



January 2014  
IMF Policy paper

## IMF POLICY PAPER

### TERMINATION OF THE EMERGENCY POST-CONFLICT AND NATURAL DISASTER ASSISTANCE ADMINISTERED SUBSIDY ACCOUNT

January 17, 2014

IMF staff regularly produces papers proposing new IMF policies, exploring options for reform, or reviewing existing IMF policies and operations. The following document(s) have been released and are included in this package:

- The **Staff Report** on Termination of the Emergency Post-Conflict and Natural Disaster Assistance Administered Subsidy Account, prepared by IMF staff and completed on January 17, 2014 for the Executive Board's consideration on January 29, 2014.

The policy of publication of staff reports and other documents allows for the deletion of market-sensitive information.

Electronic copies of IMF Policy Papers are available to the public from:

International Monetary Fund • Publication Services  
P.O. Box 92780 • Washington, D.C. 20090  
Telephone: (202) 623-7430 • Fax: (202) 623-7201  
Email: [publications@imf.org](mailto:publications@imf.org) Internet: <http://www.imf.org>

**International Monetary Fund**  
**Washington, D.C.**



January 17, 2014

## TERMINATION OF THE EMERGENCY POST-CONFLICT AND NATURAL DISASTER ASSISTANCE ADMINISTERED SUBSIDY ACCOUNT

Approved By  
**Andrew Tweedie and Sean Hagan**

Prepared By the Finance and  
Legal Departments

1. On May 4, 2001, the Fund established the Administered Account to Subsidize Post Conflict Emergency Assistance (EPCA) from the General Resources Account (GRA) to Poverty Reduction and Growth Facility (PRGF)-Eligible Members, which, in January 2005, was expanded to also subsidize Natural Disaster Emergency Assistance (ENDA) (the "EPCA/ENDA Subsidy Account").<sup>1</sup> The EPCA/ENDA Subsidy Account was financed through bilateral contributions provided by 19 member countries, originally amounting to SDR 40.9 million (Attachment 1, Table 1). The resources of the subsidy account enabled subsidization of SDR 406 million in purchases under EPCA/ENDA since 2001.
2. The reform of facilities for Low-Income Countries (LICs), which became effective in January 2010, established a new framework for the IMF's financial support to LICs. Under this framework, the Rapid Credit Facility (RCF) provides concessional financial assistance to LICs facing an urgent balance of payments need, and has thus replaced the subsidized use of emergency assistance, previously provided under the GRA to PRGT eligible countries.
3. As stipulated in paragraph 11(a) of the EPCA/ENDA Subsidy Account Instrument (Attachment 2), the EPCA/ENDA Subsidy Account shall be terminated when there are no longer any Fund holdings of a member's currency resulting from post-conflict and/or national disaster emergency assistance purchases that had been made by eligible recipients as of January 7, 2010. All outstanding EPCA/ENDA credits to PRGT-eligible countries have been fully repaid. The remaining balance of subsidy resources in the Account amounts to SDR 10.6 million.

---

<sup>1</sup> See [Subsidization of the Fund's Emergency Assistance for Natural Disasters to PRGF-Eligible Members](#), and [Decision No. 12481 \(01/45\)](#).

4. According to paragraph 11(c) of the EPCA/ENDA Subsidy Account Instrument, any balance remaining in the account on the date of its termination shall be transferred to each of the contributors in proportion to their contribution, but a contributor may instruct that its share or a specified portion thereof be utilized for such other purposes as may be mutually agreed between the contributor and the Managing Director.

5. On September 19, 2013, the Managing Director sent letters to the contributors notifying them of the planned termination of the account and asking them to transfer their share in the remaining balance to the RCF Subsidy Account, or any of the other PRGT subsidy accounts they may choose. The letter also indicated that members could request the establishment of an interim administered account (subject to Executive Board approval) where a contributor's share could be placed to allow time for the necessary domestic approval processes to be finalized in order to provide final instructions on the disposition of the resources. Lastly, members were given the option to request the return of their shares in the remaining balance.

6. As of January 14, 2014, sixteen contributors have responded to the Managing Director's letter. Seven contributors requested that their contributions, totaling SDR 4.88 million, be transferred to the RCF Subsidy Account, while four contributors requested the transfer of their contributions, totaling SDR 2.18 million, to other PRGT Subsidy Accounts.<sup>2</sup> Two contributors requested that their shares be transferred to existing administered accounts to support technical assistance activities (SDR 0.63 million). Two contributors requested the return of their shares (SDR 1.62 million). Switzerland requested the establishment of an interim administered account, where its share could be temporarily placed pending further instructions as to its subsequent disposition (SDR 0.36 million). Three contributors so far have not responded to the Managing Director's letter (SDR 0.91 million).

