



INTERNATIONAL MONETARY FUND  
WASHINGTON, D. C. 20431

CABLE ADDRESS  
INTERFUND

June 8, 2011

Mr. Matthew Harding  
Economic Advisor  
Australian Agency for International Development (AusAID)  
GPO Box 887  
Canberra ACT 2601  
Australia  
Email: Matthew.Harding@ausaid.gov.au

Dear Mr. Harding:

I am pleased to enclose a signed original of the Letter of Understanding (LOU) between the Government of Australia and the IMF relating to the contribution to the Managing Natural Resource Wealth Topical Trust Fund (MNRW-TTF).

We are grateful for Australia's contribution to this important program supporting the activities on technical assistance through a targeted MNRW work program. As per the LOU, we would be grateful if you could arrange for the transfer of the contribution of AUD 5,000,000 in accordance with our enclosed request for disbursement. We would also like to ask that your accounting department inform my office when the transfer takes place, in order to ensure that the contribution is recorded expeditiously at our end.

We very much appreciate your support and look forward to continuing our close cooperation.

Sincerely yours,



J. R. Rosales  
Director  
Office of Technical Assistance Management  
Office of the Managing Director

Enclosure (2)

cc: Mr. Legg, Executive Director, IMF



Australian Government

AusAID

31 May 2011

Nemat Shafik  
Deputy Managing Director  
Office of the Managing Director  
International Monetary Fund  
700 19th Street N.W.  
Washington D.C. 20431  
U.S.A.

**Re: Managing Natural Resource Wealth Topical Trust Fund Subaccount—Letter of Understanding for Contribution by Australia (AusAID agreement no. 59447)**

1. The Government of Australia, represented by the Australian Agency for International Development (“AusAID”) is pleased to finance the activities of the **Managing Natural Resource Wealth (MNRW) Topical Trust Fund (TTF)**, as a Contributor to the MNRW TTF Subaccount (the “Subaccount”) established by the International Monetary Fund (the “IMF”) on November 18, 2010, under the Instrument for the Framework Administered Account for Selected Fund Activities (the “SFA Framework Instrument”).
2. Australia hereby acknowledges that:
  - (a) the administration of resources and the activities financed under the Subaccount will be governed by the SFA Framework Instrument, attached hereto as **Annex I**;
  - (b) the activities financed under the Subaccount will be governed by the Essential Terms and Conditions for the Administration of the MNRW TTF Subaccount (the “Terms and Conditions”), attached hereto as **Annex II**; and
  - (c) the scope of the activities financed under the Subaccount are described in the MNRW TTF Program Document for the first cycle of the MNRW TTF dated November 2010, attached hereto as **Annex III**.
3. To that end, Australia will contribute to the Subaccount a grant amounting to AUD5,000,000 (five million) (the “Contribution”). The Contribution will be deposited by Australia in the Subaccount within one month after this Letter of Understanding (LOU) has become effective.
4. Consistent with UN Security Council Resolutions relating to terrorism, including UNSC Resolution 1373 (2001) and 1267 (1999) and related resolutions, AusAID is firmly committed to the international fight against terrorism, and in particular, against the financing of terrorism. It is the policy of AusAID to seek to ensure that none of its funds are used,

5. Please confirm that the arrangements set out above are acceptable by signing and dating the attached copy of this letter and returning it to us.

Executed in two original documents.

For Australia: *KA. Muirhead*

Date: *6 June 2011*

By: *KIRSTY McNICHOE*  
*Acting Assistant Director General*  
*Economics, Rural Development, Infrastructure*  
*& Research Branch*

Acceptance by the International Monetary Fund

Date: *[Signature]*

By: *8 June 2011*

## **Annex I**

### **Instrument for a Framework Administered Account for Selected Fund Activities**

To help fulfill its purposes, the International Monetary Fund (the “Fund”) has adopted this Instrument to establish a framework administered account for Selected Fund Activities, which shall be governed by, and administered in accordance with, the provisions of this Instrument.

