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To: Members of the Executive Board

From: The Secretary

Subject: **Categories of Employment—Proposed Reclassifications of Positions**

Attached for consideration by the Executive Directors is a paper on proposed reclassifications of positions with respect to categories of employment, which is tentatively scheduled for discussion on Thursday, July 27, 2000. A draft decision appears on page 22.

Mr. Gollé (ext. 34018) is available to answer technical or factual questions relating to this paper prior to the Board discussion.

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INTERNATIONAL MONETARY FUND

**Categories of Employment—Proposed Reclassifications of Positions**

Prepared by the Human Resources Department

Approved by Margaret R. Kelly

July 6, 2000

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## I. EXECUTIVE SUMMARY

1. In January 1999, the Executive Board adopted a revised employment policy and agreed to a two-step implementation procedure to deal with employment practices that are not consistent with the revised policy.<sup>1</sup> Under the revised policy, which clarifies and tightens criteria for employment, all employment relationships take the form of either a staff or contractual appointment depending on the function to be performed. Functions that are needed for two years or more are to be performed by employees on staff appointment, either open-ended or limited-term. Functions which are expected to be performed for less than two years are to be carried out by contractual employees; contractual appointments can be extended to a maximum of four years. Arrangements for the delivery of services and functions that the Fund has determined should be outsourced take the form of vendor arrangements.

2. The adoption of a new employment framework reflected concern about the emergence in the past 10 years of employment practices at the Fund that have deviated increasingly from established policy and fair employment practice. As a result, employees who perform similar or identical functions have been subject to different terms and conditions of employment (staff, contractual employees, and vendor personnel). In addition, the Fund has engaged in a large number of "indirect vendor arrangements," many of which are vendor arrangements in form but may qualify as direct employment relationships in substance. These personnel are considered to be "indirect" vendors in the sense that they only indirectly report to the parent vendor and in fact report directly to Fund staff for much of their work. These practices have resulted in inequities, tensions among groups of employees, and morale problems.

3. As part of the new framework, management approved a new outsourcing policy. It provides for consideration of the outsourcing of an activity if, a priori, it could reasonably be expected to result in improvements in one or more of the following: quality of service, cost effectiveness, flexibility and timeliness in service delivery, or responsiveness to the Fund's needs. Activities are to be performed in-house or remain internal when they are directly related to the basic mission or are critical to the work of the Fund; require institutional knowledge or continuity in assignments; or involve activities in which the Fund should have expertise. Making determinations in these areas requires judgment about a variety of factors that may change over time. At present the Fund has outsourced the equivalent of 830 staff years under vendor arrangements plus \$5.4 million worth of other activities for which the concept of staff year equivalents is not meaningful.

4. Based on a review of positions and functions and the application of the new employment framework and the outsourcing policy, it is recommended to:

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<sup>1</sup>Categories of Employment—Facts, Issues, and Proposed New Framework, EBAP/98/137, 12/4/98; EBM/99/7 (1/14/99).

- Reclassify 181 contractual positions to staff positions.
- Reclassify 36 indirect vendor arrangements to staff (34) or contractual (2) positions.
- Outsource several functions performed by employees.
- Eliminate all other indirect vendor arrangements, which are mainly in the information technology (IT) area, through outsourcing arrangements.

5. More than half of the proposed conversions—concerning mostly IT and administrative services—are in the Technology and General Services Department (TGS). Other departments with a significant number of conversions are Monetary and Exchange Affairs (MAE), Human Resources (HRD), Statistics (STA), and External Relations (EXR).

6. Based on the experience with new outsourcing arrangements, a further review will be made of some long-term contractual and vendor arrangements in IT, which could result in an additional request for reclassification of some 30 to 40 IT positions to staff or contractual positions. Such a request would be presented to the Executive Board, but not before the FY 2002 Administrative Budget.

7. Consistent with the views expressed by Directors in January 1999, positions reclassified as staff will be filled by applying vacancy list procedures modified, on an exceptional basis, to allow incumbents to be considered for the specific positions they hold, regardless of the incumbent's length of service. Positions will be advertised in the internal vacancy list (Career Opportunities) that is updated on the Fund's intranet twice a month. These procedures will ensure that a transparent, fair, and consistent process is applied to the filling of all reclassified positions, and will provide a basis for supplying feedback to candidates and incumbents not selected.

8. Given the current proportion of U.S. nationals among contractual employees, it is likely that a number of U.S. nationals will be selected for the reclassified positions; as a result, the diversity of staff, as measured by nationality distribution, will show some deterioration. However, as noted by Directors in January 1999, correcting past inequities should not result in new ones, and qualified incumbents should not be denied conversion because of nationality.

9. The paper presents several measures to assist contractual incumbents who are separated as a result of reclassification, including a longer notification period for those long-serving incumbents who are not selected for the positions that are converted and are separated as a result, and access to the services of the career counselor in the Staff Development Center.

10. The paper discusses selected issues that will be reviewed to support the reclassifications including whether contractual employees converted to staff should be given the opportunity to obtain credit toward Staff Retirement Plan (SRP) benefits for the periods of contractual employment during which they were not eligible for the SRP. The SRP issue

will need to be reviewed separately by the bodies specifically responsible for the SRP—the Pension Committee and the SRP Administration Committee—as well as, later, by the Executive Board. The proposed reclassifications can take place without agreement on this issue.

11. The impact of the proposed reclassifications on the Administrative Budget is two-fold: first on the number of authorized staff positions and second on the dollar cost. The conversion of contractual positions to staff will not raise the total authorized staff ceiling which includes both staff and contractual positions. The conversion of 36 vendor arrangements to staff or contractual positions will, however, raise the total authorized staff ceiling by 36 to 2,986 positions. The reclassification of vendor and contractual arrangements will result in an additional expenditure (on a full year basis) of some \$2.6 million on account of benefits and other payments associated with appointments into the reclassified positions; the actual incremental dollar cost on the FY 2001 budget is estimated at \$1.1 million, as reclassifications would take place in the second half of the financial year. These changes and related budgetary appropriations are proposed for approval by the Executive Board, as set out in the draft decision.

## **II. INTRODUCTION**

12. In January 1999, the Executive Board adopted a revised employment policy and agreed to a two-step implementation procedure to deal with employment practices that are not consistent with the revised policy. The first stage would include (i) the design of an outsourcing policy governing vendor relationships and (ii) a review of functions and positions that are not consistent with the outsourcing policy and revised employment framework. The second stage would consist of the implementation of the reclassifications after the Board has concluded the first stage.

13. The paper summarizes the important concerns related to employment practices of the Fund that led to the adoption of a revised employment policy, provides information on the new outsourcing policy that was approved by management in July 1999, and presents a set of recommendations to reclassify positions and vendor arrangements to ensure consistency with the revised employment policy and the outsourcing policy. The paper also outlines the process to be applied to implement the reclassifications and discusses selected human resources (HR) policies that may need to be changed to support the reclassification exercise.

