

**IMMEDIATE  
ATTENTION**

EBS/02/84

CONFIDENTIAL

May 15, 2002

To: Members of the Executive Board

From: The Secretary

Subject: **Framework Administered Account for Technical Assistance  
Activities—Pacific Financial Technical Assistance Centre Subaccount**

Attached for consideration by the Executive Directors is a paper on the establishment of a Pacific Financial Technical Assistance Centre Subaccount under the Fund's 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 Wednesday, May 22, 2002. In the absence of such a request, the draft decision that appears on page 4 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 Ms. Liuksila, OTM (ext. 38768) and Mr. B.L. Christensen, OTM (ext. 39356).

Att: (1)

Other Distribution:  
Department Heads



INTERNATIONAL MONETARY FUND

**Framework Administered Account for Technical  
Assistance Activities:  
Pacific Financial Technical Assistance Centre 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

May 15, 2002

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.<sup>1</sup> 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 ten subaccounts; namely, the "Japan Advanced Scholarship Program Subaccount"<sup>2</sup>, the "Rwanda—Macroeconomic Management Capacity Subaccount"<sup>3</sup>, the "Australia-IMF Scholarship Program for Asia Subaccount"<sup>4</sup>, the "Switzerland Technical Assistance Subaccount"<sup>5</sup>, the "French Technical Assistance Subaccount"<sup>6</sup>, the "Denmark Technical Assistance Subaccount"<sup>7</sup>, the "Australia Technical Assistance Subaccount"<sup>8</sup>, "The Netherlands Technical Assistance Subaccount"<sup>9</sup>, "The United Kingdom DFID Technical Assistance Subaccount"<sup>10</sup>, and the "Italy Technical Assistance Subaccount"<sup>11</sup>.

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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, and by EBS/01/202 (11/29/01), adopted December 6, 2001.

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

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

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

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

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

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

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

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

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

<sup>11</sup> EBS/01/186 (11/9/01); Executive Board Decision No. 12622-(01/118), adopted November 16, 2001.

2. In 1993, the Pacific Financial Technical Assistance Centre (PFTAC) was established as a United Nations Development Programme (UNDP) regional project, to provide technical assistance to the countries and territories in the Pacific islands region (listed in the Attachment). Under this project, the Fund agreed to manage and control the technical assistance provided by PFTAC in accordance with an Executive Agency Agreement entered into by the Fund and the UNDP. Since two of the fifteen island countries and territories are non-member countries, the provision of technical assistance to these countries through PFTAC was approved by the Executive Board pursuant to Rule N-16 (d). Since UNDP has decided to withdraw financially and administratively from PFTAC, alternative arrangements have had to be agreed.

3. Given the large and direct involvement of the Fund in PFTAC, it is proposed to establish a subaccount under the Framework Administered Account so that the technical assistance services of PFTAC would continue to be rendered to such countries and territories, including Nauru and Tuvalu, who are independent countries but not members of the Fund.

4. The Government of Australia and the Fund (represented by management in accordance with the Framework Account Instrument) have accordingly reached understandings regarding the establishment and operation of a new subaccount within the Framework Account, to be called the “Pacific Financial Technical Assistance Centre 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 the Government of Australia, and other governments or official agencies of countries, and intergovernmental agencies that subsequently reach understandings with the Managing Director to contribute to the Subaccount (Contributors), and earnings that accrue as a result of the investment of these amounts (net of any costs associated with such investments).

b. The resources of the Subaccount will be used to finance activities of the Pacific Financial Technical Assistance Centre (PFTAC) that seek to enhance the capacity of Pacific island countries and territories to formulate and implement policies in the macroeconomic, fiscal, monetary, financial, and related statistical fields, including training and activities that strengthen the legal and administrative framework in these core areas.

c. The Contributors 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 the Contributors and the Fund and the Instrument governing the Framework Account, 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. The understandings shall also determine the conditions governing and methods used for the disposition of any net

contributions for purposes of paragraph 13 of the Instrument governing the Framework Account.

d. Resources will be placed in the Subaccount by the Contributors after signature of a Letter of Understanding between the Contributors and the Fund relating to the activities to be undertaken by the Pacific Financial Technical Assistance Centre (PFTAC), and before commitments are made by the Fund to finance any technical assistance activities.

e. 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.

f. The investment, accounting, reporting, and auditing procedures will be consistent with the provisions set forth in the Instrument governing the Framework Account.

5. 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, including the continued assistance to the non-member countries noted in the Attachment.

### **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 “ Pacific Financial Technical Assistance Centre Subaccount,” which shall be used by the Fund to administer resources to be contributed by the Government of Australia, and any subsequent Contributors, as described in EBS/02/84.

ATTACHMENT

Fund Members

Papua New Guinea  
Fiji  
Kiribati  
Marshall Islands, Republic of the  
Micronesia, Palau, Republic of  
Samoa  
Solomon Islands  
Tonga  
Vanuatu

Fund Members' Territories/Associated States

Cook Islands (self-governing parliamentary democracy in free association with New Zealand)  
Niue (self-governing parliamentary democracy in free association with New Zealand)  
Tokelau (territory of New Zealand)

Nonmember Independent Countries

Nauru  
Tuvalu