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AGENDA

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EBD/87/149
Supplement 1

June 4, 1987

To: Members of the Executive Board

From: The Secretary

Subject: Italy - Establishment and Administration of Voluntary
Contribution Account

There is attached for consideration by the Executive Directors the request from the Italian Government for the establishment of an account, together with a revised proposed decision. A draft reply by the Managing Director appears as Attachment IV (page 8) in EBD/87/149 (5/29/87).

Mr. Liuksila (ext. 7797) is available to answer technical or factual questions relating to this paper prior to the Board discussion tomorrow, Friday, June 5, 1987.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

Establishment and Administration of Voluntary Contribution Account
at the Request of Italy: Letter of Request, Draft Decision
and Instrument, and Draft Reply by the Managing Director

Prepared by the African Department, the Legal Department
and the Treasurer's Department

Approved by Alassane D. Ouattara, François Gianviti and Gerhard Laske

June 4, 1987

This memorandum sets forth a revised draft decision with annexed Instrument, which is required to establish and administer the Voluntary Contribution Account at the request of Italy. The revisions in paragraph 1 of the draft decision and in paragraphs 1 and 3 of the Instrument reflect further clarifications of the intentions of the Italian authorities. Under the draft decision and Instrument, the Account will be used to administer a grant for Somalia only and shall be closed after the operation has been carried out.

The request of the Italian Government having been received through the Italian Treasury Ministry (Attachment I), the following draft decision, with annexed Instrument, is proposed for adoption by the Executive Board:

"1. Pursuant to Article V, Section 2(b), the Fund
adopts the provisions set forth in the Annex that establish
an Account for the administration by the Fund of resources
to be contributed by Italy for Somalia.

2. The provisions of the Annex may be amended only
by a decision of the Fund and with the concurrence of Italy."

Attachment

An Instrument to Establish an Account at the Request of Italy

To help fulfill its purposes, the International Monetary Fund (hereinafter called the Fund) has adopted this Instrument to establish an Account at the request of Italy, which shall be governed by, and administered in accordance with, the terms and conditions of this Instrument:

1. Establishment of Account

The Managing Director is hereby authorized to establish with the Fund an Account for the administration of resources to be contributed by Italy to support the adjustment efforts of Somalia.

2. Resources

The resources of the Account shall consist of currency.

3. Operations of the Account

The resources of the Account may be used by the Fund only to provide a grant to Somalia. The receipt, holding and use of resources for such a grant shall not be on the account of the Fund.

4. Administration of the Account

(a) The Managing Director is authorized (i) to make all arrangements, including establishment of accounts in the name of the International Monetary Fund, with such depositories of the Fund as may be necessary to carry out the operations of the Account; and (ii) to take all measures necessary to implement the provisions of this Instrument.

(b) The assets and property of the Account will 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 will not be used to discharge or meet the liabilities, obligations or losses of the Fund incurred in the administration of the Account; nor will the assets and property of the Account be used to discharge or meet the liabilities, obligations or losses incurred by the Fund in the administration of such other accounts.

(c) 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.

(d) No charge shall be levied for the services rendered by the Fund in the administration, operation, and termination of this Account.

5. Accounts, Audit and Reports

(a) The Fund shall maintain separate financial records and prepare separate financial statements for the Account.

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

(c) The Fund shall report on the assets and property and on the operations of the Account in the annual report of the Executive Board to the Board of Governors and shall include in that annual report the report of the Audit Committee on the Account.

6. Termination of the Account

(a) The Account may be terminated by the Fund or Italy at any time. Termination shall be effective on the date that either party receives a notice of termination or on such later date, if any, as may be specified in the notice of termination.

(b) Any assets and property of the Account remaining on the date of termination of the Account shall revert to Italy.

To: The Managing Director June 3, 1987

From: Salvatore Zecchini

Subject: Italian Initiative in Support of Somalia

Following my memorandum dated May 29, 1987, I wish to inform you that the Government of Italy, acting through the Treasury Ministry, requests the Fund to open an account for the amount of 7 million U.S. dollars to be administered for the benefit of Somalia.

The Government of Italy is making a voluntary contribution of U.S. dollars 7 million to facilitate the resumption of the Fund's financial assistance in support of Somalia's structural adjustment program aimed at reducing internal and external imbalances in Somalia's economy.

I would appreciate if you would inform me when the account has been opened and the transaction has been completed.

This is also to notify you that once the transaction has been completed the account shall be closed.