

**MEMORANDUM OF UNDERSTANDING BETWEEN THE
GOVERNMENT OF THE REPUBLIC OF THE PHILIPPINES AND THE
GOVERNMENT OF AUSTRALIA RELATING TO THE PHILIPPINES
REGIONAL MUNICIPAL DEVELOPMENT PROJECT**

1. GENERAL

1.1 This **MEMORANDUM** expresses the understandings of the Government of the Republic of the Philippines and the Government of Australia concerning the responsibilities and contributions respectively of the two Governments with regard to the implementation of the Philippine Regional Municipal Development Project (the Project).

1.2 The Project and its objectives and the responsibilities and contributions of the two Governments are described further in Annexes 1 to 4 of this Memorandum.

1.3 The Project is concerned with permanently improving the urban infrastructure, municipal services and capability of local government units to provide, operate and maintain essential infrastructure and basic services to the eight selected provincial cities of Bacolod, Cagayan de Oro, General Santos, Iligan, Lucena, Puerto Princesa and Tagbilaran.

2. DEFINITIONS

For the purposes of this Memorandum:

(a) "Australian institutions, firms and organizations" means Australian institutions, firms and organizations engaged in the Project;

(b) "Australian Project personnel" means Australian nationals or permanent residents or other persons who are not nationals or permanent residents of the Philippines who are working in the Philippines on the Project and whose salaries and other costs, are funded from the contribution of the Government of Australia to the Project;

(c) "dependant" means the spouse or unmarried minor children of a member of the Australian personnel or any other person recognized by the two Governments as a dependent/dependant of a member of the Australian Project personnel;

(d) "professional and technical material" means equipment and other goods imported by members of the Australian personnel or Australian institutions, firms and organizations for their professional use in carrying out their assigned duties under the Project and paid for from funds provided by the Government of Australia;

(e) "Australian project supplies" means equipment, material, and other goods supplied for the execution of the Project, the cost of which is funded from the contribution of the Government of Australia to the

Project;

(f) "motor vehicles" means motor vehicles supplied for the execution of the Project, the cost of which is funded from the contribution of the Government of Australia to the Project;

(g) "services" means services performed by individuals or by general professional partnerships registered in the Philippines as detailed in Annex 1;

(h) "personnel and household effects" means equipment and other goods imported by Australian personnel and Australian institutions, firms and organizations for the personal use of Australian personnel and their dependants while engaged in the Project.

3. AUTHORITIES AND CO-ORDINATION

3.1 The Executing Authorities for this Project will be:

For the Government of the Philippines, the Department of Interior and Local Government (DILG).

For the Government of Australia, the Australian Agency for International : Development (AusAID) of the Department of Foreign Affairs and Trade, and The Executing Authorities, however, may nominate suitably qualified agents to undertake any part of their functions on their behalf.

3.2 A management structure comprising a Project Coordinating Committee (PCC) and a Project Management Office (PMO) will be established to oversee and manage Project activities and ensure timely and effective coordination and utilization of inputs.

3.3 Project implementation will be facilitated through the Project Coordinating Committee (PCC). This Committee will assess progress and provide policy and planning direction to the Project. The members of the PCC will include the Secretary of DILG as the Chairman, the Government of the Philippines Project Manager, a representative of the seven recipient provincial cities, the AusAID Philippines Counsellor, the Australian Team Leader, and the Australian Project Director, or their nominees. The PCC will meet and discuss the Project at least twice in a year. Additional meetings of the PCC may be requested by DILG or by AusAID.

3.4 The Project Management Office (PMO), representing all major stakeholders, shall be responsible for the day-to-day implementation of the Project.

3.5 Coordination between the Project and the Asian Development Bank (ADB)-assisted PRMDP will be the day-to-day responsibility of the Australian Team Leader and the Government of the Philippines Project Manager, and will be encouraged by maximising cross membership between the PCC and the ADB/PRMDP's Project Advisory Board (PAB).

4. CONTRIBUTIONS

The contributions of the Government of the Philippines and the Government of Australia, as described in Annexes 1 to 4, are estimated to value 57.856 million

Philippine pesos and 14.3 million Australian dollars, respectively. The financial contribution of the Government of Australia will be subject to the normal annual Parliamentary approval of appropriations. The financial contribution of the Government of the Philippines will be subject to its annual Congressional appropriations.

5. PERSONNEL

5.1 Personnel provided by the Government of Australia to the Project will be contribution to the Project and will have an advisory and consultative role.

5.2 The Australian Team Leader will have administrative control with respect to duties, discipline, leave and other administrative issues concerning personnel funded by the Government of Australia (including Philippine nationals employed as consultants) to achieve project objectives and subject to the laws and regulations of the Republic of the Philippines.

6. IMPLEMENTATION, MONITORING AND REVIEW

6.1 During the first three months of the Project's implementation, the Philippine and Australian project staff will examine plans for the management and implementation of the Project and will present a Project Implementation Document (PID) for the approval of the two Governments. The PID will be adopted in accordance with Article 16 of this Memorandum of Understanding and will supersede the Project Design Document as the primary reference for the Project thereafter.

6.2 An Annual Plan will be prepared by the Australian Project Team, in coordination with the Philippine Project Team, by 31 March each year and will be submitted to AusAID and the Government of the Philippines for consideration. The Plan will contain an assessment of progress to date, a detailed schedule of tasks as well as resource and budget proposals. The Plan will be initially drafted by the Australian Team Leader in coordination with the Philippine Project Manager. The Plan will cover the period July 1 to June 30 of the following year.

6.3 A major review of progress of the Project may be made at times arranged between, and mutually convenient to, the two Governments, to be communicated through diplomatic channels. Such a review would be undertaken by a joint investigation team appointed by the two Governments and independent staff involved in the Project.

6.4 The Australian Team Leader will coordinate directly with the Philippine Project Manager and the City Project Managers in matters concerning the execution of Project plans.

7. PROJECT SUPPLIES, MOTOR VEHICLES AND PROFESSIONAL AND TECHNICAL MATERIAL AND SERVICES

7.1 In respect of project supplies, motor vehicles and professional and technical material and services whether to be imported into and/or procured within the Philippines, the Government of the Philippines will:

- (a) be responsible for the payment of import duties, Value Added Tax (VAT) and other duties and taxes imposed in the Philippines, and be