## **III. BACKGROUND ON CATEGORIES OF EMPLOYMENT ISSUES**

14. In recent years concern has grown that labor practices at the Fund have deviated increasingly from the employment guidelines established in 1989. Against this background, the Executive Board adopted in January 1999 a new employment framework that clarified and tightened criteria for employment relationships at the Fund, and decided on a two-stage implementation process. The first stage, to be completed with this review, consisted of the design of an outsourcing policy governing vendor relationships and the identification of

functions and positions that are not consistent with the outsourcing policy and the revised employment framework.

#### **A. Issues that Led to the Revised Employment Framework**

15. The employment guidelines established in 1989 defined three categories of employment at the Fund: staff, contract, and vendor.<sup>2</sup> Contractual and vendor arrangements were meant to be used for functions that did not meet the conditions for staff appointments but which were needed for the efficient operation of the Fund. Vendor arrangements were to be used to provide services, materials, or both to the Fund. Vendor personnel work for companies that provide services to an organization; they are not employees of that organization and, under fair labor practices, are not supposed to perform the same functions as employees of the organization.

16. In the past 10 years, practices at the Fund have deviated increasingly from established policy and fair employment practice. As a result, employees who perform similar or identical functions have been subject to different terms and conditions of employment (staff, contractual employees, and vendor personnel). At the end of 1999, the Fund employed 2,298 staff members and 443 contractual employees (Table 1). In addition, the Fund has engaged in a large number of "indirect vendor arrangements," many of which are vendor arrangements in form but may qualify as direct employment relationships in substance. In 1999, some 320 vendor personnel were actually supervised by Fund staff on an ongoing basis and worked on site with Fund-provided equipment and resources. These personnel are considered to be "indirect" vendors in the sense that they only indirectly report to the parent vendor and in fact report directly to Fund staff for much of their work.<sup>3</sup> These practices have resulted in inequities, tensions among groups of employees, and morale problems.

17. The summing up of the above issues at EBM/99/7 (1/14/99) noted that "With regard to the present employment situation, Directors regretted that, over time, some labor practices had increasingly deviated from the policy established in 1989. They expressed concern that a large number of contractual employees and some vendor personnel were performing the same functions as staff on an ongoing basis but under different conditions of service, and that some vendor personnel had a relationship with the Fund that, in some way, was akin to Fund employment.... Directors expressed concern about the lack of fairness resulting from the above practices. They observed that these practices had an adverse impact on diversity, weakening the international character of the Fund, and had not been cost effective. Furthermore, Directors noted with concern that some of the present employment practices could become the subject of a legal challenge. All these factors argued for comprehensive

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<sup>2</sup>See EBAP/98/137, pages 8 and 9.

<sup>3</sup>See EBAP/98/137, page 23.



and timely action to bring employment practices back in line with the Fund's human resources objectives."<sup>4</sup>

18. Directors endorsed a revised employment framework under which all employment relationships between the Fund and its employees will take the form of either a staff or a contractual appointment (see Box). Functions that are to remain in-house and that are needed for two years or more would be performed by employees on staff appointments (open-ended or limited-term staff appointments). Functions that are expected to be performed for less than two years would be carried out by contractual employees. Arrangements for the delivery of services and functions that the Fund has determined should be outsourced take the form of vendor arrangements consistent with the outsourcing policy and do not form part of the employment policy.

### **B. Outsourcing Policy**

19. As part of the first stage of the implementation process endorsed by the Board in January 1999, a working group developed and management approved an outsourcing policy in July 1999. The policy, which is summarized in Attachment I, defines outsourcing and establishes principles, criteria, and decision factors to be applied, as well as the process to be followed, to outsource a function.

20. Outsourcing a function or a service is a complex decision entailing potential risks and benefits. The policy indicates that an activity can be considered for outsourcing if, a priori, it could reasonably be expected to result in improvements in one or more of the following: quality of service, cost effectiveness, flexibility and timeliness in service delivery, or responsiveness to the Fund's needs. Activities are to be performed in-house or remain internal when they are directly related to the basic mission or are critical to the work of the Fund; require institutional knowledge or continuity in assignments; or involve activities in which the Fund should have expertise. Making determinations in these areas requires judgment about a variety of factors that may change over time.

## **IV. REVIEW OF POSITIONS AND PROPOSED RECLASSIFICATIONS**

21. In July 1999 all departments were asked to review those positions and functions that might not be consistent with the revised employment framework and the outsourcing policy and to recommend positions that should be considered for reclassification. These requests were presented to the Human Resources Department (HRD) in November 1999. HRD and the Office of Budget and Planning (OBP) reviewed the requests and met with departments in late 1999 and early 2000 to discuss the recommendations. HRD hired a consultant to provide an independent assessment of its requests and to assist in the review of functions in the IT area, where the majority of indirect vendors are employed.

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<sup>4</sup>BUFF/99/10, revised 2/3/99.

### Box 1. Revised Employment Framework

All employment relationships between the Fund and its employees take the form of either a staff or a contractual appointment depending on the function to be performed.

- Functions that are needed for two years or more are to be performed by employees on staff appointments.
- Functions which are expected to be performed for less than two years are to be performed by contractual employees. Contractual appointments are used only for short-term employment, and can be extended if needed to a maximum cumulative period of four years; time will start counting toward the four-year rule from the date of implementation of the reclassification process.
- Arrangements for the delivery of services and functions that the Fund has determined should be outsourced take the form of vendor arrangements; these are defined in the context of an outsourcing policy and do not form part of the employment policy.

Staff are on either open-ended (career) or limited-term appointments.

- **Open-ended appointments** apply to employees hired: (i) to perform functions that carry out the mission of the Fund (positions directly involved in consultation and negotiation with member countries and those that perform other key ongoing functions essential to the basic operation of the Fund), and (ii) to perform functions that support the mission of the Fund and for which the Fund wishes to build expertise and the skills are not likely to change significantly over a few years. Staff on open-ended appointments are initially hired on a fixed-term appointment to test their suitability for career employment.
- **Limited-term appointments** apply in the following cases:
  - Even though the function supports the mission of the Fund, the Fund does not wish to build expertise in the function, or the skills needed for the function are likely to change significantly over a few years, or the long-term need for the position is not certain. In such cases, the person is hired on a **limited-term staff appointment with no expectation of conversion** to an open-ended appointment in the position as long as the position is to be filled on a limited-term basis.
  - The employee is on secondment from another institution or government agency, and there is no expectation or possibility of conversion in this or any other position at the Fund unless specifically agreed between all the parties. The employee is hired on a **non-convertible fixed-term staff appointment**.
  - Limited-term appointments are made for a period of two to three years. They may be extended once up to a cumulative period of five years, provided that the position criteria for a limited-term appointment continue to apply.

## **A. Review of Positions**

22. HRD reviewed and assessed departmental requests in light of the criteria set out in the revised employment framework. The review focused on whether the function should be performed by a Fund employee (staff or contractual employees) or be outsourced. Factors considered for functions to be performed by a Fund employee are summarized in Box 1, which presents the factors leading to staff appointments on either an open-ended or limited-term basis, or a contractual appointment. Factors considered for outsourcing are presented in Figure 1.

