

**IMMEDIATE  
ATTENTION**

EBS/01/202

CONFIDENTIAL

November 29, 2001

To: Members of the Executive Board

From: The Secretary

Subject: **Framework Administered Account for Technical Assistance Activities—  
Proposed Amendment to the Instrument**

Attached for consideration by the Executive Directors is a paper on a proposed amendment to the Instrument for the Framework Administered Account for Technical Assistance Activities.

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 Thursday, December 6, 2001. 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.

Questions may be referred to Mrs. Liuksila (ext. 38768) and Mr. B. Christensen (ext. 39356).

Att: (1)

Other Distribution:  
Department Heads



INTERNATIONAL MONETARY FUND

**Framework Administered Account for Technical  
Assistance Activities: Proposed Amendment to the Instrument**

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 29, 2001

1. In 1995, the Fund established the "Framework Administered Account for Technical Assistance Activities" (the "Framework Account").<sup>1</sup> The Framework Account administers grants that have been provided by a contributor for the purpose of financing technical assistance activities of the Fund. At the request of (i) a government or other official agency of a country or (ii) an intergovernmental organization ("Contributor"), financing of technical assistance activities is implemented through the establishment and operation of a subaccount within the Framework Account.<sup>2</sup>

2. Some Fund members have proposed using a single subaccount under the Framework Account to allow several Contributors jointly to finance technical assistance activities of the Fund. The staff agrees that such use of subaccounts would facilitate the funding, delivery and administration of technical assistance. Because the Framework Account was originally designed for the purposes of establishing subaccounts with only one Contributor, the terms of the present Instrument establishing the Framework Account requires amendment to accommodate the establishment of subaccounts under the Framework Account comprising of resources from more than one Contributor.

3. The decision adopting the Instrument for the Framework Account provides that any amendment of the Instrument requires the concurrence of the contributors that are financing activities through the Framework Account at the time of the amendment (paragraph 2). Staff is currently contacting such existing Contributors to procure their concurrence.

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<sup>1</sup>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.

<sup>2</sup>Since the creation of the Framework Account, the Executive Board has approved the establishment of ten subaccounts.

4. As a result of the proposed revision to the Instrument, the Managing Director would be authorized to reach agreement with a Contributor that wishes to be added to a multi-donor subaccount, upon consultation with the existing Contributors (paragraph 3(a)). As a consequence, once the Executive Board agrees to establish a multi-donor account, the addition of subsequent Contributors would not require a further Board decision. It is not currently anticipated that existing or future single-donor accounts would be converted into multi-donor accounts, which would require consent of the Contributor and approval of the Executive Board.

5. As under the existing Instrument, following approval of each subaccount by the Executive Board, operational details concerning the subaccount would be agreed between the Contributor(s) and the Fund, as represented by management in accordance with paragraph 3 of the Instrument, without further Board approval. Under the revised Instrument, these matters include understandings on the disposition of residual amounts in the subaccount, such as upon completion of a project (or earlier at the request of a Contributor) while the subaccount remains open or termination of the subaccount (paragraph 13). It is intended, at least initially, that subaccounts with resources from more than one Contributor would be established for a single project.

6. The references to the External Audit Committee in paragraphs 10(b) and 10(c) have been changed to the External Audit Firm, in line with changes made to Section 20 of the Fund's By-Laws in September 1999.

7. The staff therefore proposes that the Instrument be amended as provided in the Annex to this paper. The following decision, which can be taken by a majority of the votes cast, is proposed for adoption by the Executive Board, and will become effective when the Fund receives notice of concurrence from all the existing Contributors:

The Instrument establishing the Framework Administered Account for Technical Assistance Activities (Decision No. 10942-(95/33)), as amended, is hereby further amended as provided in the Annex to EBS/01/202.

ANNEX

**Instrument for a Framework Administered Account for Technical Assistance Activities**

To help fulfill its purposes, the International Monetary Fund (the “Fund”) has adopted this Instrument to establish an account in accordance with Article V, Section 2(b) which shall be governed by, and administered in accordance with, the provisions of this Instrument.

1. The Fund hereby establishes an account (the “Framework Account”) for the purpose of the administration of resources to be contributed by: (i) governments or other official agencies of countries and (ii) intergovernmental organizations (individually referred to as a “Contributor”, collectively referred to as “Contributors”), in order to finance technical assistance activities of the Fund.

2. The resources provided by Contributors to the Framework Account shall be: (i) grants, or (ii) proceeds of grants or loans that have been received by the Contributor from entities other than the Fund for the purpose of financing technical assistance to the Contributor. The resources may be used by the Fund only for technical assistance activities consistent with its purposes, in accordance with the procedures specified in paragraph 3 of this Instrument.

3. (a) The financing of technical assistance activities shall be implemented through the establishment and operation of subaccounts within the Framework Account. A subaccount may be established with resources from one or more Contributors; with the agreement of the Managing Director and after consultation with the Contributors of such a subaccount, a Contributor may be added to the subaccount following the subaccount’s establishment.

