SM/08/114
Correction 1

May 28, 2008

To: Members of the Executive Board

From: The Secretary

Subject: **Training as Part of Capacity Building—Recent Initiatives and Strategic Considerations**

The following factual correction to SM/08/114 (4/18/08) has been provided by the staff:

Page 24, line 5: for "2½" read "3½"

Questions may be referred to Mr. Isard (ext. 36640) and Mr. McDonald (ext. 38862) in INS.

This document will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities.

Att: (1)

Other Distribution:
Department Heads

48. **Overall, INS plans to cut the volume of training that it delivers by about 6 percent from the FY 2008 level, with a 5 percent reduction in training for officials and a 10 percent reduction in internal economics training (IET).** The larger reduction in IET needs to be seen in the context of the decline in the population of Fund economists. The reduced volume of activity will yield real savings equivalent to 7 percent of the FY 2008 net INS budget.[31] The projected reduction in training of officials does not take account of cuts in training delivered by other departments in the INS program or training that they deliver outside the INS program. Preliminary indications are that training by other departments will fall by an amount that is larger than that of INS-delivered training.

49. **Productivity gains of almost 7 percent will yield savings equivalent to 4½ percent of the net INS budget.** Real spending on INS staff is projected to decline by 12½ percent (with a 12 percent cut in positions) during FY 2009-2011; overall INS personnel spending, including on contractuals, will fall by a similar amount. The productivity gains will be realized through shifting more training overseas (see below), which releases support staff resources at HQ, organizational efficiencies (such as increasing division size), and closure of the IMF staff position at the Joint Africa Institute.[32]

50. **There will also be important non-staff cost savings of more than 2½ percent of the FY 2008 net INS budget, much of which reflects a further shift in the balance of training delivery toward the RTCs.** Most short courses (those of 3-weeks duration or less) will henceforth be held outside of Washington, a proposal endorsed by the Working Group on Capacity Building, reflecting the relative cost considerations discussed in Section VI. Moreover, as a general rule, INS will require that participant costs for high–level seminars be fully financed externally, or that the seminar is held in conjunction with the Annual Meetings. Other savings come from a continued tight rein on participant expenses, following the practice of recent years; part of this saving has been realized already in the implementation of the FY 2008 budget.

51. **Moving shorter courses outside of Washington has disadvantages in terms of the global reach of the INS curriculum.** Many of the shorter courses delivered at HQ have been offered only at a limited number of RTCs—in part, because of resource constraints, but also because in some regions a particular course may be relevant only for a relatively small subset of the countries in the region. INS is trying to alleviate curriculum-reach issues associated with the shift of short HQ courses overseas by negotiating at certain RTCs to allow participants from outside of the region to attend specific courses that are not delivered in the participant's own region. Short courses that are externally financed may be delivered

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[31] The contribution in percentage points to net budget reduction is greater than the decline in training, as reduced training lowers gross costs, while the amount of external financing is assumed to be unaffected for the purpose of this calculation.

[32] To the extent that training partners overseas need to hire additional staffing, these are not productivity gains in the broader sense of the word. This consideration applies particularly to the position at the JAI, where the Fund staff person will be replaced by an African Development Bank employee.

in Washington under this new policy and, until alternative arrangements can be made at the RTCs, the residential segments of Fund-financed distance-learning courses will continue to be delivered in Washington.

52. **The medium-term plan envisages an increase in real external financing equivalent to almost 7 percent of the INS FY 2008 net budget.** About 3½ percentage points is expected to come from charging for training, in the form of co-payments for participant costs, and the balance from boosting donor financing. As a result, the IMF contribution to participant costs in FY 2011 is planned to be almost 60 percent lower in real terms than in the FY 2008 budget.[33] If the planned external financing does not materialize, training volumes would need to be cut considerably to stay within the overall budget envelope.

Charging for training [*]

53. **A number of questions arise in designing a system of training co-payments.** Which training courses would be subject to co-payments? What costs should be considered in setting the co-payments? How would co-payments be varied according to a country's per-capita income?

54. **It is proposed that co-payments be instituted for training only at HQ**. Overseas training activities are heavily subsidized by various partners and donor governments. Introducing charges at the Regional Training Centers (RTCs) would require the renegotiation of the various Memoranda of Understanding establishing the centers; this would be time consuming for Management and staff. Moreover, as the Fund pays only one-third of participant costs for training outside of Washington, charging for training overseas could result in a significant decline in co-financing, thereby limiting the financial benefits. With the exception of some distance learning courses, training at HQ has been fully Fund-financed.

55. **It is envisaged that the Fund's cost recovery will be related to participant costs—mainly for travel, per diems and accommodation—the latter including an imputation for Concordia**.[34] This would be implemented through a standard weekly participant fee that would be calibrated to cover the average cost per participant. This would be preferable to basing the charges on actual travel and living costs, as such a policy would lead to substantial and undesirable cost differentials depending on geography (e.g., Mexico compared with Indonesia). While the plan here is somewhat different from that for TA,

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[33] The projection for FY 2011 in the medium-term budget envisages IMF spending on participant costs of about US$2.8 million.

[34] The imputation for Concordia rooms used by training participants would be based on a policy of recovering Concordia's operating costs and depreciation expenses, net of revenues from sales to other users.

[*] This issue is still under discussion in the Fund.