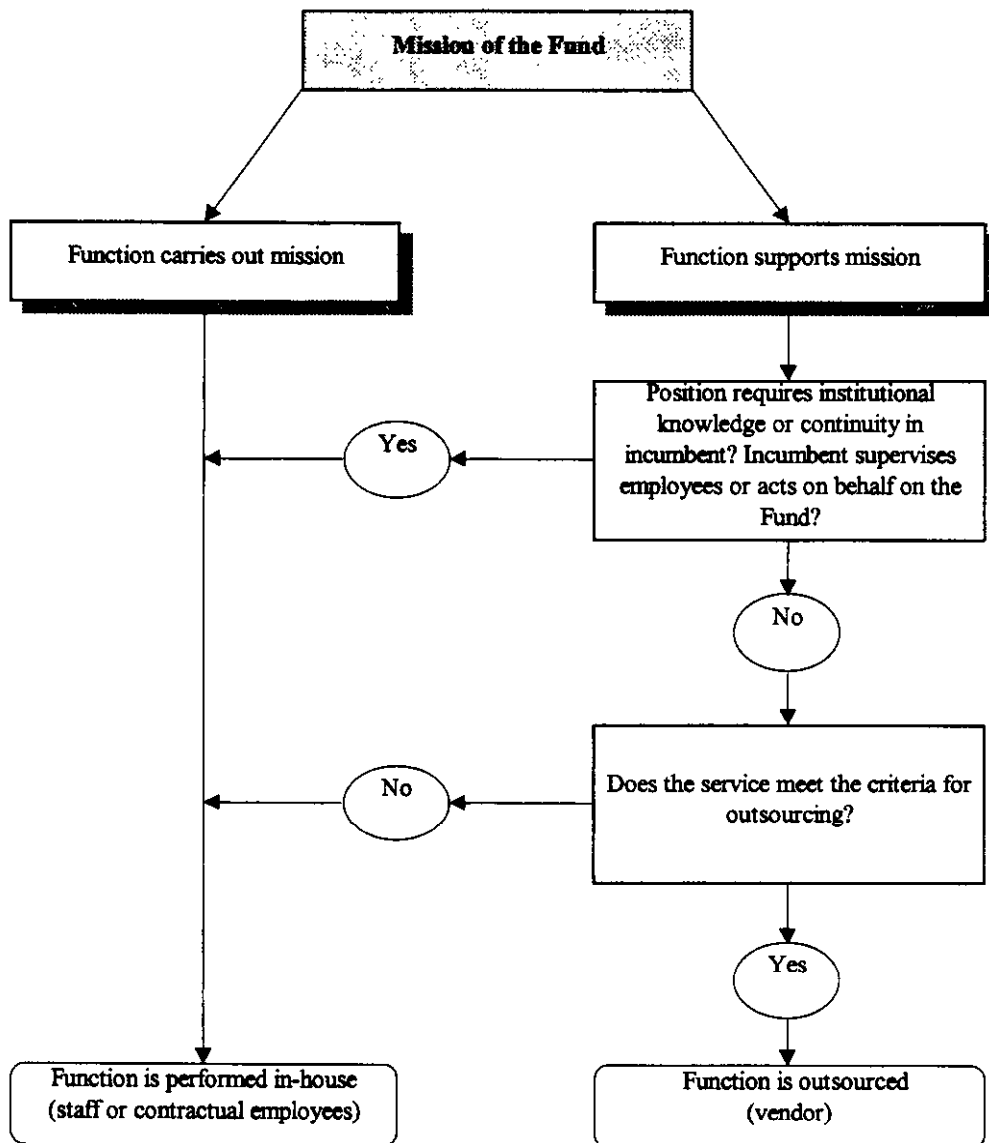
23. While most requests presented a clear-cut case, some required extensive examination. The latter applied mainly to a number of IT functions. How to best staff IT functions has been the subject of debate not only in the Fund, but also in the IT industry and HR literature. In deciding on whether to use Fund employees or outsourcing to carry out IT activities and functions, the need for stable and reliable service delivery had to be weighed against the need for flexibility to meet changing user and industry requirements. The management of the Bureau of Information Technology Services (TGS/BTS) and HRD staff considered how the IT function is staffed in other selected institutions in the United States, with particular focus on approaches and practices at the General Accounting Office. This led TGS/BTS and HRD to refine the application of the employment framework to the IT function by identifying specific criteria that are relevant to IT and consistent with the new employment policy. These criteria include an assessment of whether a specific IT function requires the incumbent to have (i) a significant role in project or contract management, procurement, or user liaison functions or (ii) knowledge of the Fund. In those cases where these criteria were met, the need for a direct employment relationship is indicated. This approach and other factors<sup>5</sup> led to the reclassification requests presented below.

24. Other requests requiring special consideration related to a subset of headquarters-based technical assistance (TA) experts hired on contract. The Fund employs on contract some 40 TA experts based at headquarters, typically for assignments of two years or less. Contractual arrangements meet the needs of TA departments in most cases (e.g., no reclassifications are proposed in FAD where experts do not remain on contract for more than a few years). However, in other cases, continuity with the incumbent is needed for several years. In most of those cases, reclassifications from contract to staff position were considered and are proposed for implementation in this review. Exceptions include financial sector expert positions in the Monetary and Exchange Affairs Department (MAE) which require skills that are currently in high demand and, therefore, command a significant salary premium in the market. Placing such experts in the Fund salary and grade scales would lead to anomalies. Therefore, the staff concluded that it would be best to retain flexibility and thus to hire such experts under contracts.

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<sup>5</sup>It was also decided not to consider for reclassification at this time some nine contractual positions in the Joint Bank-Fund Library. This decision was dictated by the current discussions with the World Bank on the sharing agreement for the Library and the potential for a significant reduction in World Bank financing; these positions will be reviewed as part of the further review of IT positions described below.

Figure 1. Functions Performed in-House and Outsourced



25. Another type of request related to some 30 assistant positions funded externally that support TA delivery or administration. These allocations enable departments involved in TA to hire assistants on contracts. Several of the departments expressed interest in reclassifying some of these positions. In light of the special (external donor) funding arrangements for these positions, these reclassification requests were not considered for implementation in the context of this review. OBP and HRD will review with concerned departments the staffing arrangements related to externally-financed TA and consider whether changes in current procedures should be made for potential implementation in a budget-neutral way in the context of the FY 2002 Administrative Budget.

## **B. Proposed Reclassifications**

26. The reclassifications proposed at this time include 215 conversions from contracts and vendor arrangements to staff positions, and two conversions from vendor arrangements to contracts (Table 2). Considerations related to outsourcing are presented in the next section. Table 3 provides an overview of all reclassifications, including outsourcing.

### **Information related to positions**

#### ***Types of departments***

27. The majority of reclassifications originate from information, liaison, and support departments where 63 percent of all contractual employees are located. These departments account for two-thirds of the recommendations for conversions to staff. The largest reclassifications are in the Technology and General Services Department (TGS), HRD, and the External Relations Department (EXR) (see Table 4 Conversions to Staff—Distribution by Unit and Grade Group).

28. Functional departments account for more than one-quarter of the recommendations for conversions to staff. The largest reclassifications in these departments are in MAE, and the Treasurer's (TRE) and Research (RES) departments. A few conversions relate to area departments.

#### ***Types of positions***

29. Half of the proposed reclassifications are for positions at Grades A1–A8. These positions include staff and administrative assistants, research assistants, chauffeurs, and other types of assistants (accounting, budgeting, text processing, personnel, services, etc.).

