCATION**

- 6.1. The Activity will be delivered predominantly in Jakarta within GOI agencies. It is possible that requests may be received by provinces and districts, and may also include quasi-government agencies and/or non-government organisations such as academic, research institutions and the private sector. The Activity's main office is located in Jakarta.

7. **ACTIVITY DESCRIPTION**

Background

- 7.1. The Governments of Australia and Indonesia have worked collaboratively in the area of economic governance since the Asian Financial Crisis of the late 1990s. The rationale for this focus is the clear link between sound macro-economic management and stability and poverty reduction. Over nearly two decades of cooperation, a great deal has been learned and achieved and there is now a mutual commitment to continue this collaboration up to 28 February 2023.
- 7.2. Recognising the gains to be made from closer economic ties, Australia and Indonesia are working to address trade and investment barriers and capitalise on opportunities through an Indonesia-Australia Economic Cooperation Partnership Agreement (IA-CEPA). Once the framework for the IA-CEPA Economic Cooperation work plan has been settled by the Governments of

Australia and Indonesia, the Activity should be equipped to support Economic Cooperation activities as required and approved under IA-CEPA.

Activity Description

- 7.3. The Activity is a partnership between the GOA and the GOI aiming to share experience and support skill exchange and development by the Australian Public Service, internationally experienced and locally recruited advisers to support the implementation of priority Indonesian economic and public sector reforms.
- 7.4. The Activity is comprised of government-to-government institutional partnerships previously delivered through Government Partnership Fund (GPF), and direct technical assistance and policy support previously delivered through Australia Indonesia Partnership for Economic Governance (AIPEG).

8. COORDINATION AND MANAGEMENT ARRANGEMENTS

- 8.1. The GOI will provide the following management and coordination functions to assist with the implementation, progress and monitoring of the Activity:
 - (a) Overall coordination of GOI participation in the Activity;
 - (b) Disseminating relevant information about the Activity to all participating agencies;
 - (c) Ensuring participating agencies are aware of their responsibilities in relation to provision of counterparts and training costs;
 - (d) Facilitating engagement with other national and sub national GOI agencies that indicate their interest in being involved in the Activity; and
 - (e) Assisting and facilitating approval of the Activity review and the Annual Plan.
- 8.2. Any additional coordination and management arrangements of the Activity will be discussed and undertaken by mutual arrangement between CMEA and DFAT via an Exchange of Letters in accordance with paragraph 15 of this Subsidiary Arrangement.

9. MATERIALS, SERVICES AND EQUIPMENT TO BE SUPPLIED
GOA

- 9.1. The GOA will provide the following materials, services and equipment for the Activity:
 - (a) Long term support for target institutions in the form of technical assistance and a set of activities in accordance with the work plan and budget to allow the GOA the ability to respond to immediate and emerging issues;
 - (b) Activity supports may include mentoring, advising, training, workshops, short courses, internships, study tours, or any other form of technical assistance that is considered by GOA and GOI as best suited to achieving the objectives of the Activity;

- (c) in relation to the government-to-government partnerships under the Activity, activities may include placement of long term and/or short term advisors in Indonesian agencies; the secondment/deployment of Indonesian officials to Australian agencies; study tours; workshops and seminars; training courses and logistical support. The Activity does not envisage the supply of significant material and/or equipment;
- (d) if required, GOA may engage suitably qualified contractors and/or organisations to deliver, monitor and evaluate the Activities; and
- (e) GOA will engage a managing contractor that has been jointly selected by both GOA and GOI to deliver the Activity. The provision of management and services for the Activity provided by the managing contractor include but are not limited to:
 - i. Establish a Program Office in Jakarta;
 - ii. Recruit, manage and support suitable long-term and short-term program management staff needed to effectively implement the Activity;
 - iii. Provide procurement, management, logistics, and support services that will include but are not limited to:
 - a. High quality national and international technical advice to support GOI with policy dialogue and technical advice;
 - b. Capacity and institutional strengthening of key government and non-government stakeholders;
 - c. The design and implementation of pilots, for the purpose of experimentation, establishing proof of concept, practicing delivery, using a range of methodologies;
 - d. The design and implementation of high quality analytical work and evidence;
 - iv. support and implement any IA-CEPA Economic Cooperation activities as directed;
 - v. providing in-country logistical services, including mobilisation and demobilisation support to Australian Public Service agencies to deliver activities.
- (f) Australian officials seconded/deployed at Indonesian agency shall respect confidentiality of data and information of their host agency

GOI

- 9.2. The GOI, to the extent permitted by prevailing laws and regulation, will provide the following materials, services and equipment for the Activity:
- (a) In accordance with the availability of resources within the relevant ministry, to provide sufficient and suitable office space and training facilities, free of rent and charges, for relevant components of the activities solely for the conduct of activities under this SA;

- (b) Official recommendation for visa, stay permit and work permit for the approved Activity experts and international staff and their respective dependants;
- (c) Access to the relevant non-confidential data and information as necessary;
- (d) Official recommendation that may be required to open a bank account for the purpose of the Activity; and
- (e) Assistance in getting access to telecommunications facilities, including telephone, fax, email and internet, with the final decision being taken by the host ministry.

