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To: Members of the Executive Board
From: The Secretary
Subject: The Joint Vienna Institute - Update on Recent Developments

The attached paper updating the recent developments of the Joint Vienna Institute for the scholastic year 1994/95 will be brought to the agenda on Friday, December 16, 1994 in connection with the administrative budget discussion.

Mr. de Fontenay (ext. 38848) is available to answer technical or factual questions relating to this paper prior to the Board discussion.

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INTERNATIONAL MONETARY FUND

The Joint Vienna Institute--Update on Recent Developments

Prepared by the IMF Institute

(In consultation with the Joint Vienna Institute, Legal,
and Treasurer's Departments)

Approved by P. de Fontenay

December 13, 1994

On the occasion of the April 18 meeting of the Executive Board on the budget of the Joint Vienna Institute (JVI) for Scholastic Year 1994/95 (EBAP/94/22), Executive Directors asked for an update on developments at the JVI later in the year. This report covers major developments during the second year of operation of the JVI, the formal establishment of the JVI as a separate and legal entity, a report on the first meeting of the Executive Board of the JVI, and the program and budget for 1995.

JVI program in 1993/94

During the first two years of operations, the JVI has trained some 2,200 persons from 31 countries. Of these, the Fund trained some 828 persons for a total of 2,542 participant weeks.

In its second year, JVI training followed the program set out in its brochure for 1993/94. A core or main program provided longer-term training to young officials from economies in transition. This was organized as a common activity by the sponsoring institutions. A parallel and complementary seminar program was offered by individual institutions. Overall, the main and seminar programs trained 1,226 officials and managers during 1993/94, compared with 1,158 persons in the previous scholastic year. The total participant weeks of training rose from 2,910 in 1992/93 to 5,562 in 1993/94.

The biggest change in the program during 1993/94 over the first scholastic year 1992/93 was the switch from training solely through short-term and specialized seminars in Vienna to a combination of such seminars with the longer main program. The main program is composed of Introductory Courses in Market Economics and Financial Analysis and a Comprehensive Course in Applied Market Economics. It is aimed at young officials from Central and Eastern Europe, the states of the former Soviet Union, and Asian economies in transition from central planning to market-oriented systems.

Introductory courses were held in Moscow, Prague, and Tashkent in the Fall of 1993, and in Moscow and Tashkent in the first half of 1994. (Affiliated introductory courses were also set up in Beijing and Kiev.)

They covered basic economics, accounting, statistics, English, and the use of computers. Each course had some 40 participants. The JVI Selection Committee then selected, in December 1993, 40 persons from among the participants in the Introductory Courses and from among 8 direct applicants to participate in the first Comprehensive Course that began in January 1994. Another 40 persons were selected for the second such course starting in July 1994.

The Comprehensive Course

The Comprehensive Course comprises an integrated segment followed by a study tour and a series of modules. All participants attend the first two parts. Attendance of these participants in the specialized modules is determined by JVI staff, based in part on participant preferences, and is supplemented by other participants invited by the institutions offering the modules. The language of instruction in the Comprehensive Course is English.

The integrated segment of the first Comprehensive Course (January 26-June 17, 1994) covered the following: introduction to the sponsoring organizations; industry; trade policy and international trade regimes; money, banking, and financial reform; macroeconomic analysis; social policy; and managing transition. This was followed by a study tour organized, in collaboration with Austria, to strengthen participants' understanding of the functioning of a market economy. The study tour was followed by ten modules on: forecasting; macroeconomic policy; investment decision-making and project management; comparative experience of market economies; tax policy and administration; corporate strategy and finance; monetary policy and instruments; practices in privatization and enterprise restructuring; trade policy; and public expenditure policy and management.

The second Comprehensive Course started on July 25, 1994. The Course, though largely similar to the first one, had some differences: (1) the first three days were changed to include, besides an introduction to the JVI, sessions on team building, and on the legal framework of a market economy; (2) the parts of the integrated segment following the introduction were re-ordered, and three days were set aside for a presentation by the European Commission; and (3) the number of modules was reduced to eight, with the elimination of those of forecasting and a merging of those on tax policy and administration and public expenditure policy and management.

The first Comprehensive Course was evaluated on a continuous basis by the participants, instructors, and the JVI course adviser. Overall, the course was highly rated and met its objective of providing a broad understanding of market economics and the tools for formulating practical solutions to economic policy problems in transition economies. Nevertheless, some areas were identified where changes might be warranted. The course Design Committee of the JVI met in late June 1994 to discuss possible adaptations of the Comprehensive Course which, after having been

adopted by the Executive Board of the JVI, will be implemented with the Comprehensive Course beginning in January 1995. These changes are described further below.

The seminar program

The seminar program, which runs parallel to the main program, is designed for mid-level and senior policy advisers, managers, and implementers who cannot be away from their duties for long periods and who need specialized instruction. The seminars vary in length and include a number of applied policy topics important for the transition process.

