

**IMMEDIATE
ATTENTION**

EBS/09/40

March 30, 2009

To: Members of the Executive Board

From: The Acting Secretary

Subject: **Framework Administered Account for Selected Fund Activities—
Central America, Panama, and the Dominican Republic Technical
Assistance Center (CAPTAC-DR) Subaccount**

Attached for consideration by the Executive Directors is a proposal for the establishment of a subaccount for the Central America, Panama, and the Dominican Republic Technical Assistance Center (CAPTAC-DR) under the Framework Administered Account for Selected Fund Activities (the “SFA Instrument”).

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 Monday, April 6, 2009**. 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.

It is intended that this paper will be published on the Fund’s external website after Monday, April 6, 2009.

Questions may be referred to Ms. SenGupta, LEG (ext. 30032), Mr. DiMaina, FIN (ext. 38455), and Mr. Jacoby, OTM (ext. 39422).

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

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

**Framework Administered Account for Selected Fund Activities—
Central America, Panama, and the Dominican Republic Technical Assistance Center
(CAPTAC-DR) Subaccount**

Prepared by the Legal and Finance Departments, and the Office of Technical Assistance
Management

Approved by Sean Hagan, Andrew Tweedie, and Alfred Kammer

March 27, 2009

1. In March 2009, the Fund established a new Framework Administered Account to administer external financial resources for selected Fund activities (the “SFA Instrument”).¹ The financing of activities under the terms of the SFA Instrument is implemented through the establishment and operation of a subaccount within the SFA. The subaccount for the Central America, Panama, and the Dominican Republic Technical Assistance Center (CAPTAC-DR) would be the first one established under the SFA. This paper requests Executive Board approval to establish the CAPTAC-DR subaccount (the “Subaccount”) under the terms of the SFA Instrument.
2. Management has engaged in discussions with member countries in the broader Central America region as well as donors on regional needs in capacity building, training and related activities. Both possible CAPTAC-DR beneficiary countries and interested donors are supportive of increasing the Fund’s involvement in this regard. Fund Regional Technical Assistance Centers have a proven track record to cost-effectively provide focused, flexible, and responsive technical assistance (TA). CAPTAC-DR is expected to be the best vehicle to enhance the IMF’s ability to provide more technical assistance and training in the region. Initially, the center’s activities will focus on five key areas representing common policy challenges to member countries, including those related to increased regional integration: (i) financial sector supervision (ii) tax and customs policy and administration; (iii) medium-term expenditure frameworks and PFM-related issues; (iv) money and public debt markets; and (v) macroeconomic statistics.

¹ Executive Board Decision on the Establishment of a New Framework Administered Account for Selected Fund Activities, adopted March 27, 2009 (EBS/09/27).

3. On the basis of the above, the Managing Director has established essential terms and conditions of the Subaccount, with respect to the nature, design, and implementation of the activities to be financed and the method by which the costs of the activities will be financed from the Subaccount. These essential terms and conditions include the following:

- a. The resources of the Subaccount will consist of amounts contributed to the Subaccount by donors and beneficiary countries of CAPTAC-DR, (“Contributors”), 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 capacity building, training and related activities, consistent with the purposes of the Fund for identified beneficiaries of CAPTAC-DR. The beneficiaries of CAPTAC-DR are members countries in the region, which include Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, and Panama. Additional beneficiary members of CAPTAC-DR may be added with the consent of the Managing Director and the concurrence of Contributors.
- b. Each Contributor will consent to the essential terms and conditions of the Subaccount before the Managing Director may accept the Contributor’s resources into the Subaccount.
- c. Resources will be placed in the Subaccount by each Contributor after signature of a Letter of Understanding between the Contributor and the Fund. Contributors may transfer resources from any bilateral subaccount under the SFA into the CAPTAC-DR subaccount.
- d. Contributors may join the Subaccount at any time. A Contributor’s consent to the essential terms and conditions of the Subaccount shall constitute the Contributor’s ex ante concurrence to any additional Contributor joining the Subaccount on the latter’s consent to the same essential terms and conditions.
- e. A Contributor may withdraw from the Subaccount, and receive a retransfer of its net contributions, without precipitating the termination of the Subaccount.
- f. To help defray the expenses incurred by the Fund in the management of the Subaccount that it will finance, reimbursement equal to 7 percent of the expenses financed from the Subaccount will be paid to the Fund from the Subaccount.

4. The essential terms and conditions of the Subaccount are consistent with the terms of the SFA Instrument, and the activities to be financed from the Subaccount are consistent with

the purposes of the Fund. Accordingly, it is proposed that the Executive Board approve the establishment of the Subaccount.

PROPOSED DECISION

The following decision, which may be adopted by a majority of the votes cast, is proposed for adoption by the Executive Board:

In accordance with the terms and conditions of the Instrument establishing the Framework Administered Account for Selected Fund Activities, adopted March 27, 2009, the Fund approves the establishment of the Central America, Panama, and the Dominican Republic Technical Assistance Center (CAPTAC-DR) Subaccount, to administer contributed resources, as described in EBS/09/40.