7. The establishment of such interim administered account requires approval by the Executive Board.<sup>3</sup> Following such approval, it is envisaged that a formal notice of termination will be sent to all contributors and that payments and transfers for the liquidation of the EPCA/ENDA Subsidy Account will be made by February 1, 2014, in accordance with the instructions received from members, or to the SDR account of the relevant member for those members who have not responded by that date.

---

<sup>2</sup> The possibility that a number of contributors would transfer their remaining contributions in the EPCA/ENDA Subsidy Account to a PRGT Subsidy Account was not incorporated in estimates of the self-sustained capacity of the PRGT.

<sup>3</sup> Consistent with the arrangements for similar administered accounts, paragraph 2 of the proposed decision authorizes the use of SDRs by SDR Department participants or prescribed holders in respect of the account, which is intended to facilitate contributions and transfers to and from this account, that involve SDRs (Art. XVII, Section 3 of the Articles).

## PROPOSED DECISION

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

1. Pursuant to Article V, Section 2(b) of the Articles, the Fund adopts the Instrument to Establish the Post-EPCA/ENDA Interim Administered Account (the "Account") that is annexed to this decision.
2. In accordance with Article XVII, Section 3 of the Articles, the Fund prescribes that:
  - (a) an SDR Department participant or a prescribed holder, by agreement with an SDR Department participant or a prescribed holder and at the instruction of the Fund, may transfer SDRs to that participant or prescribed holder in effecting a transfer to or from the Account or in effecting a payment due to or by the Fund in connection with financial operations under this Account; and
  - (b) operations pursuant to this prescription shall be recorded in accordance with Rule P-9.

## **Annex. Instrument to Establish the Post-EPCA/ENDA Interim Administered Account**

To help fulfill its purposes, the International Monetary Fund (the "Fund"), at the request of the Swiss authorities, has adopted this Instrument to establish the post-EPCA/ENDA Interim Administered Account (the "Account") in accordance with Article V, Section 2(b) of the Fund's Articles of Agreement, which shall be governed and administered by the Fund in accordance with the terms and conditions of this Instrument.

1. The purpose of the Account is to serve as an interim vehicle for the temporary holding and administration of resources transferred to the Account by a member in the context of the termination of the Administered Account to Subsidize Post-Conflict Emergency Assistance to Poverty Reduction and Growth Facility Eligible Members established by Decision No. 12481 (01/45), adopted on May 4, 2001, as amended, pending any decision by such member ("Contributor") as to the final disposition of those resources.
2. The SDR shall be the unit of account. Resources provided to the Account shall be in SDRs or freely usable currencies. Transfers may be made in or exchanged for SDRs in accordance with such arrangements as may be made by the Fund for holding and use of SDRs.
3. Upon the instruction of a contributing member, the Fund shall transfer all or part of the resources received from a member, together with the member's pro rata share of the investment returns, to one or more of the Subsidy Accounts of the Poverty Reduction and Growth Trust (PRGT), or as otherwise specified by the member.
4. The resources held in the Account and not immediately needed for operations of the Account shall be invested at the discretion of the Managing Director. Investments pursuant to this paragraph may be made in any of the following: (i) marketable obligations issued by international financial organizations and denominated in SDRs or in the currency of a member of the Fund; (ii) marketable obligations issued by a member or by a national official financial institution of a member and denominated in SDRs or in the currency of that member; or (iii) deposits with a commercial bank, a national official financial institution of a member, or an international financial institution, that are denominated in SDRs or in the currency of a member.

5. The assets held in the Account shall 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 shall not be used to discharge or meet any liabilities, obligations or losses incurred in the administration of the Account; nor shall the assets of the Account be used to discharge or meet any liabilities, obligations or losses incurred in connection with any such other accounts of, or administered by, the Fund.
6. The Fund shall maintain separate financial records and prepare financial statements for the Account. The financial statements for the Account shall be expressed in SDRs and prepared in accordance with International Financial Reporting Standards.
7. The external audit firm selected under Section 20 of the Fund's By-Laws shall audit the operations and transactions of the Account. The audit shall relate to the financial year of the Fund.
8. The Fund shall report on the assets and property and on the operations and transactions of the Account in the Annual Report of the Executive Board to the Board of Governors and shall include in that Annual Report the audit report of the external audit firm on the Account.
9. 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.
10. The Managing Director is authorized (a) to make all arrangements, including the establishment of accounts in the name of the Fund, with such depositories as he or she deems necessary to carry out the operations of the Account; and (b) to take all other measures he or she deems necessary to implement the provisions of this Instrument.
11. No charge shall be levied in respect of the services rendered by the Fund in the administration, operation, and termination of the Account. All investment costs, including but not limited to costs associated with the exchange of currencies, purchase of securities, and hiring of external asset managers and custodian banks, shall be borne by, and deducted from, the Account.

