

**IMMEDIATE
ATTENTION**

EBS/08/28
Correction 1

CONFIDENTIAL

March 3, 2008

To: Members of the Executive Board

From: The Secretary

Subject: **Amendment of the Administered Account—Japan and Establishment of the Japan Administered Account for Liberia**

The attached typographical corrections to EBS/08/28 (2/29/08) have been provided by the staff:

Pages 8 and 9: entire Attachment to Decision 2 replaced

Page 11: renumbered to page 10; **second para., line 4:** for “an” read “and”

Questions may be referred to Mr. Lin, FIN (ext. 37299), and to Ms. Weeks-Brown (ext. 36896) and Ms. SenGupta (ext. 30032) in LEG.

This document will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities.

Att: (3)

Other Distribution:
Department Heads

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

12. The Account may be terminated by the Fund or Japan at any time. Termination shall be effective on the date that either party receives a notice of termination, or such later date, if any, as may be specified in the notice of termination. Any balances that may remain in the Account upon its termination shall be transferred promptly to Japan.

13. Any question arising under this Instrument shall be settled by mutual agreement between the Fund and Japan.

Attachment to Decision 2

Instrument to Establish the Japan Administered Account for Liberia

To help fulfill its purposes, the International Monetary Fund (the “Fund”), at the request of the Japanese authorities, has adopted this Instrument to establish the Japan Administered Account for Liberia (the “Account”) in accordance with Article V, Section 2(b) of the Fund’s Articles of Agreement, which shall be governed and administered by the Fund in accordance with the terms and conditions of this Instrument.

1. The purpose of the Account is to hold and administer resources that are disbursed from the Administered Account–Japan established pursuant to Decision No. 9091-(89/27), adopted March 3, 1989, as amended, pending their transfer for use in the financing of debt relief to Liberia. Specifically, it is intended that resources in the Account will be transferred to the Liberia Administered Account established pursuant to Decision No. 13973-(07/80), adopted September 14, 2007, for use in the financing of the Fund’s debt relief to Liberia in accordance with the terms and conditions specified in the Instrument that governs the Liberia Administered Account.

2. The resources held in the Account, including any investment returns, shall be transferred to the Liberia Administered Account for the purposes specified above when the relevant staff report (which may include a report prepared jointly by staffs of the Fund and World Bank) has been issued to the Fund’s Executive Board proposing that the Fund decide that Liberia has reached the completion point under the enhanced HIPC Initiative. The Account shall be terminated (a) following the transfer of resources as specified in this paragraph, or (b) at such earlier time as may be agreed upon between the Fund and Japan, taking into account Liberia’s adjustment efforts and the timeframe within which it is expected to reach the completion point under the enhanced HIPC Initiative. In the event of termination under (b), resources in the Account shall be retransferred to the Administered Account–Japan for use in accordance with the purposes of that account.

3. The SDR shall be the unit of account. Resources provided to the Account shall be in any freely usable currency or such other media as may be agreed by the Fund and Japan.

4. The resources held in the Account and not immediately needed for operations shall be invested at the discretion of the Managing Director. Investments pursuant to this paragraph may be made in any of the following: (i) marketable obligations issued by international financial organizations and denominated in SDRs or in the currency of a member of the Fund, (ii) marketable obligations issued by a member or by a national official financial institution of a member and denominated in SDRs or in the currency of that member, and (iii) deposits with a commercial bank, a national official financial institution of a member, or an international financial institution that are denominated in SDRs or in the currency of a

member. Investment which does not involve an exchange of currency shall be made only after consultation with the member whose currency is to be used, or, when an exchange of currency is involved, with the consent of the issuers of such currencies.

5. The assets held in the Account shall be kept separate from the assets and property of all 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 incurred in the administration of the Account, nor shall the assets of the Account be used to discharge or meet any liabilities, obligations or losses incurred in connection with any such other accounts of, or administered by, the Fund.

6. The Fund shall maintain separate financial records and prepare financial statements for the Account. The financial statements for the Account shall be expressed in SDRs and prepared in accordance with International Financial Reporting Standards.

7. The external audit firm selected under Section 20 of the Fund's By-Laws shall audit the operations and transactions of the Account. The audit shall relate to the financial year of the Fund.

8. The Fund shall report on the assets and property and on the operations and transactions of the Account in the Annual Report of the Executive Board to the Board of Governors and shall include in that Annual Report the audit report of the external audit firm on the Account.

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

10. The Managing Director is authorized (a) to make all arrangements, including the establishment of accounts in the name of the Fund, with such depositories as he deems necessary to carry out the operations of the Account, and (b) to take all other measures he deems necessary to implement the provisions of this Instrument.

11. No charge shall be levied in respect of the services rendered by the Fund in the administration, operation, and termination of the Account. All investment costs, including but not limited to costs associated with the exchange of currencies, purchase of securities, and hiring of external asset managers and custodian banks, shall be borne by, and deducted from, the Account.

12. The provisions of this Instrument may be amended only by a decision of the Fund with the concurrence of Japan.

13. Any questions arising under this Instrument between Japan and the Fund shall be settled by mutual agreement between them.

ANNEX

To: Mr. Dominique Strauss-Kahn February 21, 2008

From: Daisuke Kotegawa

Subject: **Amendment of the Administered Account—Japan and Establishment of the Japanese Administered Account for Liberia**

I have been requested to advise you that the Ministry of Finance of Japan requests (i) an amendment of the Instrument that governs the Administered Account–Japan, adopted by the Fund’s Executive Board on March 3, 1989 (the “JAA”), and (ii) the establishment, pursuant to Article V, Section 2(b) of the Fund’s Articles of Agreement, of a new administered account: the Japan Administered Account for Liberia (the “JAA-Liberia”).

The purpose of the requested amendment is to enable the JAA to provide assistance to qualifying countries (i.e., those with overdue financial obligations to the Fund that are cooperating with the Fund under the intensified collaborative approach) in the context of an internationally-agreed comprehensive package that integrates arrears clearance and a subsequent debt relief operation. Disbursements pursuant to this new provision could be made either to the country or to accounts or trusts administered by the Fund for the benefit of the country. The proposed amendment would facilitate a disbursement of resources from the JAA for the benefit of Liberia, in the context of the Liberia financing modalities for arrears clearance and debt relief that were approved by the Fund’s Executive Board in September 2007. The amendment would also provide a framework that could be used in the future, upon the request of Japan, to provide resources for the financing of debt relief to other qualifying countries in the context of an internationally-agreed comprehensive package that integrates arrears clearance and a subsequent debt relief operation.

Once established, the JAA-Liberia would hold and administer resources disbursed for the benefit of Liberia from the JAA, pending their transfer for use in the financing of debt relief to Liberia. Resources would be transferred from the JAA-Liberia to the Liberia Administered Account established pursuant to Decision No. 13973-(07/80), adopted September 14, 2007, when the relevant staff report (which may include a report issued jointly by staffs of the Fund and the World Bank) has been issued to the Fund’s Executive Board proposing that the Fund decide that Liberia has reached the completion point under the enhanced HIPC Initiative. Resources transferred to the Liberia Administered Account shall be for use in accordance with the terms and conditions specified in the Instrument that governs the Liberia Administered Account.