

**LAPSE OF
TIME**

EBS/19/124

December 12, 2019

To: Members of the Executive Board

From: The Secretary

Subject: **Amendment of the Essential Terms and Conditions for the Administration of the East Africa Regional Technical Assistance Center Subaccount**

Board Action: Executive Directors' **consideration** on a lapse of time basis

Deadline to Request a Board Meeting, after which Proposed Decision Deemed Approved: **Thursday, December 19, 2019 12:00 (noon)**

Proposed Decision: Page 3

Publication: Not intended

Questions: Mr. Lewis, ICD (ext. 38027)
Mr. Kiess, ICD (ext. 34895)



December 11, 2019

AMENDMENT OF THE ESSENTIAL TERMS AND CONDITIONS FOR THE ADMINISTRATION OF THE EAST AFRICA REGIONAL TECHNICAL ASSISTANCE CENTER SUBACCOUNT

Approved By
Sharmini A. Coorey,
David Owen,
Rhoda Weeks-Brown

Prepared by the Institute of Capacity Development (ICD),
African Department (AFR), and Legal Department (LEG)

EXECUTIVE SUMMARY

South Sudan has requested to join the East Africa Regional Technical Assistance Center (AFRITAC East) and Fund Management and the AFRITAC East Steering Committee agreed to meet the request. This will involve discontinuing the South Sudan Trust Fund and South Sudan being added to the list of beneficiaries of the AFRITAC East Subaccount. The Essential Terms and Conditions for the Administration of the AFRITAC East Subaccount require an amendment to make South Sudan one of its beneficiary countries.

- 1. The East Africa Regional Technical Assistance Center (AFRITAC East), established in 2002, was the Fund's first regional capacity development center in Africa.** Currently, its beneficiary countries are Eritrea, Ethiopia, Kenya, Malawi, Rwanda, Tanzania (including Zanzibar) and Uganda.
- 2. Since September 24, 2009, the Fund administers the resources contributed by partners and beneficiary countries of AFRITAC East through the AFRITAC East Subaccount (the "Subaccount").** The Subaccount was established under the terms of the Framework Administered Account to administer external financial resources for selected Fund activities (the SFA Instrument).¹ The Subaccount is the main funding vehicle of AFRITAC East. Since its inception, partners have contributed \$86.7 million and beneficiary countries \$5.9 million to the Subaccount.
- 3. In November 2018, South Sudan requested to join AFRITAC East.** In April 2019, Fund Management gave its approval for South Sudan to become a beneficiary of AFRITAC East with the beginning of Phase V in May 2020. At its 21st meeting in Dar es Salaam in April 2019, the AFRITAC East Steering Committee also agreed to South Sudan joining. On August 30, 2019, South Sudan, represented by the Ministry of Finance and Planning, accepted the invitation to join.
- 4. Accordingly, it is proposed that the Executive Board approve the Amendment of the Essential Terms and Conditions for the Administration of the AFRITAC East Subaccount to add South Sudan to the list of beneficiary countries.**

¹ Executive Board Decision on the Establishment of a New Framework Administered Account for Selected Fund Activities, Decision No. 14294-(09/31), adopted March 27, 2009.

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 Essential Terms and Conditions for the Administration of the East Africa Regional Technical Assistance Center Subaccount and the SFA Instrument, the Fund approves an Amendment of the Essential Terms and Conditions for the Administration of the East Africa Regional Technical Assistance Center Subaccount to add South Sudan to the list of Beneficiary Countries, as described in EBS/19/124.

Annex I. Essential Terms and Conditions for the Administration of the East Africa Regional Technical Assistance Center Subaccount

Amended, December xx, 2019 [to be inserted after Board approval]

The East Africa Regional Technical Assistance Center (AFRITAC East) Subaccount (the “Subaccount”) has been established by the International Monetary Fund (the “IMF”) on September 24, 2009. Beneficiary countries of AFRITAC East are Eritrea, Ethiopia, Kenya, Malawi, Rwanda, South Sudan, Tanzania, and Uganda, and such other beneficiary countries that may be added in the future (the “Beneficiary Countries”).