30. The other half of the proposed reclassifications are for positions at Grades A9 and above. These positions include IT and data management officers, technical assistance experts based at headquarters (MAE, LEG, and STA), translators (TGS/BLS), a few budget officers and administrators (OBP and TGS), and various other professional positions in procurement, accounting, facilities, editing, and human resources (TGS, TRE, and HRD).

### ***Types of conversions***

31. Conversions to staff take one of two forms, either conversion of the position on an open-ended basis or on a limited-term basis; the latter applies to areas where the Fund does not wish to build expertise, the skills are likely to change significantly over a few years, or the long-term need for the position is not certain. The choice between the two options is left to the hiring department in consultation with HRD, depending on the staffing needs of departments which may change over time. Departments intend to fill one-third of the positions recommended for conversion to staff on a limited-term basis. Such limited-term appointments will enable departments to retain the flexibility they need in areas where significant changes in skills are expected or where the internal organization of some functions is under review.

### ***Longevity of positions***

32. Based on information provided by departments, nearly all the positions recommended for reclassification had existed in their current form (i.e., with duties unchanged) for more than 2 years by mid-1999. Over 130 of these positions had existed for more than 5 years, of which over 80 had existed for more than 8 years.

### **Information related to incumbents on contract**

33. Information is provided below on the incumbents in the positions that are presented for reclassification to staff or contract.<sup>6</sup> While there is no expectation that all incumbents will be hired for the positions, it is likely that the majority of incumbents will be selected if they meet the qualifications defined for filling staff positions. The section below provides more background on the process that will be used to fill positions.

34. Table 5 presents information on nationality distribution by region and gender for incumbents in those contractual positions proposed for reclassification. The distribution of incumbents by region is not significantly different from that of the total population of contractual employees, with the largest groups from the Western Hemisphere (47 percent U.S. nationals), followed by Asia and Europe. Some 49 percent of incumbents are women, the same share of women as in the total population of employees on contract.

35. The majority of the 173 contractual incumbents in positions proposed for reclassification have been on contract with the Fund for several years; of the 173 contractual employees, 85 have been in the Fund for more than 2 years, including 34 who have been on contract for 5 or more years.

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<sup>6</sup>Data on incumbents relate to the situation as of the third quarter of 1999. Some changes in incumbents have taken place since that time.

### **C. Outsourcing**

36. The extent of outsourcing at the Fund is already considerable, with the equivalent of 830 staff years of activities outsourced. Over one-third of outsourcing arrangements, in the form of indirect vendor arrangements, are problematic for the reasons presented in Section III. This section reviews the extent of current outsourcing arrangements, planned actions to eliminate the practice of indirect vendor arrangements, and the outsourcing of some activities currently performed by staff or contractual employees.

#### **Current extent of outsourcing**

37. A broad range of activities and functions are performed at the Fund through direct and indirect vendor arrangements that are estimated to correspond to about 830 staff years. As of end 1999, outsourcing ("direct" vendor relationships) at the Fund represented the equivalent of some 510 staff years worth \$33.4 million, nearly all under the responsibility of TGS. In addition, TGS engaged the services of vendor companies for some \$5.4 million worth of other activities, for which the concept of a full staff year equivalent is not meaningful. Major outsourcing expenses relate to building operations and maintenance and janitorial services, cafeteria and catering services, travel agency, printing and other graphics work, messengers, guard services, IT operations, translation and interpretation services, some publication work, and contractor work for renovation projects.

38. In addition to the above outsourcing arrangements, Fund departments used in 1999 the services of some 320 indirect vendors, of which 309 are in TGS. Most indirect vendors work in the IT area (some 250 in TGS/BTS); most others (close to 60) work in the Administrative Services Group (TGS/ASG) in functions, such as facilities project managers, budgeting administrators, space planners, chauffeurs, and assistants. A few other indirect vendors work in HRD (trainers), RES (data management), and a few other departments.

39. As indicated above and in EBAP/98/137,<sup>7</sup> indirect vendor arrangements are problematic and should be avoided. Such arrangements raise issues of fairness with respect to indirect vendor personnel and typically are not cost-effective (the Fund must pay the administrative cost associated with having a nominal employer and only U.S. nationals or permanent residents (who cost more than expatriate staff) can be employed by vendor companies).

#### **Elimination of indirect vendor arrangements**

40. HRD and OBP reviewed with departments opportunities for outsourcing and ways to eliminate the practice of indirect vendor arrangements. Departments identified several

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<sup>7</sup>EBAP/98/137, 12/4/98, page 23 (paragraph 54)

functions and positions that should be reclassified. The status of these efforts (presented in Table 3) is as follows.

41. Some 36 positions under indirect vendor arrangements perform functions that should be performed by Fund employees given the revised employment and outsourcing policies; these are, therefore, proposed for reclassification to staff (34) or contractual status (2), as presented in Table 2. They include 25 arrangements in TGS/ASG (budget administrators, data managers, security administrator, facilities specialists, etc.) and 11 arrangements outside TGS (data management personnel in RES, one press officer in EXR, and assistants in HRD and the IMF Institute).

42. Some 122 indirect vendor arrangements will be outsourced consistent with the guidelines elaborated under the new outsourcing policy; these include 88 arrangements in IT (workstation support, help desk, and data center operations) and some 34 in administrative services (mostly property management and other facilities activities).

43. Another 162 indirect vendor arrangements for IT support will be consolidated and streamlined. BTS, in consultation with Procurement, will restructure the method by which it manages vendor arrangements by consolidating and streamlining current arrangements with close to 50 individual companies to a target of fewer than 10 companies. These changes will eliminate the need for day-to-day administration of staffing tasks such as recruiting, training, and performance management.

44. This proposal in BTS will help bring the Fund's IT practices closer in line with those of other organizations and outsource additional IT functions and services, including the technology trainers provided by HRD. In these cases, BTS will be managing procurement contracts with companies instead of managing people in indirect vendor arrangements.

45. Following a period of transition and adjustment to the new working model outlined above, BTS and HRD will review how best to staff the remaining contractual positions that are not proposed for reclassification at this time and the extent to which some of the 162 indirect vendor arrangements might need to be reclassified. The review will take into account factors, such as experience with the streamlined and consolidated vendor arrangements, the application of the revised employment policy and the outsourcing policy, and the model outlined above that draws on external best practices in IT staffing, the cost-sharing agreement for the library, and other relevant organizational issues. The Procurement Section of TGS will be fully associated with the review; external consultants will contribute to aspects of the review.

46. The above review of IT positions could result in an additional request for reclassifications of some 30 to 40 positions to staff or contract (inclusive of vendor arrangements that may require reclassification to staff at the conclusion of the above review and streamlining of IT vendor arrangements). Such a request would be presented to the Executive Board for consideration, but not before the FY 2002 Administrative Budget.