10. **ACTIVITY PERSONNEL**

GOA

- 10.1. The GOA will provide accommodation, travel allowances and remuneration for all internationally and locally engaged technical assistants and contractor personnel assigned to the Activity.

GOI

- 10.2. The GOI will nominate representatives for the Activity Advisory Board to approve the activities under the annual work plan.

11. **FINANCIAL CONTRIBUTIONS**

GOA

- 11.1. The total GOA contributions to the Activity are estimated to be up to AUD 145,000,000 (one hundred and forty five million Australian dollars). The GOA contributions will cover implementation, management, and monitoring/review of the Activity.
- 11.2. The provision and disbursement of GOA contributions to the Activity will be subject to the normal Australian annual Parliamentary approval of appropriations.
- 11.3. The GOA recognises the Ministry of Finance Regulation on Grant Administration (PMK No 99/2017) and will support regular reporting by line ministries using the handover delivery certificate (Berita Acara Serah Terima/BAST) signed by GOA and the relevant Ministry.

GOI

- 11.4. The GOI contribution has not been costed as it will be mostly supplied in-kind. All honoraria expenses of the personnel from GOI incurred in relation to the Activity will be financed by the GOI from its own budget.
- 11.5. Tax exemption and relief for deployees and long term technical staff will be in accordance with the prevailing laws and regulations of the GOI and the relevant provisions contained in the GADC Treaty.

12. **MONITORING, REVIEW, EVALUATION AND REPORTING ARRANGEMENTS**

Monitoring and Evaluation

- 12.1. The GOA and GOI will undertake Activity monitoring and evaluation jointly. Evaluation and review of progress in the implementation of the Activity may be made at times arranged between, and mutually convenient to, both Governments to measure progress against mutually decided performance indicators as outlined in the performance framework to be delivered in the first six (6) months of the Activity implementation.
- 12.2. The GOA will undertake independent evaluations of the activities regularly. These evaluations will be commissioned by GOA and will be undertaken by consultants and/or GOA staff independent of activity implementation.

Reporting Arrangements

- 12.3. The GOA and GOI will undertake regular reporting of activities. This will be undertaken by the appointed managing contractor in consultation with GOI partner agencies. The objective of such reporting is to inform both governments of progress, to manage risks, to continuously improve the delivery of activities, as well as to prepare standard performance and effectiveness reporting. Reporting will include activity outputs, outcomes, and defined performance indicators and measures.

13. **INTELLECTUAL PROPERTY**

- 13.1. Pursuant to Paragraph 1 of Article VII of the GADC, and unless stated otherwise in an Activity arrangement to which this Subsidiary Arrangement applies, the Parties have decided that in accordance with the cooperative nature of the Activity, ownership of any Intellectual Property rights developed will be jointly owned by the Parties.

14. **SETTLEMENT OF DISPUTES**

- 14.1. Differences that may arise concerning any interpretation or application will be dealt with in an amicable way and mutually determined as the appropriate method of achieving the peaceful settlement of those differences between the Parties.
- 14.2. The Parties will consult together at any time upon written request of either Party regarding any matter relating to this Subsidiary Arrangement and will endeavour jointly in a spirit of cooperation, good faith and mutual trust to resolve expeditiously any difficulties or misunderstandings that may arise.

15. **AMENDMENTS**

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

16. **GOOD GOVERNANCE**

16.1. The implementation of this Subsidiary Arrangement constitutes a commitment by both parties to good governance principles.

17. **COMMENCEMENT AND TERMINATION**

17.1. This Subsidiary Arrangement will take effect on signature by both Parties and is expected to conclude on **28 February 2023**.

17.2. Either Party may terminate/extend this Subsidiary Arrangement by giving written notice of its intention to the other Party. In the event that written notice of termination/extension is given, this Subsidiary Arrangement will be terminated/extended three months after the date that the other party receives that notice of the intention.

Signed at _____ this _____ day of _____ []

For the Government of Australia

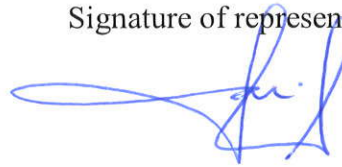
Signature of representative



PAUL GRIGSON
Ambassador of Australia to Indonesia
Australian Embassy Jakarta

For the Government of Indonesia

Signature of representative



RIZAL AFFANDI LUKMAN
Deputy Minister, for International
Economic Cooperation,
Coordinating Ministry of Economic
Affairs

