

INTERNATIONAL MONETARY FUND

**Framework Administered Account for Selected Fund Activities:
East Africa Regional Technical Assistance Center (AFRITAC East) Subaccount**

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

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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 East Africa Regional Technical Assistance Center (AFRITAC East) would be the third one under the SFA. This paper requests Executive Board approval to establish the AFRITAC East subaccount under the terms of the SFA Instrument.
2. Management has engaged in discussions with member countries in the East Africa region as well as donors on regional needs in capacity building, training and related activities. Because AFRITAC East has a proven track record to provide focused, flexible, and responsive technical assistance (TA) in a cost-effective manner,² both beneficiary countries of AFRITAC East and interested donors are supportive to continue the Fund’s involvement in this regard. The center’s activities will continue to focus on six key areas representing common policy challenges to member countries, including those related to increased regional integration: (i) tax and customs policy and administration; (ii) public financial management; (iii) monetary policy and operations; (iv) financial sector supervision; (v) economic and financial statistics; and (vi) macro-fiscal analysis.
3. Contributions to AFRITAC East since its establishment in 2002 have been administered through the Framework Administered Account for Technical Assistance

¹ For the staff report on the Establishment of a New Framework Administered Account for Selected Fund Activities, March 4, 2009, see <http://www.imf.org/external/np/pp/eng/2009/030409.pdf>.

² See a recent external evaluation of the three existing AFRITACs (AFRITAC East, AFRITAC West and AFRITAC Central) at <http://www.imf.org/external/np/pp/eng/2009/030109.pdf>.

Activities (“FAA”). With the new funding cycle for AFRITAC East starting in November 2009, AFRITAC East will be administered solely under the SFA. 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 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 AFRITAC East, (“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 AFRITAC East. The beneficiaries of AFRITAC East are members countries in the East Africa region, which include Eritrea, Ethiopia, Kenya, Malawi, Rwanda, Tanzania, and Uganda. Additional beneficiary members of AFRITAC East 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 AFRITAC East 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.

ATTACHMENT

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

For the staff report on Framework Administered Account for Selected Fund Activities—Central America, Panama, and the Dominican Republic Technical Assistance Center (CAPTAC-DR) Subaccount, March 27, 2009, see <http://www.imf.org/external/np/pp/eng/2009/032709a.pdf>

For the staff report on Framework Administered Account for Selected Fund Activities: Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) Subaccount, March 27, 2009, see <http://www.imf.org/external/np/pp/eng/2009/032709.pdf>