12. The Account shall be terminated (a) three years from the effective date of the decision adopting this Instrument; or (b) as promptly as practicable following the receipt of instructions from every Contributor regarding the distribution of its resources in the Account, whichever is earlier. In the event of termination under (a) above, the Fund shall distribute to each Contributor with resources remaining in the Account at the time of termination the full amount of such resources, including its share in any retained investment earnings.

13. The provisions of this Instrument may be amended by a decision of the Fund and with the concurrence of each Contributor with resources in the Account at the time of such decision.

14. Any questions arising under this Instrument between a Contributor and the Fund shall be settled by mutual agreement between the Contributor and the Fund.

## Attachment I.

<b>Table 1. Subsidy Contributions for Emergency Assistance</b> (In millions; as of end-October 2013)					
Contributor	Date of pledge	Contribution pledged		Contribution received (in SDR)	Shares in the remaining balance (in SDR)
		Original currency	SDR equivalent 1/		
<b>Sub-Account 1: EPCA subsidization only</b>					
Belgium	Mar. 2002	SDR 0.63	0.6	0.6	0.2
Canada	Oct. 2002	Can\$ 3.25	1.7	1.7	0.6
Norway	Jun. 2002	SDR 3.0	3.0	3.0	1.1
Sweden	Jan. 2002	SDR 0.8	0.8	0.8	0.3
Switzerland	Mar. 2002	US\$ 1.0	0.8	0.8	0.3
United Kingdom	Oct. 2002	£ 2.5	2.9	2.9	1.1
<b>Sub Total</b>			<b>9.7</b>	<b>9.7</b>	<b>3.6</b>
<b>Sub-Account 2: ENDA subsidization only</b>					
Australia	Jun. 2005	Aus\$ 2.0	1.1	1.1	0.1
Austria 2/	Apr. 2005	SDR 0.6	0.6	0.6	0.0
Canada	Feb. 2005	Can\$ 5.0	2.9	2.9	0.2
China	May 2005	US\$ 2.0	1.4	1.4	0.1
Germany 3/	Nov. 2005	Euro 1.65	1.4	1.4	0.1
India	Feb. 2005	SDR 1.5	1.5	1.5	0.1
Ireland	Nov. 2006	Euro 0.5	0.4	0.4	0.0
Japan	Apr. 2005	US\$ 2.5	1.7	1.7	0.1
Russia	Feb. 2005	US\$ 1.5	1.0	1.0	0.1
Saudi Arabia	Apr. 2005	US\$ 4.0	2.7	2.7	0.2
Switzerland	Feb. 2005	US\$ 2.0	1.4	1.4	0.1
<b>Sub Total</b>			<b>16.0</b>	<b>16.0</b>	<b>0.9</b>
<b>Sub-Account 3: Subsidization of EPCA and ENDA</b>					
France	Jan. 2005	Euro 1.5	1.2	1.2	0.5
Korea	Jul. 2009	KRW 1,000	0.5	0.5	0.2
Luxembourg 4/	Jul. 2009/Feb. 2005	Euro 1.75	1.6	1.6	0.3
Netherlands 5/	Nov. 2008/Mar. 2002	US\$ 4.0	2.9	2.9	1.2
Norway	Feb. 2005	NKr 10.0	1.1	1.1	0.5
Sweden	Feb. 2005	US\$ 10.0	6.6	6.6	2.9
United Kingdom	Feb. 2005	£ 1.0	1.2	1.2	0.5
<b>Sub Total</b>			<b>15.1</b>	<b>15.1</b>	<b>6.1</b>
<b>Total</b>			<b>40.9</b>	<b>40.9</b>	<b>10.6</b>
<p>Source: Finance Department.</p> <p>1/ The SDR equivalent is the actual SDR amount received using the exchange rate on the value date.</p> <p>2/ Contribution generated from investment income on a deposit agreement for SDR 7 million from 2006–10.</p> <p>3/ To subsidize the rate of charge on purchases by Sri Lanka and Maldives under ENDA following the 2004 Tsunami.</p> <p>4/ Contribution of February 2005 was previously earmarked for ENDA.</p> <p>5/ Contribution of March 2002 was previously earmarked for EPCA.</p>					

