

**LAPSE OF
TIME**

EBS/20/174

November 24, 2020

To: Members of the Executive Board

From: The Secretary

Subject: **Framework Administered Account for Selected Fund Activities—COVID-19
Crisis Capacity Development Initiative 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 3, 2020
12:00 (noon)**

Proposed Decision:

Page 4

Publication:

Proposed, after Thursday, December 10, 2020

Questions:

Mr. Warburton, ICD (ext. 37955)



November 23, 2020

FRAMEWORK ADMINISTERED ACCOUNT FOR SELECTED FUND ACTIVITIES—COVID-19 CRISIS CAPACITY DEVELOPMENT INITIATIVE SUBACCOUNT

Approved By
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Prepared by the Institute for Capacity Development, the Legal Department, and Finance Department.

- 1. This paper proposes the establishment of a COVID-19 Crisis Capacity Development Initiative Subaccount to support IMF member countries' immediate capacity development priorities as they steer their economies through the financial crises caused by the COVID-19 pandemic.** The Subaccount will be used to administer resources secured under the COVID-19 Crisis Capacity Development Initiative (C-19 CCDI), which aims at securing US\$__million to support a broad range of COVID-19 crisis response CD activities, and to cover funding gaps under existing vehicles. In staff's view, establishing a distinct IMF subaccount for the C-19 CCDI is the most effective way to administer and report on the planned Initiative. The C-19 CCDI will cover a broad range of topics related to the impact of the pandemic, and the majority of activities would be implemented through existing subaccounts via transfer from this subaccount. The proposed Subaccount Terms and Conditions are drafted to ensure flexibility and responsiveness in the implementation of the Initiative. Specifically, the Subaccount can be used to administer technical assistance, training and related activities, and can also easily transfer resources to other subaccounts (for example, those existing subaccounts used to administer Regional Capacity Development Centers or Thematic Funds).
- 2. The paper requests Executive Board approval to establish the COVID-19 Crisis Capacity Development Initiative Subaccount (the "Subaccount") under the terms of the "SFA instrument."** 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 subaccounts within the SFA.
- 3. The COVID-19 Crisis Capacity Development Initiative is a flexible tool that complements IMF lending programs and will be closely coordinated with other global**

¹ Establishment of a New Framework Administered Account for Selected Fund Activities (EBS/09/27, March 6, 2009) and Decision No. 14294-(09/31), adopted March 27, 2009.

efforts to address the crisis. It is aimed at ensuring that IMF staff can deliver capacity development support quickly and where it is needed most. The initiative will support countries' immediate priorities as they steer their economies through the crisis, as well as longer-term needs that will be crucial for countries to get back on track towards the Sustainable Development Goals. The Initiative will focus on areas of acute need in public finances, the financial sector, statistics, economic policy frameworks, and economic governance—all of which will be crucial to responsibly and transparently manage the large financial support, recover from the crisis, and get countries back on track toward achieving the Sustainable Development Goals. These efforts will look to advance ongoing global priorities, such as digital transformation and ensuring a Green Recovery.

4. Set forth in the Annex are the Essential Terms and Conditions of the proposed 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 are to be financed from the Subaccount. In particular:

- **The resources of the Subaccount shall consist of amounts contributed to the Subaccount by member countries and development partners (“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 development services (i.e., technical assistance, training, and related activities), consistent with the purposes of the Subaccount, by i) using the resources to finance COVID-19 crises-related capacity development activities, and ii) transferring resources to other existing SFA subaccounts to finance the activities therein.
- **Each Contributor will consent to the Essential Terms and Conditions of the Subaccount before the Managing Director may accept a Contributor’s resources into the Subaccount.**
- **Resources will be placed in the Subaccount by each Contributor on the basis of Letters of Understandings signed between the Contributor and the Fund relating to specific activities to be undertaken.** Contributors may transfer resources from bilateral subaccounts under the SFA into the Subaccount.
- **Additional 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.
- **A Contributor may withdraw from the Subaccount, and receive a retransfer of its net prorated contributions, without the termination of the Subaccount.**

- **To help defray the expenses incurred by the Fund in the management of the Subaccount, reimbursement equal to seven percent of the expenses of the activities financed by the Subaccount will be paid to the Fund from the Subaccount.** For those amounts transferred from the Subaccount to other subaccounts, the seven percent will not be charged on the transfers, but will be charged on the expenses within the subaccount to which it is transferred.

5. 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.

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 for a Framework Administered Account for Selected Fund Activities (Decision No. 14294-(09/31) adopted March 27, 2009), the Fund approves the establishment of the “COVID-19 Crisis Capacity Development Initiative Subaccount,” to administer contributed resources, as described in EBS/20/174.

