

**FOR
AGENDA**

SM/03/86
Supplement 4

March 6, 2003

To: Members of the Executive Board

From: The Secretary

Subject: **International Standards Initiative—Resource Costs to the Fund**

The attached supplement to the paper on international standards—strengthening surveillance, domestic institutions, and international markets (SM/03/86, 3/6/03) is tentatively scheduled for discussion on **Wednesday, March 19, 2003**.

The staff do not propose the publication of this paper after the Executive Board completes its discussion.

Questions may be referred to Mr. Vehorn (ext. 38547) and Mr. Al-Atrash (ext. 38432) in PDR.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

Standards Initiative: Resource Costs to the Fund

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Approved by Timothy Geithner

March 5, 2003

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Standards Initiative: Resource Costs to the Fund

1. This supplement presents estimates of the resource costs to the Fund of the standards initiative. The estimates should be viewed as indicative, given the broad costing assumptions employed. Aggregate figures for the cost of conducting ROSCs reflect wide inter-departmental variations, given the differing characteristics of the various ROSCs (Table 1). The estimated costs include direct staff costs, travel, and overhead, but do not include overtime nor the resources provided without charge by member countries, most importantly the services of experts, particularly to conduct the financial sector ROSCs. Costs of ROSCs also vary depending on a country's stage of economic development. As shown in Table 2, for example, the travel costs of producing ROSCs in advanced economies are generally higher than for other economies. Accordingly, alternative proposals for achieving a specific reduction in the total costs of the ROSC initiative would have differing effects across departments.
2. Data for FY 2002 from the Fund's Budget Reporting System (BRS) indicate that 58 direct staff years (including some 8 staff years of overtime) were devoted to covering standards issues and producing ROSCs and ROSC updates, at an estimated direct cost to the Fund of US\$7.8 million in FY 2001, direct costs were US\$4.8 million (or 39 direct staff years including overtime). In FY 2002, the number of ROSCs undertaken was 106, compared to 61 in FY 2001. It is projected that 127 ROSCs will be undertaken in FY 2003, at a direct staff cost of US\$10.3 million (or 72 direct staff years including overtime).
3. The total cost of the initiative includes not only direct staff costs, but also travel and overhead costs. Total costs in FY 2003 are estimated at US\$27.4 million (Table 3), which excludes the cost of factual updates (\$ 0.7 million) to 127 ROSC modules. The direct cost accounts for about 40 percent of total costs. Assuming production of 127 ROSCs for the transparency and financial sector standards as of FY 2003 and over the medium term, total costs are projected to increase to US\$33.8 million by FY2008 as the cost of travel and staff rises. These estimates also assume that factual updates to the growing stock of modules would be absorbed in the costs of Article IV consultations. New ROSCs absorb resources that could alternatively be used for updating or other follow-up of the existing work.

Table 1. Resource Costs For the Fund of New ROSCs, FY 2002

	FAD	Financial Sector Modules 2/	STA	Other 1/	Total
Number of ROSCs completed	14	78	14		106
(In thousands of U.S. Dollars)					
Estimated direct staff costs	747	2,336	3,223	1,464	7,769
Actual travel costs 3/	234	2,483	1,147	382	4,246
Estimated overhead costs	690	2,156	2,975	1,323	7,144
Estimated total costs	1,671	6,974	7,345	3,169	19,159
Estimated average costs per ROSC 4/	119	89	525		180
Memorandum item: Standard costs for A9-A15 economist (in dollars)	155,700				

Source: OBP estimates.

1/ Other includes all area departments, LEG, PDR, RES, SEC, and TGS.

2/ The total costs for the financial sector ROSCs are higher than indicated here, since these figures exclude the contribution of the World Bank and the cost of outside experts. About half of these ROSCs are completed by the World Bank.

3/ Other travel costs include other departments and preparatory missions.

4/ For MAE and the World Bank, each FSAP includes approximately four ROSCs modules.