## **Attachment II. Instrument to Establish the Post-Conflict and Natural Disaster Emergency Assistance Subsidy Account for PRGF-Eligible Members**

To help fulfill its purposes, the International Monetary Fund (the "Fund") has adopted this Instrument to establish an account in accordance with Article V, Section 2(b) (the "Account") which shall be governed by, and administered in accordance with, the following provisions:

### *Paragraph 1. Purpose of the Account*

The purpose of the Account shall be the administration and disbursement of resources provided to the Account by Contributors for the subsidization of the rate of charge on post-conflict and natural disaster emergency assistance purchases made by PRGF-eligible members under Decision No. 12341-(00/117), November 28, 2000 ("eligible purchases"). A member is PRGF-eligible if it is included in the list of members annexed to Decision No. 8240-(86/56) SAF.

### *Paragraph 2. Sub-accounts*

- (a) The Account shall have at least three separate sub-accounts to hold and administer:
  - (i) resources contributed for the subsidization of the rate of charge on post-conflict emergency assistance only;
  - (ii) resources contributed for the subsidization of the rate of charge on natural disaster emergency assistance only; and
  - (iii) resources contributed for both the subsidization of the rate of charge on post-conflict emergency and natural disaster emergency assistance.
- (b) Further sub-accounts may be established to hold and administer resources for the purposes of the Account contributed for a specific eligible member. Resources contributed to subsidize post-conflict emergency assistance prior to January 21, 2005 will be placed into the sub-account referred to under (i) of this paragraph, unless otherwise specified, by the Contributor, and used only for the subsidization of the rate of charge on post-conflict emergency assistance purchases by eligible members.

Paragraph 3. *Resources of the Account*

The resources held in the Account shall consist of:

- (i) grant contributions made to the Account for the purposes of paragraph 1;
- (ii) loans, deposits and other types of investments made by Contributors to the Account to generate income to be used for the purposes of paragraph 1; and
- (iii) net earnings from the investment of resources held in the Account.

Paragraph 4. *Contributions to the Account*

The Fund may accept contributions of resources to the Account on such terms and conditions as may be agreed between the Fund and the respective Contributors, subject to the provisions of this Account. For this purpose, the Managing Director is authorized to accept grants and enter into loan, deposit or other types of investment agreements with the Contributors to the Account.

Paragraph 5. *Unit of Account*

The SDR shall be the unit of account.

Paragraph 6. *Media of payment of contributions and exchange of resources*

- (a) Resources provided to the Account shall be in any freely usable currency or such other media as may be agreed by the Fund and the Contributor.
- (b) Resources held in the Account may be currencies or currencies exchanged for SDRs in accordance with such arrangements as may be made by the Fund for holding and use of SDRs.
- (c) The Fund may exchange any of the resources held in the Account provided that any balance of a currency held in the Account may be exchanged only with the consent of the issuer of such currency.
- (d) Payments made from the Account shall be made in SDRs or such other media as may be determined by the Fund.

Paragraph 7. *Use of the Resources*

- (a) The resources of the Account (including any net income from the investment of such resources) shall be used to provide grants to subsidize post-conflict and/or natural disaster emergency assistance purchases under Decision No. 12341-(00/117) that have been made by PRGT-eligible members as of January 7, 2010 ("eligible recipients"), in order to subsidize to an annual rate of 0.25 percent (the rate of charge payable to the Fund on the Fund's holdings of the members' currency resulting from those purchases). Only charges payable after the establishment of the Account will be eligible for subsidization. An otherwise eligible recipient will not be eligible for grants under

this provision while in arrears to the General Resources Account, the Special Disbursement Account, the SDR Department, or to a Trust administered by the Fund as Trustee. Once arrears are cleared, only charges payable after such clearance will be eligible for subsidization. The subsidization of emergency natural disaster assistance will be provided upon request by eligible recipients.

(b) The grants will be made available to eligible recipients at the same time as quarterly charges on eligible purchases falling, subject to the availability of adequate resources in the Account, in an amount sufficient to reduce that quarterly rate of charge to 0.25 percent on an annual basis. If, in any quarter, the resources of the Account are insufficient to subsidize the rate of charge on all eligible purchases to 0.25 percent for that quarter, the subsidy to each eligible recipient shall be pro-rated to bring the effective rate of charge paid after subsidization to the closest common percentage to 0.25 percent.

