

**IMMEDIATE
ATTENTION**

EBS/01/186

CONFIDENTIAL

November 9, 2001

To: Members of the Executive Board

From: The Secretary

Subject: **Italy—Framework Administered Account for Technical Assistance
Activities—Technical Assistance Subaccount**

Attached for consideration by the Executive Directors is a paper on Italy—framework administered account for technical assistance activities—technical assistance subaccount.

It is not proposed to bring this matter to the agenda of the Executive Board for discussion unless an Executive Director so requests by noon on Friday, November 16, 2001. In the absence of such a request, the draft decision that appears on page 3 will be deemed approved by the Executive Board and it will be so recorded in the minutes of the next meeting thereafter.

Questions may be referred to Mrs. Liuksila (ext. 38768) and Mr. Wilairat (ext. 36519).

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

**Framework Administered Account for Technical
Assistance Activities:
Italy Technical Assistance Subaccount**

Prepared by the Legal and Treasurer's Departments
and the Office of Technical Assistance Management

Approved by François Gianviti, Eduard Brau,
and Claire Liuksila

November 7, 2001

1. In April 1995, the Fund established the Framework Administered Account for Technical Assistance Activities ("Framework Account") to receive and administer resources contributed to finance technical assistance activities consistent with the Fund's purposes.¹ The financing of technical assistance activities from the Framework Account is implemented through the establishment and operation of a subaccount within the Framework Account. The establishment of a subaccount requires the approval of the Executive Board. Since the creation of the Framework Account, the Executive Board has approved the establishment of nine subaccounts; namely, the "Japan Advanced Scholarship Program Subaccount,"² the "Rwanda—Macroeconomic Management Capacity Subaccount,"³ the "Australia-IMF Scholarship Program for Asia Subaccount,"⁴ the "Switzerland Technical Assistance Subaccount,"⁵ the "French Technical Assistance Subaccount,"⁶ the "Denmark Technical Assistance Subaccount,"⁷ the "Australia Technical Assistance Subaccount,"⁸ "The Netherlands Technical Assistance Subaccount,"⁹ and the "UK-DFID Technical Subaccount."¹⁰

2. The Government of Italy and the Fund (represented by management in accordance with the Framework Account Instrument) have reached understandings regarding the

¹ EBS/95/56 (3/29/95); Executive Board Decision No. 10942-(95/33), adopted April 3, 1995, as amended by Decision No. 11162-(95/121), adopted December 19, 1995.

² EBS/95/91 (5/30/95); Executive Board Decision No. 10996-(95/56), adopted June 6, 1995.

³ EBS/95/221 (12/15/95); Executive Board Decision No. 11171-(95/122), adopted December 20, 1995.

⁴ EBS/96/81 (5/29/96); Executive Board Decision No. 11271-(96/55), adopted June 5, 1996.

⁵ EBS/96/132 (8/20/96); Executive Board Decision No. 11331-(96/80), adopted August 27, 1996.

⁶ EBS/96/157 (9/26/96); Executive Board Decision No. 11353-(96/91), adopted September 30, 1996.

⁷ EBS/98/148 (8/19/98); Executive Board Decision No. 11783-(98/89), adopted August 25, 1998.

⁸ EBS/00/36 (2/29/00); Executive Board Decision No. 12155-(00/23), adopted March 7, 2000.

⁹ EBS/00/150 (7/20/00); Executive Board Decision No. 12261-(00/78), adopted July 27, 2000.

¹⁰ EBS/01/96 (6/22/01); Executive Board Decision No. 12516-(01/68), adopted June 29, 2001.

establishment and operation of a new subaccount within the Framework Account, to be called the "Italy Technical Assistance Subaccount" (the "Subaccount"). The essential terms of these understandings are as follows:

- a. The resources of the Subaccount shall consist of amounts contributed to the Subaccount by Italy and earnings that accrue as a result of the investment of these amounts (net of any costs associated with such investments). The resources of the Subaccount will be used to finance projects that seek to enhance the capacity of members to formulate and implement policies in the macroeconomic, fiscal, monetary, financial, and related statistical fields, including training programs and projects that strengthen the legal and administrative framework in these core areas.
 - b. Italy and the Fund shall agree upon operational features related to the technical assistance activities agreed to be financed from the Subaccount. These features, which shall be consistent with the understandings that have been reached between Italy and the Fund and the Instrument governing the Framework Account, and shall include the design of the technical assistance supported by the Subaccount, the types and amounts of expenses that may be financed from the Subaccount, and the procedures to be followed. Agreement may also be reached on other technical assistance activities to be supported by the Subaccount.
 - c. Resources will be placed in the Subaccount by Italy after signature of a Letter of Understanding between Italy and the Fund relating to specific projects to be undertaken, and before commitments are made by the Fund to finance any technical assistance activities.
 - d. To help defray the expenses incurred by the Fund in the administration of the Subaccount and the technical assistance activities that it will finance, reimbursement equal to 13 percent of the expenses financed from the Subaccount will be paid to the Fund from the Subaccount.
 - e. The investment, accounting, reporting, and auditing procedures will be consistent with the provisions set forth in the Instrument governing the Framework Account.
3. Since the technical assistance activities to be financed from the Subaccount would be consistent with the purposes of the Fund, it is recommended that the proposed establishment and operation of the Subaccount be approved.

Proposed Decision

The following decision is proposed for adoption by the Executive Board:

In accordance with the terms and conditions of the Instrument establishing the Framework Administered Account for Technical Assistance Activities (Decision No. 10942-(95/33)), as amended, the Fund hereby approves the establishment of the “Italy Technical Assistance Subaccount,” which shall be used by the Fund to administer resources to be contributed by the Government of Italy, as described in EBS/01/186.