**Table 2. Travel Cost For the Fund of New ROSCs by
Economy Classification: FY 2002 - First Half FY 2003 1/**

ROSCs	Advanced Countries	Emerging Countries	Developing Countries
	(Averages)		
FAD			
Size of team	4.3	3.4	3.1
Duration (days)	9.7	12.8	11.8
Travel cost	\$56,133	\$33,765	\$28,299
Number of missions	3	7	15
STA			
Size of team	6.5	6	7.1
Duration (days)	12.1	11.9	14.1
Travel cost	\$70,519	\$42,214	\$67,789
Number of missions	2	4	18
FSAP 2/	Advanced	Emerging	Developing
MAE and World Bank 3/			
Size of team 4/	10.2	10.1	6.5
Duration (days)	10.6	12.1	12.6
Travel cost	\$88,622	\$91,822	\$50,359
Number of missions	16	10	34
Grand Totals			
Size of team	9.0	7.1	5.9
Duration (days)	10.6	12.3	12.8
Travel cost	\$82,257	\$63,021	\$50,103
Number of missions	21	21	67

Source: OBP estimates from TIMS.

1/ Advanced countries defined as per WEO. The differentiation between emerging and developing countries set at GDP per capita threshold of US\$6,750.

2/ In interpreting the costs of producing financial sector ROSCs, it should be noted that ROSC modules are prepared as part of the overall FSAP and are not-stand-alone missions. A clear delineation of costs relating to the ROSCs components is not possible at this time.

3/ Each FSAP results in approximately four ROSC modules in the financial sector; each module's costs is driven by the requirements of each standard setters' assessment methodology.

4/ About half of the team is allocated to ROSC work and the other half to FSAP work.

Table 3. Costs For the Fund of New ROSCs, FY 2000 - FY 2008

	2000	2001	2002	2003	2003	2003	2004	2005	2006	2007	2008
	Actual	Actual	Actual	Planned	Proj	Proj	Proj	Proj	Proj	Proj	Proj
Profile of assessments											
Number of ROSC undertaken (current plan)	51	61	106	131	127	127	127	127	127	127	127
Staff years 1/	25.50	32.00	49.80	65.50	63.50	63.50	63.50	63.50	63.50	63.50	63.50
Estimated average travel costs per ROSC (in thousands of U.S. dollars)	31.4	31.1	39.6	60.0	60.0	60.0	63.6	67.4	71.5	75.7	80.3
(In millions of U.S. Dollars)											
Estimated direct staff costs 2/	3.6	4.8	7.8	10.6	10.3	10.7	11.1	11.1	11.5	11.9	12.3
Estimated travel costs 3/	1.6	1.9	4.2	7.9	7.6	8.1	8.6	8.6	9.1	9.6	10.2
Estimated overhead costs 4/	3.3	4.4	7.2	9.8	9.5	9.9	10.2	10.2	10.6	10.9	11.3
Estimated total costs 5/	8.6	11.0	19.1	28.3	27.4	28.7	29.9	29.9	31.1	32.4	33.8
Estimated cost per ROSC undertaken (in thousands of U.S. dollars)	168.1	181.1	180.3	215.8	215.8	225.6	235.1	235.1	245.1	255.3	266.2
Memorandum item:											
Standard costs for A9-A15 economist (in U.S. dollars)	142,200	148,600	155,700	162,000	162,000	168,500	174,400	180,500	186,800	193,300	

Source: Travel Information Management System (TIMS), Budget Reporting System (BRS), and OBP.

1/ Actual staff years (excluding overtime) for FY 2001 and FY 2002, and estimated at 0.5 staff years per ROSC for FY 2000 and projections. Excludes the costs of actual for FY 2003 and beyond.

2/ Standard cost for staff is assumed to increase by 4.0 percent FY 2004, and 3.5 percent thereafter.

3/ Actual travel costs for FY 2000 - FY 2002; annual travel costs are assumed to increase by 6.0 percent in the outer years.

4/ Slightly less than one-half of BRS time is charged to non-core activities, including administration, supervision, leave, training, etc. It is assumed that the non-core share is allocated to core activities