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EBAP/92/112

June 4, 1992

To: Members of the Executive Board
From: The Secretary
Subject: The Joint Vienna Institute - Progress Report

The attached progress report on the Joint Vienna Institute is circulated for the information of Executive Directors.

Mr. de Fontenay (ext. 38848) or Mr. Evers (ext. 37611) is available to answer technical or factual questions relating to this paper.

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THE INTERNATIONAL MONETARY FUND

THE JOINT VIENNA INSTITUTE - PROGRESS REPORT

Prepared by the IMF Institute and the Legal Department

Approved by P. de Fontenay and François Gianviti

June 4, 1992

I. Background information

On November 11, 1991, the Managing Director proposed to the President of the EC Commission and to the heads of those international organizations that were cooperating in providing technical assistance to the former Soviet Union to establish jointly a regional training center to help that country and those in Central and Eastern Europe with the transition to a market-based economic system. The proposed center was to contribute to the training and retraining of officials involved in economic policy advice and implementation. It was not intended as a substitute for other training activities in the countries themselves and elsewhere.

The rationale for the center was to provide a channel through which the knowledge and experience of the six sponsoring organizations could be combined and conveyed to officials from economies in transition in the area. A regional center would benefit from economies of scale in the organization and administration of training courses. By bringing together officials from several countries, it would give them an opportunity for an exchange of views and experiences. It would also allow participants to receive training in one place on more than one subject. The project was facilitated by a generous offer from the Austrian authorities for facilities and equipment in Vienna, a city with the advantage of relative proximity to the targeted countries and of availability of those services needed for the operation of a large training center.

Before proceeding with the project, the views of all Central and Eastern European countries and of the most important countries of the former Soviet Union on how the proposed center could meet their needs for training were sought. The support for the project was unanimous, and several countries suggested that an additional role for the center could be to provide support to national training institutions by training their trainers, or by helping with their curriculum, or by direct lecturing assistance. Furthermore, it was ascertained that the proposed center would not duplicate any existing or planned training facility. In the area of economics and finance, which was to be the main focus of the Vienna training center, there exists a variety of training facilities, notably those established by West European central banks and by universities in OECD countries. The former provide mainly technical training in various aspects

of the banking system; the latter teach standard courses in economics, generally of a theoretical character. By contrast, the Vienna Institute was meant to have a practical, policy-oriented approach.

Based on the Managing Director's report on this matter to the Board (notably in the context of the administrative budget), the staff has proceeded with the preparation for establishing a training center in Vienna. The first organizational meeting of the representatives of the EC Commission, the Bank for International Settlements, the European Bank for Reconstruction and Development, the International Bank for Reconstruction and Development, the International Monetary Fund, the Organization for Economic Cooperation and Development, and the Austrian authorities took place in Vienna on February 17-18, 1992. In view of the urgent needs for training in Central and Eastern Europe and in the former Soviet Union, the representatives expressed the intention of their respective organizations to start operations in September 1992. During the first year (Phase I) courses would be provided by each of the six sponsors, who would also be responsible for the selection of participants, for their travel arrangements, for the content of their own courses, and for their interpretation into Russian. Participants would normally be officials from ministries of economy and finance, or staff of national training institutes from Central and Eastern European countries and the former Soviet Union. Participants from other former centrally planned economies could also be invited. Certain specialized courses would also be given for other officials, such as statisticians or tax officers, or for enterprise managers and commercial bankers. Starting in September 1993 (Phase II), the organizations would jointly administer two distinct programs: a comprehensive "core" program of several months' duration in public administration and economic and financial management, normally for policy advisers or persons working for such advisers and for trainers from national training centers; and a "satellite" program consisting of a series of short seminars for high-level officials or other groups to be delivered by each institution and coordinated as far as feasible with the core program. Phase II would be in effect for a minimum of five years.

In order to accord the training center optimum treatment under Austrian law, the Austrian authorities had expressed their strong preference for a training institute established by agreement of the six sponsoring organizations as an international organization possessing its own legal personality. The representatives in the meeting considered a possible Statute for the new center, prepared by the Fund's Legal Department, as well as estimates of the budget for the administrative services shared by the six sponsors. Participants also visited the facilities offered by Austria, including housing, with a capacity of 100 participants at any one time, permitting normally three courses of about 33 participants each to take place at the same time.