(c) Earmarked resources contributed to the Account shall be used in accordance with the terms agreed with the Contributor and shall not be taken into consideration in the determination of the grant subsidy under subparagraph (b) above. An eligible recipient beneficiary of earmarked resources shall not receive a lower grant subsidy than provided under subparagraph (b) above.

(d) Notwithstanding subparagraphs (a) through (c) of this Paragraph 7, for the period from January 7, 2010 through April 4, 2013, the resources of the Account (including any net income from the investment of such resources) shall be used to provide grants to subsidize post-conflict and/or natural disaster emergency assistance purchases under Decision No. 12341-(00/117) that have been made by PRGT-eligible members as of January 7, 2010, in order to subsidize to an annual rate of zero percent the rate of charge payable to the Fund on the Fund's holdings of the member's currency resulting from those purchases. For purposes of this subparagraph (d), "PRGT-eligible members" shall be those members on the list annexed to Decision No. 8240-(86/56) SAF, as amended, as such list may be amended from time to time. A PRGT-eligible member will not be eligible for grants under this subparagraph (d) while in arrears to the General Resources Account, the Special Disbursement Account, the SDR Department, or to a Trust administered by the Fund as Trustee. Once arrears are cleared, only charges payable after such clearance will be eligible for subsidization. The subsidization of emergency natural disaster assistance pursuant to this subparagraph (d) will be provided upon request by eligible recipients.

Paragraph 8. *Authority to Invest Resources in the Account*

- (a) Resources held in the Account and not immediately needed for operations of the Account shall be invested at the discretion of the Managing Director, subject to the provisions of subparagraph (c).
- (b) The Managing Director is authorized (i) to make all arrangements, including the establishment of accounts in the name of the Fund, with such depositories as he deems necessary to carry out the operations of the Account, and (ii) to take all other measures he deems necessary to implement the provisions of this Instrument.
- (c) Investments may be made in any of the following: (i) marketable obligations issued by an international financial organization and denominated in SDRs or in the currency of a member of the Fund; (ii) marketable obligations issued by a member or by a national official financial institution of a member and denominated in SDRs or in the currency of that member; and (iii) deposits with a commercial bank, a national official financial institution of a member, or an international financial institution that are denominated in SDRs or in the currency of a member.

Paragraph 9. *Administration of the Account*

- (a) Assets held in the Account shall 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 shall not be used to discharge or meet any liabilities, obligations or losses of the Fund incurred in the administration of the Account, nor shall the assets of the Account be used to discharge or meet any liabilities, obligations or losses incurred by the Fund in the administration of such other accounts.
- (b) The Fund shall maintain separate financial records and prepare separate financial statements for the Account. The financial statements for the Account shall be expressed in SDRs and prepared in accordance with International Accounting Standards.
- (c) The external audit firm 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.
- (d) The Fund shall report on the resources and position of the Account in the Annual report of the Executive Board to the Board of Governors and shall include in that Annual report the audit report of the external audit firm on the Account.
- (e) 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.

Paragraph 10. *Fees*

- (a) No charge shall be levied in respect of the services rendered by the Fund in the administration, operation, and termination of this Account.
- (b) All investment costs, including but not limited to costs associated with the exchange of currencies, purchase of securities, and hiring of external asset managers and custodian banks, shall be borne by and deducted from the Account.

Paragraph 11. *Termination*

- (a) The Account may be terminated at any time by the Fund, and shall be terminated when there are no longer any Fund holdings of a member's currency resulting from post-conflict and/or natural disaster emergency assistance purchases under Decision No 12341-(00/117) that had been made by eligible recipients as of January 7, 2010.
- (b) Termination shall be effective on the date that all Contributors have received a notice of termination or on such later date, if any, as may be specified in the notice of termination.
- (c) Any balance remaining in the Account on the date of its termination and after discharge of all obligations of the Account shall be transferred promptly to each of the Contributors in the proportion that the SDR equivalent of its respective contribution bears on the total contributions, except:
  - (i) in the case of earmarked contributions that have been fully used no such transfer shall be made; and
  - (ii) a Contributor may instruct that its share or a specified portion thereof be utilized for such other purposes as may be mutually agreed between the Contributor and the Managing Director.

Paragraph 12. *Amendments*

The provisions of this Instrument may be amended by a decision of the Fund. Should the Fund amend the terms and conditions of this Instrument in a manner that changes the purpose for which contributions are to be used, each Contributor shall have the right to withdraw its individual unused contribution in the proportion that the SDR equivalent of its respective contribution bears to the total contributions.

Paragraph 13. *Settlement of Questions*

Any questions arising under this Instrument shall be settled by mutual agreement between the Fund and the Contributors.