1. The Fund hereby establishes an account, the “Framework Administered Account for Selected Fund Activities,” (the “SFA Framework Account”) for the purpose of the administration of resources to be contributed by (i) donors and (ii) recipients of technical services in relation to the application of the Fund’s policies on charging for technical assistance (individually referred to as a “Contributor”, collectively referred to as “Contributors”), in order to finance Selected Fund Activities.
2. For purposes of the SFA Framework Account, “Selected Fund Activities” include:
  - (a) technical and financial services provided by the Fund consistent with Article V, Section 2(b) of the Fund’s Articles, including:
    - (i) the provision of technical services in the form of technical assistance and training of officials, and
    - (ii) activities in support of the provision of technical services including, but not limited to research, high-level conferences and international standard setting initiatives, secondments, assignments, and staff exchanges; and
  - (b) such other activities or services for which the Fund may accept external financing under its policies, consistent with the purposes of the Fund.
3. The resources provided by Contributors to the SFA Framework Account shall consist of (i) grants, (ii) proceeds of grants or loans that have been received by a Contributor from entities other than the Fund, or (iii) amounts paid in connection with the Fund’s policies on country contributions for technical assistance. The resources may be used by the Fund only in accordance with the procedures specified in paragraph 4 of this Instrument.
4. The financing of Selected Fund Activities shall be implemented through the establishment by the Fund of subaccounts within the SFA Framework Account.
  - (a) The establishment of a subaccount shall be subject to prior approval by the Fund, upon the recommendation of the Managing Director, with or without a request from a Contributor. When proposing the establishment of a subaccount, the Managing Director shall

specify (i) the essential terms and conditions of the subaccount with respect to the nature, design and implementation of the Selected Fund Activities to be financed from the subaccount in question and (ii) the method by which the costs of the activities will be financed from resources contributed to the subaccount.

(b) A subaccount may be used to administer resources from one or more Contributors. The essential terms and conditions of the subaccount may provide for additional Contributors to be added to the subaccount following its establishment, with the consent of the Managing Director and the concurrence of existing Contributors. Each Contributor to a subaccount shall consent to the essential terms and conditions of the subaccount before the Managing Director may accept that the Contributor's resources flow into the subaccount.

(c) Following the establishment of a subaccount, the Managing Director shall be authorized to use the resources in the subaccount in accordance with essential terms and conditions of the subaccount.

5. Costs incurred by the Fund in the performance of Selected Fund Activities and charged to the subaccount shall be based on the prevailing cost system that the Fund employs at the time that relevant activities are financed under the subaccount, unless otherwise agreed between the Fund and the Contributor(s). Each subaccount shall also be charged an amount equivalent to a percentage of costs charged to the subaccount for Selected Fund Activities so as to help cover the expenses incurred by the Fund in the administration of the subaccount in question.

6. Resources held in a subaccount may be used to make disbursements to the Fund's General Resources Account as required to reimburse the Fund for expenditures incurred by the Fund on account of any Selected Fund Activity financed by resources from such subaccount.

7. All transactions and operations of the SFA Framework Account shall be denominated in U.S. dollars.

8. Resources held in a subaccount pending disbursement shall be invested at the discretion of the Managing Director. Earnings net of any costs associated with such investments shall accrue to the subaccount and shall be available for the purposes of the subaccount.

9. Subject to the requirement of Fund approval specified in paragraph 4, the Managing Director is authorized (i) to make all arrangements, including establishment of accounts in the name of the Fund, as he deems necessary to carry out the operations of the SFA Framework Account; and (ii) to take all other measures he deems necessary to implement the provisions of this Instrument.

10. Assets held in the SFA Framework Account shall be accounted for separately from the assets and property of 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 SFA Framework Account nor shall the assets of the SFA Framework Account be used to discharge or meet any liabilities, obligations, or losses incurred by the Fund in the administration of such other accounts. Unless otherwise specified in the essential terms and conditions of the subaccount, the assets and property held in each subaccount of the SFA Framework Account shall not be used to discharge or meet any liabilities, obligations, or losses of the Fund incurred in the administration of any other subaccount of the SFA Framework Account. The essential terms and conditions of the subaccount may authorize the Fund to transfer amounts directly to and from the subaccount to other subaccounts under the SFA Framework Account.