### **Outsourcing functions performed by staff or contractual employees**

47. TGS identified several functions for which consideration could be given to outsourcing. The Graphics Section (TGS/ASG) is conducting an analysis of outsourcing the Digital Print Unit (DPU) and will abolish three staff positions as part of this process. The DPU produces almost all internal Fund documents, including all documents distributed to the Executive Board, and produces over 106 million impressions each year on a two-shift schedule. While the analysis is not yet complete, the two-shift organization provides an opportunity to test the viability of outsourcing this function by completing the outsourcing of the second shift, which currently includes three staff positions, and retaining a core of regular staff members to operate the first shift. Based on the experience gained from outsourcing the second shift, consideration will be given in the future to further outsourcing in the Digital Print Unit. The three staff positions will be abolished according to the procedures set out in GAO 16, and affected staff will be given access to separation benefits policy. In addition, TGS/ASG is exploring further limited opportunities, on the order of four staff years, for outsourcing the mailroom and courier operations that were transferred in 1999 from the Secretary's Department (SEC), and conference service support activities.

48. TGS/BTS will review those long-term contractual arrangements that are not currently proposed for conversion to staff positions; it is expected that some functions performed under a number of those arrangements will be outsourced in the future.

49. TGS/BLS will review the potential for outsourcing tasks related to the translation and production of a few non-time sensitive, non-confidential documents and publications. These tasks currently amount to the equivalent of 2 to 3 staff years.

### **V. IMPLEMENTATION PROCEDURES AND RELATED ISSUES**

50. Implementation measures include procedures to fill the positions, measures to assist separated contractual incumbents who are not selected for the functions they currently perform, and procedures to ensure the proper classification of positions in the future. HR policy issues that will need to be reviewed are also presented.

#### **A. Filling Reclassified Positions**

51. The process of filling positions reclassified as staff will be based on the following considerations, which were endorsed by the Board in January 1999. First, the process should result in the best person being selected for the position. Second, the process should be cost-effective. Thus, an external search effort, which could be lengthy and costly, might not be required if the incumbent is a specialist who meets all the current position requirements and has performed the function for several years to the full satisfaction of the department concerned and has acquired considerable expertise and institutional knowledge. Third, correcting past inequities should not result in new ones. Therefore, qualified incumbents will not be denied conversion because of, for example, nationality.

52. Given the above considerations, management considers that it would be appropriate to apply modified vacancy list procedures to the positions that are reclassified. Positions will be advertised in the internal vacancy list (Career Opportunities) that is posted twice a month. Consistent with existing procedures, staff with one or more years of service and contractual personnel with two or more years of service will be eligible to apply for any advertised position. In addition, and on an exceptional basis, incumbents of reclassified positions will be able to apply for the specific positions they hold, regardless of their status (contract or vendor) and length of service at the Fund.

53. Given the current proportion of U.S. nationals among employees on contract, the above approach is likely to result in the selection of a large number of U.S. nationals for the reclassified positions. Although the diversity of all Fund employees (both staff and contractual) is not expected to change, the indicators used to date to measure diversity (which do not include contractual employees) will show a deterioration with regard to nationality distribution. Progress in increasing the diversity of the staff will be made over time, as positions become vacant in the future. Management is aware of the adverse consequence the reclassification effort is likely to have on the diversity of the Fund staff, and has instructed departments, in particular support departments, to redouble their efforts to recruit qualified diversity candidates. HRD is fully supporting this effort.

54. Established HR policies will apply to the reclassified positions and related appointments. Reclassified positions will be added to departmental budgets. Each position will be assigned a grade level or range on the basis of job content, and appointments and starting salaries will be determined according to established procedures. Employees appointed to open-ended positions will be appointed on a fixed-term basis initially; employees appointed to limited-term positions will be appointed for a limited period, in accordance with the revised employment framework.

#### **B. Measures to Assist Contractual Incumbents who are Separated as a Result of Reclassification**

55. The Fund has an established policy for the termination of contractual employees. When a department determines that there is no longer work for the contractual employee to perform, it may terminate the contract, invoking the notice clause of one month per year of previous continuous service, subject to a maximum notice of three months. In addition, an employee may be released immediately when the department concerned considers that security, confidentiality, or the morale of the office would be adversely affected by the continued presence of the employee notified of termination; in those cases, the employees are provided a termination payment up to the equivalent of the salary for the remainder of the notice period.

56. Under the revised employment framework, employees hired to fill contractual positions would not be renewed beyond a cumulative period of four years. To be consistent with this framework and taking into account current realities in the accumulated service of

some contractual employees, it is proposed that the maximum notice period be extended from three to four months for contracts covering a cumulative period of four or more years.

57. About one-third of contractual incumbents (62 employees) in positions proposed for conversion have served under contracts for continuous periods exceeding three years. The maximum notification period of four months, proposed above, might not be sufficient for those with long service whose contract is terminated early as a result of the reclassification process. A longer notification period would be appropriate for those long-serving incumbents who are not selected for the positions that are converted and are separated as a result. Therefore, it is proposed that, for this exceptional reclassification exercise, the termination notification period of one month per year of service be extended to a maximum of six months for employees whose length of continuous service totals six years or more.<sup>8</sup>

58. In addition to the policy outlined above, the Fund will assist contractual employees who are separated by giving them access to the services of the career counselor in the Staff Development Center; the counselor provides career counseling and advice on job search techniques, interviewing skills, and resume-writing skills.

### **C. Measures to Ensure Proper Classification in the Future**

59. The revised employment framework and guidelines will be applied to ensure the proper classification of positions in the future and avoid the recurrence of issues addressed in this paper. In particular, OBP and HRD will apply the revised guidelines when new positions are proposed for inclusion in the Administrative Budget and when employees are hired. Departments will also be reminded of the employment guidelines in the annual budget process and will take into account these guidelines when requesting changes in their budget allocation. HRD will monitor the employment of personnel under contracts and apply the four-year rule for contractual employees; time toward the four-year rule will start counting from the date of implementation of the reclassification process.

### **D. Review of Selected HR Policies**

60. HRD will review selected HR policies and programs to ensure consistency with the revised employment framework. This will include a simplification/streamlining of benefits provided to contractual employees.

61. One of the major transitional issues that will arise in connection with the conversion of contractual personnel to staff employment is whether—and, if so, on what basis—the converted personnel should be given an opportunity to obtain credit toward Staff Retirement

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<sup>8</sup>There may be cases where a department determines that a current contractual employee could remain on contract even if not selected for the reclassified position he or she occupied, subject to the needs of the department and available resources.

Plan (SRP) benefits for the periods of contractual employment during which they were ineligible for the SRP.

62. Allowing for such credit would help place converted personnel on the same footing as other staff, notwithstanding the earlier difference in their employment status. The retirement benefits for contractual personnel have mostly been limited to lump-sum payments that are much smaller than the SRP benefits for corresponding periods of employment. Because the level of SRP pensions depends heavily on the length of qualifying service, a Fund employee who becomes a staff member and SRP participant after several years of contractual employment would receive significantly lower retirement benefits than a staff member who had participated in the SRP throughout the same total employment period. An arrangement that permits converted personnel to obtain credit under the SRP for their periods of contractual employment would, therefore, be needed to avoid carrying forward the disparate effects of past differences in employment status on future retirement benefits.