(b) The establishment of a subaccount shall be subject to prior approval by the Fund, upon the recommendation of the Managing Director. When recommending approval of the establishment of a subaccount, the Managing Director shall specify the essential terms of the understandings that have been reached between the Contributor(s) and the Managing Director regarding (i) the nature, design and implementation of the technical assistance activities to be financed from the subaccount in question and (ii) the method by which the costs of the technical assistance activities will be financed from resources contributed to the subaccount by the Contributor(s). Further understandings between the Managing Director and the Contributor(s) shall determine the conditions governing and methods used for the disposition of any net contributions for purposes of paragraph 13. Following the establishment of a subaccount, the Fund shall be authorized to use the resources in the subaccount in accordance with the understandings reached between the Contributor(s) and the Managing Director.

4. Costs charged to a subaccount of the Framework Account as a result of costs incurred by the Fund in the performance of technical assistance activities shall be based on standard costs as determined by the Fund, unless otherwise agreed between the Fund and the

Contributor(s). A subaccount shall also be charged an amount equivalent to a percentage of such costs so as to help cover the expenses incurred by the Fund in the administration of the technical assistance activities financed from the subaccount in question.

5. Resources in a subaccount may be used to make disbursements to the Fund's General Resources Account as required to reimburse the Fund for expenditures incurred by the Fund on account of any technical assistance activity financed by resources from such subaccount.

6. All transactions and operations of the Framework Account shall be denominated in U.S. dollars.

7. Resource held in a subaccount of the Framework Account pending disbursement shall be invested at the discretion of the Managing Director. Earnings net of any costs associated with such investments shall accrue to the subaccount and shall be available for the purposes of the subaccount.

8. Subject to the requirement of Fund approval specified in paragraph 3, the Managing Director is authorized (i) to make all arrangements, including establishment of accounts in the name of the Fund, as he deems necessary to carry out the operations of the Framework Account; and (ii) to take all other measures he deems necessary to implement the provisions of this Instrument.

9. Assets held in the Framework Account shall be accounted for separately from the assets and property of other accounts of, or administered by, the Fund. The assets and property held in such other accounts shall not be used to discharge or meet any liabilities, obligations, or losses of the Fund incurred in the administration of the Framework Account nor shall the assets of the Framework Account be used to discharge or meet any liabilities, obligations, or losses incurred by the Fund in the administration of such other accounts. The assets and property held in each subaccount of the Framework Account shall not be used to discharge or meet any liabilities, obligations, or losses of the Fund incurred in the administration of any other subaccount of the Framework Account.

10. (a) The Fund shall maintain separate financial records and prepare separate financial statements for the Framework Account. Such records and statements, which shall include a breakdown with respect to each subaccount, will be maintained in accordance with generally accepted accounting principles. The financial statements for the Framework Account shall be expressed in U.S. dollars. ~~Each Contributor shall receive annually, or more often if agreed, a report on expenditures from that Contributor's contributions to the Framework Account and a review of the activities financed by that Contributor through the Framework Account.~~ For each subaccount, a report on the subaccount's expenditures and a review of the activities financed by it shall be prepared by the Fund and furnished to the subaccount's Contributor(s) annually, or more often if agreed between the Contributor(s) and the Managing Director.

(b) The External Audit ~~Committee~~ Firm selected under Section 20 of the Fund's By-Laws shall audit the operations and transactions conducted through the Framework Account. The audit shall relate to the financial year of the Fund.

(c) The Fund shall report on the position of the Framework Account, including a breakdown with respect to each subaccount, in the Annual Report of the Executive Board to the Board of Governors and shall include in that Annual Report the report of the External Audit ~~Committee~~ Firm on the Framework Account.

11. Subject to the provisions of this Instrument, the Fund, in administering the Framework Account, shall apply, mutatis mutandis, the same rules and procedures as apply to the operation of the General Resources Account of the Fund.

12. The Framework Account or any subaccount thereof may be terminated by the Fund at any time; the termination of the Framework Account shall terminate each subaccount thereof. A subaccount may also be terminated by the Contributor of the resources to the subaccount or, in the case of a subaccount comprising resources from more than one Contributor, by all the Contributors participating in the subaccount at the time of termination, provided that a Contributor to such a subaccount may cease its own participation in the subaccount at any time without termination of the subaccount. Termination shall be effective on the date that the Fund or the Contributor(s), as the case may be, receives notice of termination, or such later date, if any, as may be specified in the notice of termination. ~~Any balances, net of the amounts of continuing liabilities and commitments under the activities financed, that may remain in a subaccount upon its termination shall be transferred promptly to the Contributor.~~

13. The Managing Director and the Contributor(s) shall reach understandings under paragraph 3(b) of this Instrument on the disposition upon termination of the subaccount of any balances, net of the amounts of continuing liabilities and commitments under the activities financed, that may remain in the subaccount with respect to the Contributor or, in the case of a subaccount comprising resources from more than one Contributor, the Contributors participating in the subaccount at the time of termination. The Managing Director and the Contributor(s) may also reach understandings with respect to retransfer to the Contributor of its contribution, net of the amounts of continuing liabilities and commitments under the activities financed, prior to termination of the subaccount; absent such understandings, any net contribution shall be retransferred to the Contributor only upon termination of the subaccount.