The second organizational meeting of the Joint Vienna Institute (the "Institute") took place in Washington on April 28-29, 1992. The representatives at the meeting adopted the program of 50 courses (120 course weeks) for Phase I; interim arrangements, developed by the Legal Department in consultation with the Austrian authorities, to allow the Institute to

operate until the entry into force of the Statute; a cost-sharing formula for the overhead costs of the Institute; and a tight timetable for reaching agreement on the main elements of Phase II by end-June 1992. The Austrian authorities are requesting from each of the six sponsoring organizations a commitment to Phase II before undertaking the necessary investments in the building they are placing at the disposition of the Institute. The six organizations agreed that Mr. Andrew Beith, Director of the Fund's Office in Europe, would serve as Acting Director of the Institute during the interim arrangements. A brochure describing the courses offered during Phase I should be available in the week beginning June 8, 1992.

II. Financial Implications for the Fund

With Austria providing facilities for offices, lecture rooms and office equipment, only operating expenses remain to be shared by the six sponsoring organizations. Among these, the Fund would initially make the largest contribution to the Institute in terms of organization, administration, and financing. The Institute was seen at an early stage as an appropriate vehicle for extending the activities of the IMF Institute in Central and Eastern Europe and the former Soviet Union. At present, these activities consist of courses in Washington, the capacity of which is limited if participation of other member countries is not to be curtailed drastically, and "crash" courses of three days for high-level officials and two weeks for middle-level officials given in the countries themselves. Basic economics courses given by academic consultants are also being planned, subject to the availability of financing by the EC.

The bulk of the additional staff provided by the Executive Board to the IMF Institute this year will be used directly or indirectly to support the Vienna Institute. In Phase I (September 92-August 93) the Fund will offer 12 courses in Vienna, for a total of 47 weeks. For all these courses, interpretation into Russian will be available. Fund staff will serve as the Acting Director and the chief of the administrative section in Vienna. Two faculty members will also be stationed in Vienna. Local consultants will be used for one of the courses (in basic economics) but teaching staff will need to be sent from Washington. In addition, a consultant will be employed to liaise with the user countries, establish contacts in each of those countries and participate in the selection process for applicants to IMF and some BIS courses. During Phase I the other five sponsors will be contributing the following courses (see Table 1):

BIS:	5 courses	(5 course weeks)
EBRD:	6 courses	(12 course weeks)
EC:	6 courses	(25 course weeks)
IBRD:	8 courses	(19 course weeks)
OECD:	11 courses	(15 course weeks)

At the second organizational meeting, it was tentatively agreed to allocate the overhead costs of Phase I among the six sponsors on the basis of \$5,000 per course week. In addition, the cost of travel, per diem, and other associated costs for the participants in the Fund's courses is estimated at about \$1 million, and interpretation into Russian at about \$350,000. A separate budget approval request for these items will be presented to the Board.

For Phase II, the Institute will operate under a unified budget (except for the teaching staff). This means that certain costs borne directly by the six sponsors in Phase I, such as expenses related to participants (travel, per diem, insurance), will be included in the budget. Travel expenses should be lower in Phase II, however, since the "core" program will extend over six to eight months.

Given the financial constraints on the sponsoring organizations, cofinancing has been sought to cover the administrative expenses of the Institute. The outcome is still uncertain, however. So far, the only firm commitment is by the Netherlands authorities (about \$300,000 per year for two years) as a contribution to the training of officials from countries in the Netherlands' constituency, but other countries are giving serious consideration to a possible contribution. Others still have offered a contribution to Phase II in the form of experts who could participate in the training program. Given the financing requirements of Phase II, the participants in the second organizational meeting emphasized the need to solicit additional cofinancing. Alternative arrangements, in case of shortfalls in financial contributions from outside, will be discussed at the third organizational meeting (at the end of June 1992), including the possibility of financial commitments related to Phase II by the six sponsors.

III. Legal Arrangements

As stated above, the Fund's Legal Department prepared a draft Statute in the form of an agreement between the six sponsoring organizations, which would establish the Institute as an international organization with its own legal personality. The draft Statute does not envisage that Austria would be a party to the agreement, but identifies Vienna as the headquarters of the Institute, and states that the Institute is being established there at the invitation of the Austrian Government. In addition, the Austrian authorities have indicated their willingness to negotiate a Headquarters Agreement to govern the Institute's operations in Austria.