63. If a decision is made to allow converted personnel to acquire SRP credit, there would be a large number of issues that would need to be considered. These would include the legal basis for and limits on such credit,<sup>9</sup> the basis for determining the amount of the acquired SRP benefits, the need to avoid duplication of benefits, the cost to the SRP and to the Fund of the SRP credit, and the cost to the converted personnel of the credit and the repayment period and terms that would apply. Addressing these issues would be complicated, because the contracts of the personnel concerned incorporate a number of different provisions on retirement, including, for example, various amounts of lump-sum payments and the 401(k) plan set up in 1999. As a result, the Fund's prior payments and obligations to the individuals will vary significantly upon conversion to staff. It should also be noted that a minority of the current contractual personnel—most of those employed before May 1, 1991—are often already entitled to purchase SRP credit for the period of their contractual service.<sup>10</sup>

64. Allowing personnel converted from contractual to staff status to acquire SRP credit would make it necessary, on grounds of consistency and fairness, to consider extending the same or similar arrangements to a number of other groups of staff. These would include: staff who converted in the past from contractual status; staff who had periods of temporary employment, part-time contractual employment, leave of absences without pay, or other

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<sup>9</sup>The Fund maintains the "qualified" status of the SRP under U.S. tax laws, which has advantages for both the Fund and staff and retirees, but it also requires that the SRP conform to certain contribution and benefit regulations and limits.

<sup>10</sup>Employees who were hired on a contractual (or temporary) basis before May 1, 1991 who had three or more years of continuous full-time service immediately preceding their staff appointment may purchase SRP credit for that contractual service. The Plan was amended in 1991 to eliminate this possibility for subsequently employed personnel.

breaks in service that did not qualify as SRP service; and staff (including a number of Economist Program participants) who chose not to enroll in the SRP while they held initial fixed-term staff appointments. Finally, there is a general question regarding the "portability" of retirement benefits, i.e., the ability of staff to transfer into the SRP the retirement benefits earned with previous employers and paid out when they joined the Fund.

65. This set of issues and the potential circumstances in which it might be desirable to permit the acquisition of SRP credit are much broader than the questions raised by the present exercise on the categories of employment. In addition, any changes in the present policies and procedures regarding SRP participation must be considered separately by the bodies specifically responsible for the SRP—the Pension Committee and the SRP Administration Committee—as well as by the Executive Board. A lead-time of several months would also be required to put in place the necessary administrative arrangements for any extensive program to allow staff to acquire SRP credit. For these reasons, it will not be possible to reach conclusions or to implement such arrangements within the period proposed for moving ahead with the current conversion exercise. However, these issues will be fully examined by the end of 2000, and the staff conclusions and resulting recommendations could be considered by the Pension Committee and Executive Board in early 2001. The proposed reclassifications can take place without agreement on this issue.

## **VI. BUDGETARY IMPACT**

66. The proposed reclassification will have a two-fold impact on the Administrative Budget, first on the number of authorized staff and, second, on the dollar cost of the budget expenditures.

### **Impact on authorized staff**

67. The authorized staff ceiling includes two components, regular staff and other authorized resources including contractual resources. The conversion of 181 contractual positions to regular staff positions will not raise total authorized staff; it will increase the number of regular staff positions by 181 and decrease other resources within total authorized staff by the same amount.

68. The conversion of 36 vendor arrangements (34 to regular staff positions and 2 to contractual positions) will increase the total authorized staff by 36, and, within this total, regular staff by 34 positions and other authorized resources by 2 positions.

69. The above reclassifications will be reflected in the following respective ceilings.

	FY 2001 Authorized Ceiling <sup>11</sup>	Proposed Conversion		Proposed Ceiling
		Contractual	Vendor	
Regular Staff	2,442	+181	+34	2,657
Total Authorized Staff	2,950		+36	2,986

#### **Impact on the dollar cost of administrative expenditures**

70. Reclassifying positions entails additional costs as appointments into these positions make employees eligible for benefits and allowances to which they were not previously eligible. The higher costs are mostly on account of those benefits and allowances that will accrue to employees appointed as staff; examples of significant items include benefits such as dependency and spouse allowances, contributions to post retirement medical benefits and the Staff Retirement Plan, and expatriate benefits for eligible staff.

71. Several assumptions had to be made for estimating the additional costs that will be incurred as a result of reclassifications. One assumption is that most positions will be filled at the same level and salary as current incumbents (for U.S. employees, gross salaries will be adjusted down to net salaries and tax allowances will be added). Other assumptions include that no additional office space will be needed to accommodate the reclassified positions (space is already made available to support these functions), and converted employees will not require settlement travel to Washington as they are already settled in the area.

72. Based on the above assumptions and access to benefits and allowances, OBP estimates that the above reclassifications will raise the dollar cost of administrative expenditures by about \$2.6 million on a full year basis.<sup>12</sup> As the proposed reclassifications would be expected to take place in the second half of the financial year, the estimated additional cost in FY 2001 would be significantly less than the full year cost, of the order of about \$1.1 million.<sup>13</sup>

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<sup>11</sup>EBAP/00/36, 4/24/00.

<sup>12</sup>The average cost of converting a contractual position to staff is estimated at \$13,480 on a full year basis, the cost of converting a vendor is estimated at \$5,080 for conversion to staff and at \$1,340 for conversion to contract.

<sup>13</sup>The intended conversion includes nine individuals who are now funded under capital budgets. To simplify the transfer of accounts, they will continue to be charged to respective capital budgets until the end of this financial year. One-time transfer of funds from capital budgets to the administrative budget will be made at that time. Affected capital projects will be amended in the FY 2002 budget proposal.

73. Below is a draft decision related to the budgetary appropriations. If the decision is approved by 70 percent or more of the total voting power, the impact on the rate of charge will be 0.2 basis points. If the decision is adopted by less than 70 percent of the total voting power, it will have no impact on the rate of charge, and there will be a resulting shortfall of the same amount from the net income target.

## **VII. DRAFT DECISION**

The following draft decision is proposed for adoption by the Executive Board.

1. The Executive Board approves the reclassification of positions set forth in Sections IV and V of EBAP/00/82. With respect to the FY 2001 Administrative Budget:

On the basis of the revised estimates summarized in Table 2, the Executive Board approves a supplementary appropriation in the amount of \$1,100,000 for a total budget of \$689,866,000 (or \$650,890,000 net of estimated reimbursements). The revised appropriations for expense categories are as follows:

I. Personnel Expenses	\$451,841,000
II. Other Expenses	\$238,025,000

2. The staffing of the Fund as set forth in Table 2 of this paper is approved. The ceiling for total regular staff positions will increase from 2,442 to 2,657, and the ceiling for total authorized staff years will increase from 2,950 to 2,986. These ceilings shall not be exceeded without prior approval by the Executive Board.