In 1992/93, seminars accounted for the entire JVI program. In 1993/94, the number of seminar participant weeks dropped as space was allocated to the first Comprehensive Course and because of a shortened academic year. The number of participant weeks in the seminar program is expected to increase in 1994/95 despite the fact that there will be two Comprehensive Courses, as the academic year will return to a normal length and virtually all the space allocated to seminars has been taken up. The number of participants per seminar increased from 26.3 in the first year to 27.5 in the second.

JVI Executive Board meeting

Following the formal establishment of the JVI as a separate legal entity, the first meeting of the Executive Board of the JVI took place in Vienna on September 26-27, 1994. 1/ Each of the five sponsoring institutions had nominated one Member of the Executive Board and an alternate. (The Fund's management had named the Director and Deputy Director of the IMF Institute as Member and alternate, respectively.) The Executive Board also met with Associate Members representing some of the donor countries, and with the Advisory Committee comprising representatives from countries in Eastern Europe and the former Soviet Union who benefit from JVI operations. 2/

The Board ratified earlier decisions of its predecessor Steering Committee. Mr. André Bascoul of the BIS was elected as the Chairman of the Board for one year, and Mr. Andrew Beith designated as Director for two

1/ On August 19, 1994, the Agreement for the Establishment of the Joint Vienna Institute came into force, thereby establishing the JVI as a new international organization with its own legal personality, executive board, and management.

2/ The Advisory Committee consists of: Mr. A. Bugrov, Executive Director for Russia, IBRD; Mr. Oleh Havrylyshyn, Alternate Executive Director, Ukraine, IMF; Dr. I. Ionescu, Members of the Board, National Bank of Romania; Mr. R. Michalski, Under-Secretary of State, Ministry of Finance, Poland; and Mr. N. Nemeth, Vice President, EBRD, and former Prime Minister of Hungary. Members of the Advisory Committee are appointed for two years.

years. (Mr. Beith is expected to leave his post in the middle of 1995. The Fund has proposed Mr. Horst Struckmeyer, the Deputy Director of the Administration Department, as a candidate to succeed Mr. Beith.)

The Board, acting on the advice of the Fund's Legal Department, approved the By-Laws of the JVI and an agreement setting up the Joint Advisory Council (consisting of the Director of the JVI and senior Austrian officials). The Joint Advisory Council serves as an intermediary between Austria and the JVI for issues of common interest. The Board also discussed a draft Headquarters Agreement with Austria and draft Financial Regulations, and approved the scholastic program for 1994/95 and the budget for the second half of CY 1994 and for CY 1995.

Program for 1994/95

The brochure for 1994/95 was distributed in the middle of 1994. Following a proposal by the Design Committee this summer, the JVI Executive Board decided to shorten the Integrated Segment by three weeks and to reduce the number of modules to be offered at the end of the Comprehensive Course in the Spring of 1995.

During 1995, the JVI will shift to a new schedule by bringing its academic year in line with its financial year. Since the latter is also the calendar year, all programs in future will be based on a calendar year basis. Participating institutions, therefore, were asked to put forward their planned offerings for the second half of 1995 by November 30, 1994. The basic principle was to maintain the existing level of training by each institution, with deleted modules replaced by seminars of the same or different content.

Budget for 1994/95

Actual expenditures for 1993/94 were below the original estimates (see ATTACHMENT), with further savings expected for the period September-December 1994. As a result, the Executive Board agreed to the transfer of \$50,000 to finance the re-opening of the Introductory Course in Prague (which had been closed in the first half of 1994 due to lack of funding).

The JVI budget for 1995 (as proposed by the JVI Director and approved by the JVI Board) also shows savings over the estimate presented in April 1994, leaving a potentially sizable cash balance at the end of 1995. However, a number of factors may change that picture. Among them, the tighter budgetary regimes of sponsoring institutions, particularly the Fund and the World Bank, may impose ceilings on their participation. (The Fund, for example, will need to examine its budget for seminars delivered by its staff and its contributions to the Common Budget in light of its own budget constraints.) If it proves impossible to replace the modules (financed previously by the common budget) with seminars (financed by the sponsors), or to meet the travel costs of invited participants to modules, these costs

could revert back to the Common Budget of the JVI for 1995. Changes in the exchange rate of the US dollar vis-à-vis the Austrian schilling can also affect budgetary outcomes.