The draft Statute was submitted to the other five sponsoring organizations' legal departments for their comments. At the second organizational meeting the representatives appointed a Steering Committee (for the preparation of Phase II) and a Legal Subcommittee, both under the chairmanship of the Fund. The Legal Subcommittee, consisting of representatives from each of the six sponsors, is to address outstanding legal issues in

consultation with the Steering Committee, with the objective of producing a final draft of the Statute for consideration at the meeting of the representatives on June 29, 1992.

The Legal Subcommittee will meet shortly to consider the draft Statute and various other legal issues, including implementation of the interim arrangements referred to above and a draft Headquarters Agreement between the Institute and Austria, and will report to the meeting of the Steering Committee in Paris on June 3, 1992. The interim arrangements, dealing with matters such as the opening and operation of the Institute's bank account, the staffing of the Institute, and the granting by Austria of privileges and immunities, will remain in place until the Statute and the Headquarters Agreement come into force, possibly in September 1992 although the ratification process may take longer. As soon as agreement on the Statute has been reached among representatives of the six sponsoring organizations, it will be presented to each of the organizations for ratification.

IV. Conclusion

A further report will be made to the Board after the third organizational meeting of the Institute scheduled for June 29, 1992. In light of the Austrian authorities' request for a medium-term commitment by the organizations, at that time the Board will be asked to consider its willingness to make such a commitment to the Institute.

Table 1. TRAINING CENTER IN VIENNA
SCHEDULE OF COURSES
1992/93

1992				1993											
SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG				
IMF PE 3 wks. 1-18	IMF OECD TA PPS 1 wk 2 wks 5-9 12-23	IBRD OECD OECD IMF P VA ACR BS 3 day 2 day 10 da 2 wks 2-4 10-11 16-27 30-11		EBRD BIS BIS BIS BIS BIS EC LMS CCB MTT1 MTT2 PSS1 PSS2 MCM 2 wks 1 wk 1 wk 1 wk 1 wk 1 wk 6 wks 11-22 26-29 1-6 8-12 15-19 22-26 1-9				OECD IBRD IBRD OECD MIS WSE PEM IES 1 wk 3 wks 2 wks 8 day 19-23 26-14 17-28 1-11	EBRD IBRD OECD MT ET 2 wks 2 wks 2 wks 14-25 28-9 12-23						
		W T-W													
IBRD OECD IMF M HA BE 2 wks 2 day 3 wks 31-11 15-16 21-9	IMF MFP 6 wks 12-20		EC OECD PBP MD 2 wks 2 days 30-11 15-16	IMF BE 3 wks 11-29	IMF MFP 6 wks 1-12		IMF GFS 3 wks 12-15	IMF PF 6 wks 2-5	IMF BPS 3 wks 14-17		IMF BE 3 wks 21-29	IMF MFP 6 wks 9-12			
IBRD APR 3 wks 24-11	EBRD OECD OECD PT PD ALP 2 wks 2 day 3 wks 28-9 13-14 19-8	EC EC 6 wks 9-18		EC FE 6 wks 11-19	OECD SPD 2 wks 19-22	EC CP 2 wks 5-8	EBRD SPE 2 wks 19-22	EC REE 3 wks 2-5	EBRD EET 2 wks 3-14	IBRD EM 4 wks 24-28	EBRD NPS 2 wks 21-25	IBRD M 2 wks 2-5	IMF PM 2 wks 16-19		

BIS Bank for International Settlements
 EBRD European Bank for Reconstruction and Development
 EC European Communities
 IBRD International Bank for Reconstruction and Development
 IMF International Monetary Fund
 OECD Organization for Economic Cooperation and Development

Note: The day of the week is indicated only where the course start or end date is not a Monday or Friday, respectively.

AFFILIATED COURSES FOR TAX OFFICIALS
(OECD)
1992/93

1992				1993											
SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG				
	TT1 3 days 28-30	MTA TT2 4 day 4 days 19-2 2-5	IA 5 days 14-18	MTA1 5 days 25-29	VAT1 5 days 8-12	PIT1 5 days 22-26	TC 5 days 22-26	ATA1 5 days 5-9	TT1 5 days 10-14	MTA2 5 days 7-11	PIT2 5 days 5-9	VAT2 5 days 12-16			

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Training Center in Vienna Schedule of Courses

BIS

CCB	Comparative General Central Banking	Jan. 25-29, 1993
MTT1	Use of Monetary Techniques in Transition I	Feb. 1-5, 1993
MTT2	Use of Monetary Techniques in Transition II	Feb. 8-12, 1993
PSS1	Payment and Settlement Systems I	Feb. 15-19, 1993
PSS2	Payment and Settlement Systems II	Feb. 22-26, 1993