Table 1. Number of Fund Employees, 1990–1999  
(excluding Offices of Executive Directors)  
as of December 31

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>Staff Members</b>	<b>1,782</b>	<b>1,846</b>	<b>2,049</b>	<b>2,191</b>	<b>2,202</b>	<b>2,182</b>	<b>2,194</b>	<b>2,203</b>	<b>2,210</b>	<b>2,298</b>
A1-A8	646	670	716	759	744	720	711	703	678	694
A9-A15	901	930	1064	1138	1161	1167	1184	1188	1221	1283
B1-B5	235	246	269	294	297	295	299	312	311	321
<b>Contractual Employees</b>	<b>249</b>	<b>271</b>	<b>314</b>	<b>318</b>	<b>318</b>	<b>344</b>	<b>341</b>	<b>385</b>	<b>426</b>	<b>443</b>
Less than 6 months	27	41	50	37	49	42	39	45	23	35
6 months or more	222	230	264	281	269	302	302	340	403	408
<b>Staff and contractals</b>	<b>2,031</b>	<b>2,117</b>	<b>2,363</b>	<b>2,509</b>	<b>2,520</b>	<b>2,526</b>	<b>2,535</b>	<b>2,588</b>	<b>2,636</b>	<b>2,741</b>

Source: HRD (Compensation Policy Division).

Note: The above data on the number of employees does not match exactly the budget data on authorized staffing. Data on employees reflect the situation on a given date whereas budget data indicate resources available over a period of one year; another factor is that some budget resources are used to hire technical assistance experts in field assignments and temporaries (through agencies) who are not included in the data or the number of employees.

**Table 2. Proposed Reclassifications of Positions**

	<b>Proposals</b>
<b>From contract to staff</b>	<b>181</b>
(open ended)	(122)
(limited term)	(59)
<b>From vendor to staff</b>	<b>34</b>
(open ended)	(21)
(limited term)	(13)
<b>Total Conversions to Staff</b>	<b>215</b>
<b>From vendor to contract</b>	<b>2</b>
<b>Total reclassifications to staff and contract</b>	<b>217</b>

Source: HRD.

**Note:** The table does not include the change in vendor arrangements consistent with the new outsourcing policy, and the outsourcing of a few staff positions under consideration.

Table 3. Proposed Reclassifications—Overview

	Total Stock (as of end 1999)	Proposed Reclassifications
Staff	2298	Outsourcing: 3 positions; a few other staff positions will be considered for possible outsourcing.
Contracts	443	Reclassification to staff: 181 positions. Some 30–40 contractual positions in IT will be further reviewed (see footnote 1). Other contracts will apply to short-term appointments only.
Indirect vendors	319	Reclassification to staff: 34 positions Reclassification to contract: 2 positions Outsourcing: 122 arrangements Consolidation and further review: 162 arrangements 1/

Source: HRD

1/ These arrangements will be streamlined and consolidated into arrangements with less than 10 companies (compared with close to 50 individual companies in 1999); they will also be reviewed, together with some remaining long-term contractual arrangements in IT. This review may result in a future additional request for reclassification of some 30–40 positions in IT.

**Table 4. Reclassifications from Vendor or Contractual Arrangements  
to Staff Positions—Distribution by Department and Grade Group 1/**

<b>Department</b>	<b>Support A1-A8</b>	<b>Professional A9 and above</b>	<b>Total</b>
<b>Area</b>	<b>8</b>	<b>0</b>	<b>8</b>
APD	2	0	2
EUI	3	0	3
MED	2	0	2
WHD	1	0	1
<b>Functional</b>	<b>34</b>	<b>28</b>	<b>62</b>
INS	6	0	6
LEG	0	2	2
MAE	11	13	24
RES	3	5	8
STA	7	6	13
TRE	7	2	9
<b>Information, Liason, &amp; Support</b>	<b>68</b>	<b>77</b>	<b>145</b>
ATB 2/	1	0	1
EXR	9	2	11
HRD	11	4	15
OBP	0	1	1
OIA	0	1	1
TGS/ASD	22	27	49
TGS/BLS	16	1	17
TGS/BTS	9	41	50
<b>Total</b>	<b>110</b>	<b>105</b>	<b>215</b>

Source: HRD.

1/ Does not include two reclassifications from vendor to contract: one assistant in HRD and one in INS.

2/ Administrative Tribunal.

Table 5. Gender and Nationality Distribution of Incumbents in Contractual Positions Proposed for Reclassification  
as of December 31, 1999

Region	All Contractuals		Female		Male		Proposed Reclassifications 1/		Female		Male	
Country	number	percent	number	percent	number	percent	number	percent	number	percent	number	percent
Africa	28	6.3	22	5.0	6	1.4	10	5.8	9	5.2	1	0.6
Asia	78	17.6	35	7.9	43	9.7	34	19.7	15	8.7	19	11.0
China	11	2.5	6	1.4	5	1.1	4	2.3	2	1.2	2	1.2
India	16	3.6	4	0.9	12	2.7	10	5.8	3	1.7	7	4.0
Philippines	15	3.4	11	2.5	4	0.9	8	4.6	6	3.5	2	1.2
Other	36	8.1	14	3.2	22	5.0	12	6.9	4	2.3	8	4.6
Europe	87	19.6	39	8.8	48	10.8	28	16.2	16	9.2	12	6.9
France	21	4.7	8	1.8	13	2.9	1	0.6	0	0.0	1	0.6
Russia	6	1.4	4	0.9	2	0.5	4	2.3	3	1.7	1	0.6
United Kingdom	11	2.5	4	0.9	7	1.6	4	2.3	3	1.7	1	0.6
Other	49	11.1	23	5.2	26	5.9	19	11.0	10	5.8	9	5.2
Middle East	13	2.9	6	1.4	7	1.6	4	2.3	2	1.2	2	1.2
Western Hemisphere	237	53.5	115	26.0	122	27.5	97	56.1	42	24.3	55	31.8
Canada	9	2.0	5	1.1	4	0.9	3	1.7	2	1.2	1	0.6
United States	186	42.0	91	20.5	95	21.4	81	46.8	35	20.2	46	26.6
Peru	5	1.1	4	0.9	1	0.2	1	0.6	1	0.6	0	0.0
Other	37	8.4	15	3.4	22	5.0	12	6.9	4	2.3	8	4.6
Total	443	100	217	49.0	226	51.0	173	100	84	48.6	89	51.4

Source: HRD (Compensation Policy Division).

1/ Does not include data on vacant positions.

Table 6. Length of Continuous Contractual Service of Contractual Employees  
as of December 31, 1999

Years	All Contractuals (1)	Proposed Reclassifications (2)	Difference (1-2)
up to 1	170	43	127
more than 1, up to 2	100	45	55
more than 2, up to 3	60	23	37
more than 3, up to 4	30	14	16
more than 4, up to 5	24	14	10
more than 5, up to 6	11	3	8
more than 6, up to 7	10	6	4
more than 7, up to 8	8	7	1
more than 8	30	18	12
Total	443	173	270

Source: HRD

## **OUTSOURCING POLICY AND PROCEDURES**

This document summarizes the outsourcing policy and procedures approved by management in July 1999.

### **I. PURPOSE**

This document sets forth the Fund's policy on outsourcing and the process to be followed by managers and department heads in considering various sourcing options for the delivery of activities, products, services, or functions (hereinafter called activity), needed in the efficient operations of the organization. The policy is designed to maximize the long-term benefits to the Fund from outsourcing, while ensuring that decisions are based on sound analyses of the relative merits of various sourcing options, including with respect to human resource implications.

#### **Definitions**

*Sourcing:* A term that encompasses all means for delivery of activities, including internal sourcing, outsourcing, and other arrangements.

