

**IMMEDIATE
ATTENTION**

EBS/03/61

May 16, 2003

To: Members of the Executive Board

From: The Secretary

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

Attached for consideration by the Executive Directors is a paper on the framework administered account for technical assistance activities—China 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, May 23, 2003**. 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 Mr. B. Christensen, OTM (ext. 39356), Ms. Christopherson, LEG (ext. 35376), and Mr. Fitzpatrick, FIN (ext. 37826).

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

**Framework Administered Account for Technical
Assistance Activities:
China 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

May 16, 2003

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 thirteen subaccounts.²

¹ Executive Board Decision No. 10942-(95/33), adopted April 3, 1995 (EBS/95/56 (3/29/95)), as amended by Decision No. 11162-(95/121), adopted December 19, 1995 (EBS/95/220 (12/14/95)) and by Decision No. 12641-(01/126), adopted December 6, 2001 (EBS/01/202 (11/29/01)).

² “Japan Advanced Scholarship Program Subaccount” (EBS/95/91 (5/30/95); Executive Board Decision No. 10996-(95/56), adopted June 6, 1995), “Rwanda Macroeconomic Management Capacity Subaccount” (EBS/95/221 (12/15/95); Executive Board Decision No. 11171-(95/122), adopted December 20, 1995), “Australia-IMF Scholarship Program for Asia Subaccount” (EBS/96/81 (5/29/96); Executive Board Decision No. 11271-(96/55), adopted June 5, 1996), “Switzerland Technical Assistance Subaccount” (EBS/96/132 (8/20/96); Executive Board Decision No. 11331-(96/80), adopted August 27, 1996), “French Technical Assistance Subaccount” (EBS/96/157 (9/26/96); Executive Board Decision No. 11353-(96/91), adopted September 30, 1996), “Denmark Technical Assistance Subaccount” (EBS/98/148 (8/19/98); Executive Board Decision No. 11783-(98/89), adopted August 25, 1998), “Australia Technical Assistance Subaccount” (EBS/00/36 (2/29/00); Executive Board Decision No. 12155-(00/23), adopted March 7, 2000), “The Netherlands Technical Assistance Subaccount” (EBS/00/150 (7/20/00); Executive Board Decision No. 12261-(00/78), adopted July 27, 2000), “The United Kingdom DFID Technical Assistance Subaccount” (EBS/01/96 (6/22/01); Executive Board Decision No. 12516-(01/68), adopted June 29, 2001), “Italy Technical Assistance Subaccount” (EBS/01/186 (11/9/01); Executive Board Decision No. 12622-(01/118), adopted November 16, 2001), “Pacific Financial Technical Assistance Centre Subaccount” (EBS/02/84 (5/15/02); Executive Board Decision No. 12751-(02/52), adopted May 22, 2002), “Africa Regional Technical Assistance Centers Subaccount” (EBS/02/135 (7/26/02); Executive Board Decision No. 12832-(02/88), adopted August 9, 2002), and “Sweden Technical Assistance Subaccount” (EBS/02/91 (11/18/02); Executive Board Decision No. 12891-(02/117), adopted November 25, 2002).

2. The Government of the People's Republic of China and the Fund (represented by management in accordance with the Framework Account Instrument) have reached understandings regarding the establishment and operation of a new subaccount within the Framework Account, to be called the "China 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 the Government of the People's Republic of China ("China") 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. China 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 China 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 China after signature of a Letter of Understanding between China and the Fund relating to specific projects to be undertaken, and before commitments are made by the Fund to finance any technical assistance activities. The initial use of the Subaccount will be to help finance the activities of East AFRITAC.

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 “China Technical Assistance Subaccount,” which shall be used by the Fund to administer resources to be contributed by the Government of the People's Republic of China, as described in EBS/03/61.