Attachment

List of Subaccounts established under the Framework Administered Account for Selected Fund Activities:

1. "Central America, Panama, and the Dominican Republic Technical Assistance Center (CAPTAC-DR) Subaccount" (EBS/09/40, 3/30/09).
2. "Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) Subaccount" (EBS/09/42, 3/31/09).
3. "East Africa Regional Technical Assistance Center (AFRITAC East) Subaccount" (EBS/09/146, 9/17/09).
4. "West Africa Regional Technical Assistance Center (AFRITAC West) Subaccount" (EBS/09/147, 9/18/09).
5. "Switzerland Subaccount for Selected Fund Activities" (EBS/09/175, 11/13/09).
6. "Germany Subaccount for Selected Fund Activities" (EBS/09/176, 11/13/09).
7. "European Investment Bank Subaccount for Selected Fund Activities" (EBS/09/177, 11/13/09).
8. "Libyan Subaccount for Selected Fund Activities" (EBS/09/178, 11/13/09).
9. "European Commission Subaccount for Selected Fund Activities" (EBS/09/179, 11/13/09).
10. "Kingdom of the Netherlands—Netherlands Subaccount for Selected Fund Activities" (EBS/09/183, 11/20/09).
11. "Middle East Regional Technical Assistance Center (METAC) Subaccount" (EBS/09/208, 12/16/09).
12. "Norway Subaccount for Selected Fund Activities" (EBS/10/4, 1/11/10).
13. "United Kingdom Department for International Development Subaccount for Selected Fund Activities" (EBS/10/50, 3/22/10).
14. "Japan Subaccount for Selected Fund Activities" (EBS/10/60, 4/05/10).
15. "Catch-All Subaccount for the Administration of Selected Smaller-Scale Capacity Building Activities" (EBS/10/64, 4/15/10).
16. "United States Subaccount for Selected Fund Activities" (EBS/10/145, 7/16/10).

17. "Central Africa Regional Technical Assistance Center (AFRITAC Central) Subaccount" (EBS/10/151, 7/26/10).
18. "Kuwait Subaccount for Selected Fund Activities" (EBS/10/155, 8/12/10).
19. "Belgium Subaccount for Selected Fund Activities" (EBS/10/184, 9/24/10).
20. "IMF-Middle East Center for Economics and Finance Subaccount for Selected Fund Activities" (EBS/10/196, 10/22/10).
21. "Tax Policy and Administration Topical Trust Fund Subaccount" (EBS/10/203, 11/11/10).
22. "Managing Natural Resource Wealth Topical Trust Fund Subaccount" (EBS/10/204, 11/11/10).
23. "Sweden Subaccount for Selected Fund Activities" (EBS/10/212, 11/18/2010).
24. "Liberia Macro-Fiscal Subaccount for Selected Fund Activities" (EBS/10/227, 12/06/10).
25. "Caribbean Regional Technical Assistance Center (CARTAC) Subaccount for Selected Fund Activities" (EBS/10/229, 12/07/10).
26. "Africa Regional Technical Assistance Center South (AFRITAC South) Subaccount" (EBS/11/21, 2/11/11).
27. "Pacific Financial Technical Assistance Center (PFTAC) Subaccount" (EBS/11/36, 3/8/11).
28. "World Bank Subaccount for Selected Fund Activities" (EBS/11/45, 3/21/11).
29. "Denmark Subaccount for Selected Fund Activities" (EBS/11/48, 3/24/11).
30. "African Development Bank (AfDB) Subaccount for Selected Fund Activities" (EBS/11/82, 5/27/11).
31. "Republic of South Sudan Macroeconomic Capacity Building Subaccount" (EBS/12/10, 1/18/12).
32. "Government of Canada Subaccount for Selected Fund Activities" (EBS/12/30, 3/14/12).
33. "International Forum of Sovereign Wealth Funds Subaccount for Selected Fund Activities" (EBS/12/38, 3/21/12).
34. "Mauritius Subaccount for Selected Fund Activities" (EBS/13/27, 4/2/13).
35. "Africa Training Institute Subaccount" (EBS/13/43, 4/22/2013).
36. "Financial Access Survey Subaccount" (EBS/13/74, 6/10/2013).

37. "Africa Regional Technical Assistance Center West 2 Subaccount" (EBS/13/79, 6/13/2013).
38. "Government of Australia Subaccount" (EBS/13/80, 6/13/2013).
39. "Externally Financed Appointee Subaccount" (EBS/13/102, 7/29/2013).
40. "United Arab Emirates Subaccount" (EBS/13/108, 8/27/2013).
41. "Korea Subaccount" (EBS/13/135, 11/11/2013).
42. "Tax Administration Diagnostic Assessment Tool Subaccount" (EBS/13/137, 11/11/2013).
43. "Somalia Trust Fund for Capacity Development in Macroeconomic Policies and Statistics Subaccount" (EBS/14/57, 5/20/2014).
44. "Islamic Development Bank Subaccount" (EBS/15/74, 7/6/2015).
45. "People's Republic of China Subaccount" (EBS/15/111, 9/28/2015).
46. "South Asia Regional Training and Technical Assistance Center Subaccount" (EBS/16/20, 3/16/2016).
47. "Financial Sector Stability Fund Subaccount" (EBS/16/20, 3/23/2017).
48. "Data for Decisions Fund Subaccount" (EBS/17/89, 8/18/2017).
49. "Southeastern Europe (SEE) Multi-Donor Subaccount" (EBS/18/84, 09/20/2018).
50. "Caucasus, Central Asia and Mongolia Regional Capacity Development Center Subaccount" (EBS/20/2, 01/16/2020).

