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December 16, 1991

To: Members of the Executive Board

From: The Secretary

Subject: U.S.S.R. - Technical Cooperation Agreements with Republics

It is not proposed to bring the attached memorandum to the agenda of the Executive Board for discussion unless an Executive Director so requests by noon on Thursday, December 19, 1991. In the absence of such a request, the draft decision that appears on page 2 will be deemed approved by the Executive Board and it will be so recorded in the minutes of the next meeting thereafter.

Mr. Gianviti (ext. 8329) or Mr. Francotte (ext. 7798) is available to answer questions relating to this paper.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

U.S.S.R. - Technical Cooperation Agreements with Republics

Prepared by the Legal and European Departments

(In consultation with the Secretary's Department)

Approved by François Gianviti and Massimo Russo

December 16, 1991

Paragraph A6 of the Special Association Agreement (SAA) between the Fund and the U.S.S.R. authorizes the Fund to agree with a Union Republic on the provision by the Fund to this Republic of some or all of the services that are contemplated for the U.S.S.R. under the SAA (Section A of the Agreement). ^{1/} Thus, in accordance with this provision, the Fund has already agreed to several requests for technical assistance received directly from Republics.

The Russian Federation and the Republic of Belarus have indicated their desire that the Fund extend to them a broader range of services than technical assistance and training under technical cooperation agreements pursuant to paragraph A6 of the SAA. Specifically, the Russian authorities would like the agreement to cover the same services as those specified for the U.S.S.R. in paragraphs A1 to A5 of the SAA (i.e., Article IV-like consultations and enhanced surveillance-like reviews, technical assistance, training, availability of certain Fund documents and attendance at certain Fund meetings). The agreement would confer to the Russian Federation the right to send a representative to those Executive Board meetings where reports on the Russian Federation are considered; unlike the U.S.S.R., however, it would not have the right to be invited to Executive Board meetings where the WEO or other matters of general interest are discussed or to the Annual Meetings. It would, of course, remain open to the Fund to invite the Russian

^{1/} Paragraph A6 reads as follows:

"6. Extension of Undertakings to Union Republics. Within the framework of this Special Association with the U.S.S.R., the Fund shall give favorable consideration to requests from the Union Republics, taking into account their circumstances, for the extension to them of all or part of the undertakings under 1-5 above, under terms and conditions to be agreed between the Fund and the relevant Union Republic. The Fund shall inform the U.S.S.R. of any request by a Union Republic under this paragraph." (EBS/91/161, 9/18/91)

This provision dispenses the Fund from the need to seek further agreement from the Union for such agreements with Republics.

Federation to send a representative to such other meetings if this were considered appropriate.

The terms and conditions on the part of the Russian Republic and the provision on termination would also be similar to those contained in Sections B and C of the SAA. No provision on privileges and immunities is needed. This matter is covered by paragraph B3 of the SAA.

Discussions are also underway with the Republic of Belarus on a technical cooperation agreement covering a similar range of services, and other Republics, including the Ukraine, have expressed an interest in such agreements as well.

It is proposed that the Executive Board authorize the Managing Director to agree, on behalf of the Fund, to requests from Republics for the provision by the Fund of all or part of the services described above. 1/

As contemplated in paragraph A6, the precise range of services to be provided in each case would take into account the circumstances of the Republic. Also, it is expected that the terms and conditions on the part of the Republics would be similar to those for the Russian Federation described above. These technical cooperation agreements could be concluded by mere exchange of letters.

The Executive Board will be kept informed of requests for technical cooperation agreements through periodic briefings, and copies of the agreements, other than those covering only technical assistance or training, will be circulated to Executive Directors.

It must be noted that such an agreement between the Fund and a Republic would not prevent the Republic from applying for membership if it so wished. Such an application would be processed in accordance with the rules of the Fund.

Accordingly, the following decision is proposed for adoption by the Executive Board:

The Executive Board decides that, for the application of paragraph A6 of the Special Association Agreement with the U.S.S.R., the Managing Director is authorized to agree, on behalf of the Fund, to requests from Union Republics for all or part of the services referred to in paragraphs A1 to A5 of the Special Association Agreement.

1/ On November 15, 1991, the Executive Board already authorized the Managing Director to agree, on behalf of the Fund, to requests from Republics for technical assistance or training (EBD/91/309, 11/20/91).