1. General Conditions and Use of Funds

- a) The administration of resources and the activities financed under the Subaccount will be governed by the Instrument for a Framework Administered Account for Selected Fund Activities (the “SFA Framework Instrument”).
- b) This Annex on the essential terms and conditions for the administration of the AFRITAC East Subaccount (the “Annex”) sets out the essential terms and conditions for the administration and the activities financed under the Subaccount that apply to all contributors (the “Contributors”) and contributions (the “Contributions”) to the Subaccount. It is supplemented, with respect to individual Contributors, by their respective Letters of Understanding (the “LOU”) and as further specified in the Program Document (the “Program Document”) describing the scope of the activities financed, for the period specified in the Program Document.
- c) In case of any discrepancies among the documents under (a) and (b) above, the controlling order of importance is as follows: the SFA Framework Instrument, the Annex, the LOU, and the Program Document.
- d) The IMF will identify and employ the personnel for the activities under the Subaccount. For the purposes of this Annex, personnel will include IMF staff, experts, or administrative personnel. The personnel will be supervised and managed by the IMF.
- e) Goods and services financed under the activities financed under the Subaccount will be procured in accordance with the IMF’s guidelines and procedures.

2. Governance Structure

- a) Contributors’ participation in the use of resources of the Subaccount and the activities financed hereunder are as specified in the SFA Instrument, this Annex, LOUs, and the Program Document. Rules and regulations of Contributors will not be applicable to the use of resources or activities financed under the Subaccount.

- b) The activities financed under the Subaccount are technical assistance and related activities of the IMF. Unless otherwise specified in these terms and conditions, the IMF's policies, rules and regulations will apply to the activities financed and administration of resources under the Subaccount. AFRITAC East is an office of the IMF without separate legal personality distinct from the IMF.
- c) AFRITAC East will be guided by a steering committee (the "Steering Committee"). The Steering Committee will include representatives of the Beneficiary Countries, Contributors, and the IMF. The Steering Committee will provide strategic guidance to the center and assist in setting its priorities. The activities financed under the Subaccount will be subject to an annual review and endorsement by the Steering Committee. The Steering Committee will meet annually to endorse the annual work plan for the next financial year and assess the level of its implementation during the ongoing financial year.

3. Responsibilities of the Parties

- a) The Contributors will provide the Contributions to the Subaccount as set out in the respective LOUs. In accordance with paragraph 4(b) of the SFA Framework Account, additional Contributors may be added to the Subaccount. The Contributors herewith concur to adding further Contributors to the Subaccount.
- b) The Contributors will not be responsible for the activities of any person or third-party engaged by the IMF as a result of the Contributor's LOU, this Annex, or the Program Document, nor will the Contributors be liable for any costs incurred by the IMF in terminating the engagement of any such person or third-party.
- c) The LOUs, this Annex, and the Program Document will have no bearing on any other arrangement(s) that the Contributors or the IMF may have with the Beneficiary Countries.
- d) In discharging its responsibilities with respect to the Subaccount, the IMF will apply its normal procedures and will exercise the same care as it exercises with respect to the administration and management of its own affairs, but will be under no further obligation to the Contributors in respect thereof.

4. Reporting and Evaluation of Activities Financed under the Subaccount

- a) The IMF will keep the Contributors informed on the progress of the activities under the Subaccount, by posting once a year on the IMF's Partners Connect² to which each Contributor has access (i) a financial statement regarding the operations and transactions under the Subaccount³ (ii) a progress report, and (iii) a list of key decisions taken at the

² Partners Connect is a secure website that contributors may access through <https://extranet.imf.org>.

³ In accordance with paragraph 11 of the SFA Framework Instrument, the operations and transactions conducted through the Subaccount during the financial year of the IMF will be audited as part of the SFA Framework Account. The report of the External Audit Firm on the SFA Framework Account will be posted on the IMF's external website as part of the IMF's Annual Report.

annual Steering Committee meeting. The IMF will inform the Contributors when these documents have been posted on Partners Connect. The IMF's electronic notification to Contributors that documents have been posted on Partners Connect will constitute reporting for purposes of paragraph 11 of the SFA.

- b) Within twelve months of the completion of the activities financed under the Subaccount relating to a funding cycle as set out in the respective LOUs and the Program Documents, the IMF will furnish the Contributors with a final report including financial statements of activities financed under the Subaccount.
- c) No later than 40 months after the activities financed under the Subaccount with respect to each funding cycle have begun, an independent evaluation of the activities financed under the Subaccount will be initiated. The cost of the evaluation will be borne by the Subaccount.
- d) A Contributor may conduct an ex-post evaluation of the activities financed under the Subaccount. The IMF may participate in such an evaluation at its discretion. Such evaluation will be planned ahead and, if the IMF chooses to participate, understandings on procedural matters such as timing, scope of the review or evaluation, questions the review or evaluation wishes to raise, nature of the financial information, will be reached between the Contributor and IMF in advance. The cost of any such evaluation will be borne by the Contributor. The terms of reference and the final report of this evaluation will be shared with the Steering Committee and other Contributors.