Annex

The Essential Terms and Conditions for the Administration of the COVID-19 Crisis Capacity Development Initiative Subaccount

The Subaccount for COVID-19 Crisis Capacity Development Initiative (the “Subaccount”) has been established by the International Monetary Fund (the “IMF”) on mm/dd/2020. The Subaccount will address capacity development priorities and related activities identified through the IMF’s ongoing engagement with country authorities, including capacity development in public finances, the financial sector, data and statistics, and legal frameworks.

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 of the Subaccount (the “Annex”) sets out the essential terms and conditions for the administration and the activities financed under the Subaccount that apply to the contributors (the “Contributors”) and contributions (the “Contributions”) to the Subaccount. It will be supplemented, with respect to individual Contributors, by their respective Letters of Understanding (“LOU”).
- c) In case of any discrepancies among the documents under (a) and (b) above, the controlling order is as follows: the SFA Framework Instrument, the Annex, and the LOU.
- d) The IMF will identify eligible activities for financing under this Subaccount.
- e) The IMF will identify and employ the personnel for the activities under the Subaccount. For the purposes of the Subaccount, personnel will include IMF staff, experts, or administrative personnel. The personnel will be supervised and managed by the IMF.
- f) Goods and services financed as part of the activities financed under the Subaccount will be procured in accordance with the IMF’s guidelines and procedures.

2. 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 activities financed by the Contributors 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 shall apply to the activities financed and administration of resources under the Subaccount.
- c) The Contributors will not be responsible for the activities of any person or third-party engaged by the IMF as a result of the Contributors' LOUs, or this Annex, nor will the Contributors be liable for any costs incurred by the IMF in terminating the engagement of any such person or third-party.
- d) The Subaccount will have no bearing on any other arrangement(s) that the Contributors or the IMF may have in countries where the activities financed under this Subaccount are implemented.
- e) 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.

3. Reporting and Evaluation of Activities Financed under the Subaccount

- a) The IMF's electronic transmission to each Contributor of updated financial and project reporting shall constitute reporting for purposes of paragraph 11 of the SFA Instrument.
- b) Unless otherwise specified, the IMF will keep each Contributor informed of the results of the activities relating to the Subaccount, by providing annually one over-arching report and a financial statement,¹ and the annual reports of any other subaccounts that deliver CD using resources transferred from this Subaccount.
- c) 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 an evaluation will be planned ahead and, if the IMF chooses to participate, understandings shall be reached between the Contributor and IMF in advance on procedural matters such as timing, scope of the review or evaluation, questions the review or evaluation wishes to raise, and nature of the financial information sought. 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 IMF.

¹ 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.

4. Administration of Funds and Expenses of Subaccount 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 IMF may transfer amounts directly from this Subaccount to any multi-donor subaccount or bilateral subaccount under the SFA Framework Account. Amounts transferred to other subaccounts would be governed by the terms and conditions of the receiving subaccount and be commingled with the resources therein. The scope of the activities financed under the receiving subaccount are described in the Program Document and the endorsed workplan of the regional center or thematic fund administered therein.
- c) In accordance with paragraph 5 of the SFA Framework Instrument, an amount equivalent to 7 (seven) percent of the costs of the activities will be charged to the receiving Subaccount, or this Subaccount (in those cases where CD activities are delivered using this Subaccount), so as to help cover the expenses incurred by the IMF in the administration of the Subaccount.

5. Consultation Amendment and Dispute Resolution

- a) The Contributor and the IMF will consult each other from time to time, as necessary, on all matters relating to the Subaccount.
- b) Amendments to the Subaccount shall be based upon understandings reached between the Contributors and the IMF. Amendments to an individual LOU shall be based upon understandings reached between the relevant Contributor and the IMF.
- c) Without limitation to the foregoing, each Contributor and the IMF will promptly inform each other and, to the extent reasonably practicable, consult with each other regarding all proposed suspension or termination of disbursements, or any event that would interfere or threaten to interfere with the successful implementation of the activities financed pursuant to an individual LOU under the Subaccount.
- d) Any disputes arising with respect to an individual LOU under the Subaccount will be settled in accordance with the IMF's normal dispute resolution mechanisms.

6. 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 policy on dissemination of TA information aimed at reinforcing coordination with the Contributors and other TA providers while safeguarding confidentiality and the candidness of IMF advice.

- b) All outputs related to the receiving Subaccounts or this Subaccount are the intellectual property of the IMF.

7. 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 or of an individual LOU, the Contributor's balances remaining in the Subaccount with respect to its individual LOUs at the time of termination, net of any amounts of continuing liabilities and commitments, will be retransferred to the 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.