Further, it was not certain that all institutions would be able to maintain the seminar program at the levels estimated earlier for 1995. A shortfall could reduce JVI receipts (as each institution contributes \$5,000 per seminar week to the Common Budget). The Board also approved, in principle, actions to provide JVI staff with certain social security benefits, workmen's compensation, etc., and provide the JVI itself with certain insurance coverage, and to cover additional travel costs for the Comprehensive Course, in case these rose above the original estimated ceilings. The JVI is also considering improvements in its computer system. These developments may further absorb the JVI's expected savings. The JVI Executive Board will review the 1995 budget on the occasion of its Spring meeting. No change is presently envisaged in the burden-sharing arrangements among the five sponsoring institutions. On the revenue side, the bulk of cash receipts consists of contributions from donor countries, and two of the major donors 1/ (Belgium and Switzerland 2/) have agreed to provide for the third year of the JVI the same financial assistance as for each of the first two years, and contributions from the Governments of France and the Netherlands are expected either before the end of 1994 or at the beginning of 1995. Other previous and potential donors are also being approached.

The main points that arose in the meeting of the JVI Executive Board with the Associate Members and the Advisory Committee were:

- the balance between theoretical and practical elements in JVI courses and seminars;
- the desirability of modifying the JVI program and course materials as needed to take account of the accumulated experience of the transition process and of offering a module or seminar on "comparative experience of transition";
- the possibility of organizing internships for participants in the Comprehensive Course;
- and the possible participation of trainers from Eastern Europe and the FSU in the teaching carried out in Vienna. (They already account for most of the teaching of the Introductory Courses.)

1/ Japan's contribution to the JVI is in support of IMF activities at the JVI and not directly to the JVI common budget.

2/ Already received in 1993/94.

Questions were raised about:

- The involvement of the European Commission. It was explained that the Commission had agreed to provide financing for the Introductory Courses in Kiev, Moscow, and Tashkent (and, more recently, Prague), and to teach a three-day segment in the Comprehensive Course, which could be expanded later into a module or a seminar.
- The links between the Introductory Course and the Comprehensive Course; the Program Design Committee and the Selection Committee, which are responsible for both, provide the main links between the two programs.
- Participation of Asian candidates: In addition to participants from Central Asia, about 10 percent of participants in the Comprehensive Courses and seminars could come from Asian countries in transition (Cambodia, China, Laos, Mongolia, Myanmar, and Viet Nam).
- Private sector participants: EBRD and IBRD seminars include some enterprise or bank managers. The Comprehensive Course is mainly aimed at officials from central banks and economic/financial ministries.
- Language of instruction: All the teaching in Vienna is in English, except for one IMF seminar in French. Interpretation into Russian is provided for all IMF courses and seminars. Teaching in the Introductory Course in Beijing and Prague is also in English, while it is in Russian in Kiev, Moscow, and Tashkent. (The three centers provide intensive English training.)
- Geographical distribution of participants: Participants in the Comprehensive Course are selected on the basis of the results of a test, given at the end of the Introductory Course, and of an interview. The Selection Committee, however, endeavors to achieve as broad a geographical coverage over time as possible.

Next steps

The Fund is now preparing its calendar of offerings at the JVI during 1995 in light of its own budgetary constraints. A tentative schedule for 1996 will also be presented to the JVI to incorporate it into its plans for the next two years. Detailed budgetary estimates will be presented to the Fund's Board, in conjunction with the administrative Fund budget for FY 1996.

The next meeting of the Executive Board of the JVI will take place immediately before or after the Spring meetings of the Interim Committee.

JVI: Summary of Common Budget Operations 1/

(in thousands of U.S. dollars)

	1992/93	1993/94 <u>2/</u>		Sept-Dec 1994		1995
	Actual	Budget <u>3/</u>	Actual	Budget <u>4/</u>	Proj.	Prop. <u>5/</u>
Cash receipts	1,355	1,340	1,817	165	45	987
Bilateral donors	961	1,015	1,290	--	--	504 <u>6/</u>
Sponsoring organizations	394	315	493	165	45	445
Outside users	--	--	5	--	--	5
Interest	--	10	29	--	--	33
Expenditures	493	1,270	1,254	503	500	1,062
Administrative costs, Vienna	493	715	580	230	188	643
Participant costs Vienna	--	555	421	273	262	419
Transfer to regional centers	--	--	253	--	50	--
Net surplus/deficit (-)	862	70	563	-338	-455	-75

1/ Based on the following exchange rates:

1992/93	Actual	ATS	11.27	per U.S. dollar
1993/94	Budget		11.00	*
	Estimate		11.71	
Sept/Dec 1994	Budget		11.90	*
	Proj.		11.71	
1995	Proposed		11.71	*

* Or direct dollar estimates where available.

2/ Estimated (but not budgeted) expenditures include a \$108,000 upward adjustment due to the advancement of the 1994/95 academic year (which began on July 25 rather than September 1). Similarly, estimated (but not originally projected) receipts include carry-in of sponsoring organizations' contributions related to the advanced 1994/95 academic program.

3/ Expenditures as budgeted and receipts as expected on 4/30/93.

4/ Expenditures as budgeted and receipts as expected on 4/27/94.

5/ Expenditures as proposed and receipts as expected on 9/9/94.

6/ Includes only the Belgian and French contributions.