11. (a) The Fund shall maintain separate financial records and prepare separate financial statements for the SFA Framework Account. Such records and statements, which shall include a breakdown with respect to each subaccount, will be maintained in accordance with International Financial Reporting Standards. The financial statements for the SFA Framework Account shall be expressed in U.S. dollars. For each subaccount, a report on the subaccount's expenditures and a review of the activities financed by it shall be prepared by the Fund and furnished to the subaccount's Contributor(s) annually, or more often if agreed between the Contributor(s) and the Managing Director. The essential terms and conditions of the subaccount may provide for direct reporting on subaccount expenditures by the Fund to specified third parties.

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

(c) The Fund shall report on the position of the SFA Framework Account, including a breakdown with respect to each subaccount, in the Annual Report of the Executive Board to the Board of Governors and shall include in that Annual Report the report of the External Audit Firm on the SFA Framework Account.

12. Subject to the provisions of this Instrument, the Fund, in administering the SFA Framework Account, shall apply, *mutatis mutandis*, the same rules and procedures as apply to the operation of the General Resources Account of the Fund.

13. A Contributor may cease its participation in the subaccount or withdraw from the subaccount at any time without causing the termination of the subaccount. A Contributor's withdrawal shall become effective on the date that the Fund receives notice of withdrawal, or such later date, if any, as may be specified in the notice of withdrawal.

14. The SFA Framework Account may be terminated by the Fund at any time, upon request of the Managing Director; the termination of the SFA Framework Account shall terminate each subaccount thereof. A subaccount may be terminated by the Fund upon the request of the Managing Director with the concurrence of all Contributors participating in the subaccount at the time of termination. A subaccount may be terminated by the Fund upon the request of a Contributor with the concurrence of the Managing Director and all other Contributors participating in the subaccount at the time of termination.

15. The essential terms and conditions of each subaccount shall specify terms for the disposition upon termination of the subaccount of any balances, net of the amounts of continuing liabilities and commitments under the activities financed, that may remain in the subaccount at the time of termination. The essential terms and conditions of a subaccount shall also specify the terms of distribution of a contribution of a Contributor, net of the amounts of continuing liabilities and commitments under the activities financed, upon the withdrawal by the Contributor from the subaccount. Unless otherwise provided in the essential terms and conditions of a subaccount, any net contribution held in that subaccount shall be retransferred to a Contributor only upon the Contributor's withdrawal from the subaccount or upon termination of the subaccount.

**ANNEX II**  
**ESSENTIAL TERMS AND CONDITIONS FOR THE ADMINISTRATION OF THE**  
**MANAGING NATURAL RESOURCE WEALTH TOPICAL TRUST FUND SUBACCOUNT**

The Managing Natural Resource Wealth (MNRW) Topical Trust Fund (TTF) Subaccount (the “Subaccount”) has been established by the International Monetary Fund (the “IMF”) on November 18, 2010.

**(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 MNRW Topical Trust Fund 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.
- (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.
- (c) The MNRW TTF will be guided by a steering committee (the “Steering Committee”). The Steering Committee will include representatives of the



Contributors and the IMF. The Steering Committee, which decides on the basis of consensus, will provide strategic guidance on the activities financed under the Subaccount and assist in setting the MNRW TTF 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 in countries where the activities financed under this Subaccount are implemented.
- (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 donor gateway<sup>1</sup> to which each Contributor has access (i) a financial statement regarding the operations and transactions under the Subaccount<sup>2</sup>, (ii) a progress report, and (iii) a list of key decisions taken at the annual Steering Committee meeting. The IMF will inform the Contributors when these documents have been posted on the donor gateway. The IMF's electronic notification to Contributors that documents have been posted on the donor gateway will constitute reporting for purposes of paragraph 11 of the SFA.

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<sup>1</sup> The donor gateway is a secure web-site that Contributors may access through <https://extranet.imf.org/>.

<sup>2</sup> 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.

- (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 evaluation of the activities financed under the Subaccount. The IMF may participate in such an evaluation at its discretion. The 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 non-objection 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 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 non-objection 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 this understanding 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 the MNRW TTF has received funding from the Contributors. Information given to the press, all related publicity material, official notices, reports and publications, will acknowledge that the MNRW TTF 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 the MNRW TTF 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 the MNRW TTF or does not reach understandings with the IMF to contribute to a subsequent funding cycle for the MNRW TTF 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 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.