EBRD

PT	Privatization in Countries undergoing Transition	Sept. 28-Oct. 9, 1992
LMS	Leadership and Management in a Competitive Free Enterprise System	Jan. 11-22, 1993
SPE	Finance and Market Strategy in a Privatized Economic Environment	March 22-April 2, 1993
EET	Central and Eastern Europe Economy Transformation	May 3-14, 1993
MT	Management in Transition	June 14-25, 1993
NPS	Negotiating with Private Sector Investors	June 21-July 2, 1993

EC

EC	Building the European Community	Nov. 9-Dec. 18, 1992
PBP	Principles of Budgetary Policy	Nov. 30-Dec. 11, 1992
FE	Financing of Public and Private Enterprises	Jan. 11-Feb. 19, 1993
MCM	Money and the Control of the Money Supply	March 1-April 9, 1993
CP	Competition Policy	March 8-19, 1993
REE	Rebuilding Europe's Economies	April 5-23, 1993

IBRD

APR	Enterprise Analysis for Privatization and Restructuring Program	Aug. 24-Sept. 11, 1992
M	Natural Monopolies: Regulation, Structure and Pricing Decisions	Aug. 31-Sept. 11, 1992
P	Privatization Issues	Nov. 2-4, 1992
WSE	Urban Water Supply Management and Environment	April 26-May 14, 1993
PEM	Public Expenditure Management	May 17-28, 1993
EM	Summer School in the Economics of the Market	May 24-June 18, 1993
ET	The Enterprise in Transition: Corporatization and Corporate Governance	June 28-July 9, 1993
M	Natural Monopolies: Regulation, Structure and Pricing Decisions	July 5-16, 1993

IMF

PE	Public Expenditure	Sept. 1-18, 1992
BE	Basic Economics	Sept. 21-Oct. 9, 1992
TA	Transition and Adjustment	Oct. 5-9, 1992
MFP	Macroeconomic and Financial Policies	Oct. 12-Nov. 20, 1992
BS	Bank Supervision	Nov. 30-Dec. 11, 1992
BE	Basic Economics	Jan. 11-29, 1993
MFP	Macroeconomic and Financial Policies	Feb. 1-March 12, 1993
GFS	Government Finance Statistics	March 15-April 2, 1993
PF	Aspects of Public Finance	April 5-May 14, 1993
BPS	Balance of Payments Statistics	May 17-June 4, 1993
BE	Basic Economics	June 21-July 9, 1993
MFP	Macroeconomic and Financial Policies	July 12-Aug. 20, 1993
PM	Public Expenditure Management	July 19-30, 1993

OECD

HA	Horizontal Agreements	Sept. 15-16, 1992
PPS	Public Procurement Systems	Oct. 12-23, 1992
AD	Abuse of Dominance	Oct. 13-14, 1992
ALP	Assessment of Legislative Proposals	Oct. 19-Nov. 6, 1992
VA	Vertical Agreements	Nov. 10-11, 1992
ACR	Allocation and Control of Government Resources	Nov. 16-27, 1992
MD	Mergers and Demonopolization	Dec. 15-16, 1992
SPD	Social Policy Design and Administration	Feb. 22-March 5, 1993
MIS	Measuring and Monitoring the Informal Sector	April 19-23, 1993
IES	Implementing Enterprise Surveys	June 1-11, 1993
LMP	Training in Active Labor Market Policy	July 12-23, 1993

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Training Center in Vienna Affiliated Courses

OECD

Courses for Tax Officials

TT1	Tax Treaties I	Sept. 28-30, 1992
MTA	Management for Tax Administrators	Oct. 19-22, 1992
TT2	Tax Treaties II	Nov. 2-5, 1992
IA	International Auditing	Dec. 14-18, 1992
MTA1	Management for Tax Administrators I	Jan. 25-29, 1993
VAT1	Value-Added Tax I	Feb. 8-12 '93
PIT1	Principles of International Taxation I	Feb. 22-26, 1993
TC	Alternative Approaches to Tax Compliance	March 22-26, 1993
ATA1	Accounting for Tax Administrators I	April 5-9, 1993
TT1	Tax Treaties I	May 10-14, 1993
MTA2	Management for Tax Administrators II	June 7-11, 1993
PIT2	Principles of International Taxation II	July 5-9, 1993
VAT2	Value-Added Tax II	July 12-16, 1993