*Outsourcing:* The transfer of responsibility for delivering an existing activity from the Fund to an outside vendor.<sup>14</sup> The Fund's continuing role is limited to managing the contract (monitoring and reviewing the vendor's performance to ensure proper delivery of the activity).

*Internal sourcing:* A term referring to the delivery of a service or performance of an activity by Fund staff or contractual employees.

### **II. RESPONSIBILITY FOR OUTSOURCING POLICY**

Owing to the budgetary implications of this policy and its potential impact on Fund staff, the responsibility for implementing this policy is held jointly by the Human Resources Department (HRD) and the Office of Budget and Planning (OBP). This responsibility includes providing guidance to individual departments regarding application of the policy as well as monitoring and reviewing the policy and its implementation.

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<sup>14</sup>Individual service providers who perform services on a one-time or short-term basis are not covered by the outsourcing policy and should be retained on task-based employment contracts arranged through the Human Resources Department (HRD) or service procurement contracts, as appropriate.

### **III. PRINCIPLES**

A basic principle underlying this policy is that the Fund will identify and implement effective and efficient ways of fulfilling its mission. Consequently, every Fund manager<sup>15</sup> has an ongoing responsibility to consider alternative sourcing methods, including outsourcing, for carrying out the functions under his or her responsibility.

A second principle is that the analytical process, which may result in the decision to outsource, must be transparent to staff and allow for adequate consultation with interested parties, including users of the services, staff members involved in delivering the activities, other affected organizational units, the HRD, and the OBP. The depth of this analysis must be commensurate with the size, complexity, and potential impact on the interested parties of the activity being considered.<sup>16</sup> The extent of the analysis increases progressively through each step in the outsourcing process.

A third principle is that in the structure, implementation, and management of the outsourcing contract, there is a need to ensure that: (i) Fund managers do not exercise direct control and supervision authority on a day-to-day basis over vendor employees under an outsourced contract; and (ii) Fund managers engage in effective contract management through consultation with the contract supervisor or manager assigned by the outside company for that purpose.

### **IV. CRITERIA FOR UNDERTAKING AN OUTSOURCING REVIEW**

An activity can be a candidate for outsourcing if that option could reasonably be expected by a manager to result, on a priori grounds, in improvements in one or more of the following dimensions: quality, cost effectiveness, flexibility, responsiveness, or timeliness.

Not all functions of the Fund are candidates for outsourcing. In particular, activities are to remain internal when they are directly related to the basic mission or are critical to the work of the Fund, or the Fund should be an expert in the function, or require institutional knowledge or continuity in assignments. Making determinations in these areas, however, requires judgments on a variety of factors that may change over time. For this reason, the outsourcing process defined below requires an analysis of the above criteria on a continuing and case-by-case basis.

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<sup>15</sup>A B-level Fund staff member accountable for the delivery of a service that is an output of an organizational unit or group (normally a Division Chief, Assistant Director, Deputy Director, or Director).

<sup>16</sup>For activities having a minor impact, the analyses and procedures may be streamlined after obtaining guidance and agreement with the HRD and the OBP.



## V. DECISION FACTORS

In evaluating an activity for outsourcing, the following decision factors should be considered:

- *Strategic importance:* The degree to which the delivery of the activities by Fund staff is critical to the Fund's mission, based on factors such as impact of service delivery success/failure, confidentiality, the importance of maintaining internal expertise, and visibility.
- *Quality of service:* The service provider's ability to meet users' substantive needs effectively, efficiently, and reliably.
- *Cost effectiveness:* The total costs associated with providing an activity within the organization compared with the start-up and ongoing costs of providing the same or similar activity through an outsourcing arrangement.
- *Effect on interested parties:* The effect on staff who currently provide services to the Fund. Also the positive or negative effect that a sourcing decision would have on customers, vendors, and other institution or organization partners, current employees, users, and staff in other potentially affected areas of the Fund (including in terms of morale and trust).
- *Confidentiality:* The service provider's ability to maintain an appropriate level of confidentiality regarding sensitive information, and the seriousness of the consequences should a breach occur. If the performance of an activity is likely to entail the handling of sensitive information, non-disclosure agreements are governed by the Fund's Information Security Guidelines, and other policies as applicable.
- *Timeliness:* The provider's ability to deliver the activity in an acceptable timeframe as specified by the user(s).
- *Flexibility:* The provider's ability to handle factors that might include workload peaks, extended service hours, changing user requirements, and/or disaster recovery contingency plans, and its ability to take advantage of industry developments to best serve the Fund.
- *Responsiveness:* The provider's ability to respond appropriately to the Fund's activity needs.
- *Marketplace availability:* The extent to which vendors outside the Fund are available to provide the activity.
- *Difficulty of reversing decision:* The level of difficulty the Fund would face if it needed to select an alternative vendor or reestablish the activity as an internal capability.

- *Difficulty in specifying the activity:* The level of difficulty involved in defining the service level required of the provider, as well as the process boundaries, and performance measures for the activity. Activities that are subject to frequent, substantive changes in requirements pose particular challenges in defining the terms of the outsourcing agreement.
- *Privileges and Immunities:* The impact of outsourcing on the Fund's privileges and immunities, including implications for the inviolability of the Fund's archives, and cost associated with the possible need to indemnify a vendor company that might be liable for damages in connection with carrying out an activity on behalf of the Fund.

These decision factors should be considered at two distinct points in the process described below: at the time of the preliminary assessment and the feasibility study. Outsourcing decisions may also be made for business reasons, such as the need for flexibility in staffing. A decision to outsource should be made only if, on balance, outsourcing would not compromise the Fund's needs across the above decision factors.

#### **VI. AUTHORITY TO RECOMMEND OUTSOURCING REVIEW**

The initiative to consider a function for outsourcing is expected to come from a Fund manager. The process would involve the manager recommending to his or her department head that a preliminary assessment be undertaken. In addition, a preliminary assessment may be initiated by the department head or recommended by the Office of the Managing Director (OMD).

#### **VII. OUTSOURCING PROCESS**

The process leading to an outsourcing decision must be clear, transparent, and follow the steps described below to ensure a balanced and sound analysis. Managers considering the outsourcing of an activity must consult Fund users of the activity and include representatives of employees assigned to all the units involved in the activity. More specifically, three procedural steps should be used in the outsourcing process:

To conduct a preliminary assessment to determine whether or not outsourcing appears likely to be a viable option vis-à-vis the decision factors presented above; to conduct a feasibility study; to request and review bids from potential outsourcing vendors, in accordance with the Fund's Procurement and Property Manual. After completing these three steps and receiving a recommendation, the relevant department head will make the final decision regarding outsourcing in consultation with the HRD and the OBP.

#### **VIII. MANAGING THE CONTRACT**

The success of outsourcing is dependent on proactive contract management. The goal of contract management is to oversee and control the performance of a vendor company during the term of the agreement to ensure effectiveness and efficiency.

*Accountability:* Ongoing responsibility for monitoring the vendor's contract remains with the department responsible. This includes contract management and periodic user surveys to assess service quality as well as monitoring performance and the overall costs and benefits to the institution.

*Periodic Reassessment:* All outsourcing contracts will be reviewed periodically and prior to renewal or re-bidding by the responsible department, in order to ensure the continued appropriateness of the outsourcing decision.