5. Administration of Funds and Expenses of Trust Fund Administration

- a) Contributions to the Subaccount, which is a multi-Contributor trust fund, are commingled funds.
- b) In accordance with paragraph 10 of the SFA Framework Instrument, the Contributors may authorize the IMF to transfer amounts directly to this Subaccount from other subaccounts under the SFA Framework Account, at a Contributor's request.
- c) In accordance with paragraph 5 of the SFA Framework Instrument, an amount equivalent to 7 (seven) percent of costs charged to the subaccount for Selected Fund Activities will be charged to the Subaccount, so as to help cover the expenses incurred by the IMF in the administration of the Subaccount.

6. Consultation, Revision, Amendment, and Dispute Resolution

- a) The Contributors and the IMF will consult each other from time to time, as necessary, on all matters relating to the Subaccount.
- b) Revisions for purposes of this Annex include minor changes to planned activities or to the budget for the activities in the Program Document, or extensions to the funding cycle without adding new Contributions. Such revisions will normally be discussed at, and may be

endorsed by, the Steering Committee. The Contributors delegate their authority to approve revisions to the Steering Committee. If revisions are needed, which cannot await a Steering Committee meeting, the IMF will propose such revisions in writing to the Steering Committee members for their endorsement on a nonobjection basis within one month after receipt of the IMF's proposal. Unless the IMF receives an objection, the proposed revision will be deemed approved.

- c) Amendments for the purposes of this Annex include all other fundamental changes to the understandings reached between Contributors and the IMF (such as, the joining of new Beneficiary Countries, or fundamental changes to the budget). The IMF will communicate to Contributors the proposed amendments and the Contributors will indicate whether they object to such proposed amendments on a nonobjection basis within one month after receipt of the IMF's proposal through official communications as set out in the LOU. Unless the IMF receives an objection, the proposed amendment will be deemed approved.
- d) Without limitations to the foregoing, the Contributors and the IMF will promptly inform each other and, to the extent reasonably practicable, consult with each other regarding proposed suspension or termination of disbursements, or any event which would interfere or threaten to interfere with the successful implementation of the activities financed under the Subaccount.
- e) Any disputes arising under these understandings will be settled in accordance with the IMF's normal dispute resolution mechanism.

7. Confidentiality, Visibility, and Intellectual Property

- a) The IMF will preserve the confidentiality of any document, information, or other materials directly related to the activities financed under the Subaccount in accordance with IMF policies, such as the IMF's dissemination policy aimed at reinforcing coordination with the Contributors and other TA providers while safeguarding confidentiality and IMF candidness of advice.
- b) The IMF will take all appropriate measures to publicize the fact that AFRITAC East has received funding from the Contributors. Information given to the press, the Beneficiary Countries of AFRITAC East, all related publicity material, official notices, reports and publications, will acknowledge that AFRITAC East was carried out "with funding by" the Contributors and, if provided, will display in an appropriate way any logo or emblem representing the Contributors.
- c) All publications by the IMF pertaining to AFRITAC East financed under the Subaccount, in whatever form and whatever medium, including the internet, will carry the following or a similar disclaimer: "This document has been produced with the financial assistance of the [name of the Contributors]. The views expressed herein can in no way be taken to reflect the official opinion of the [name of the Contributors]."

- d) All technical assistance outputs are the intellectual property of the IMF.

8. Withdrawal and Termination

- a) In accordance with paragraph 13 of the SFA Framework Instrument, upon a Contributor's withdrawal, the Contributor's pro rata share of any balances remaining in the Subaccount, net of any amounts of continuing liabilities and commitments, at the time of effectiveness of the withdrawal will be retransferred to the Contributor or to another subaccount, at the request of the Contributor.
- b) In accordance with paragraph 15 of the SFA Framework Instrument, upon termination of the Subaccount, a Contributor's pro rata share of any balances remaining in the Subaccount at the time of termination, net of any amounts of continuing liabilities and commitments, will be retransferred to each Contributor or to another Subaccount, at the request of the Contributor.
- c) Following any retransfer to a Contributor, the Contributor will have no further claims with respect to the Subaccount or the governance of activities financed under the Subaccount.
- d) Once a Contributor elects not to contribute to a subsequent funding cycle for AFRITAC East or does not reach understandings with the IMF to contribute to a subsequent funding cycle for AFRITAC East within one year after the end of the previous funding cycle, the Contributor will be deemed to have withdrawn from the Subaccount. Such Contributor's pro-rata share of any balances remaining in the Subaccount, net of any amounts of continuing liabilities and commitments related to the previous funding cycle, if any, will be retransferred to the Contributor or to another subaccount, at the request of the Contributor, within 18 months after the end of previous funding cycle. The Contributor will have no further claims with respect to the Subaccount or the governance of activities financed under the Subaccount.