

EBAP/92/128

July 21, 1992

To: Members of the Executive Board

From: The Secretary

Subject: Joint Vienna Institute - Recent Developments and Request for Appropriations

Attached for consideration by the Executive Directors is a paper on recent developments relating to the Joint Vienna Institute and a request for appropriations. Draft decisions appear on pages 12-13. This subject is tentatively scheduled for discussion on Friday, July 31, 1992.

Mr. Evers (ext. 37661) or Mr. Wiesner (ext. 38241) is available to answer technical or factual questions relating to this paper prior to the Board discussion.

Att: (1)

Other Distribution:
Department Heads



INTERNATIONAL MONETARY FUND

Joint Vienna Institute--Recent Developments
and Request for Appropriations

Prepared by the IMF Institute and Budget and Planning

(In consultation with other departments)

Approved by P. de Fontenay and Alan Wright

July 21, 1992

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I. Introduction

In "The Joint Vienna Institute--Progress Report" (EBAP/92/112; June 4, 1992), it was mentioned that, in view of the urgent needs for training in Central and Eastern Europe and in the republics of the Commonwealth of Independent States, five international organizations 1/ and the Commission of the European Community (CEC) had agreed to start operations of the Joint Vienna Institute in September 1992. During Phase I (September 1992-August 1993), the sponsoring institutions would give their own courses and would be responsible for the selection of participants in these courses and for travel, per diem, and interpretation arrangements. During Phase II, which would start in September 1993 and be in effect for a minimum of five years, there would be a jointly administered core program, in which the sponsors would combine their expertise into a single integrated course of several months duration. There would also be a satellite program of short specialized seminars by each institution individually.

This paper reports on recent developments with regard to the establishment of the Joint Vienna Institute and presents a request for appropriations necessary for IMF participation during FY93.

II. Recent Developments

In early June 1992, agreement was reached with the Austrian Government regarding technical details of the space and equipment needed by the Joint Vienna Institute. The space to be provided by the Austrian Government is located in a new school for customs officers in Vienna and consists of three lecture rooms, ten counselling rooms, a library, a social room, administrative offices, and 100 bedrooms for participants. The Austrian National Bank will equip the Joint Vienna Institute with computers, photocopiers, audio equipment for interpretation, office equipment, and furniture and furnishings for the offices, lecture rooms, and bedrooms. The use of the facilities includes utilities and is free of charge. The leasing value is estimated at about \$4 million per year, and the investment in equipment, furniture, and remodelling at about \$3 million.

In June 1992, a brochure was published describing the program of courses during Phase I (1992/93). 2/ Since the publication of the brochure, a five-day OECD course on "Negotiation of Privatization" has been added to the program. In total, there will now be 50 courses during Phase I, comprising 124.2 course weeks, as follows:

1/ The Bank for International Settlements (BIS), the European Bank for Reconstruction and Development (EBRD), the International Bank for Reconstruction and Development (IBRD), the International Monetary Fund (IMF), and the Organization of Economic Cooperation and Development (OECD).

2/ Secretary's Circular No. 92/55.

	<u>Courses</u>	<u>Course Weeks</u>		<u>Courses</u>	<u>Course Weeks</u>
BIS	5		IBRD	8	18.6
EBRD	6	12	IMF	13	47
CEC	6	25	OECD	12	16.6

A list of courses is given in the Attachment.

At the third organizational meeting of the Joint Vienna Institute on July 3-4, 1992, it was agreed that the program for Phase II would need further consideration by all the sponsoring institutions. To this end, a Subcommittee on Program Design has been set up; its first meeting will be in September 1992 and it has been asked to complete its work by December 1992.

With the exception of the CEC, the sponsoring institutions have decided to contribute \$5,000 to the common budget during Phase I for each course week they will be responsible for. In lieu of cash contributions, the CEC will hire a librarian, purchase books for the library for an amount of up to \$50,000, and arrange for computer maintenance services and for services associated with the operation of the audio system for simultaneous interpretation. The cost of the CEC contribution in kind is estimated to be roughly equivalent to the foregone contribution in cash.

Pending the coming into force of an Agreement among the sponsoring institutions and the Headquarters Agreement with Austria, the interim arrangements referred to in EBAP/92/112 continue to remain in place, and are now being implemented. In particular, Austria will accord privileges and immunities at least comparable to those contained in Article IX of the Fund's Articles of Agreement and in the United Nations Convention on the Privileges and Immunities of the Specialized Agencies.

III. Request for Appropriations to Participate in Phase I

It was indicated in the last medium-term budget outlook paper (EBAP/91/277, 11/21/91, p. 23) that additional resources would be required for the Joint Vienna Institute. At the time when the Administrative Budget for FY 1993 was submitted, it was noted that initial preparatory work and the initial phase of operations in Vienna would have a sizable impact on the work load of the IMF Institute (EBAP/92/69, 3/25/92, page 50). However, because it was not yet clear what the actual requirements would be, resources were not specifically allocated for the purpose. Now that arrangements for Phase I of the Joint Vienna Institute have been completed, detailed estimates for the period through August 1993 of the costs to the Fund are set out in this section. A general indication of likely costs in Phase II are mentioned in the next section. It is expected that more detailed estimates of the costs of Phase II will be included in the Administrative Budget for FY 1994.

During Phase I, sponsoring institutions will be responsible for the teaching of their courses and for the travel and per diem of their participants. There will also be the cost of supervision and of common functions and services, which include the registration and recording of participants and lecturers; production, storage, and distribution of documents; allocation of apartment occupancy; guidance of participants; liaison for travel and per diem arrangements; purchasing of goods and services, and the associated accounting and financial reporting; maintenance of a library; typing and filing of correspondence and internal documents; communications; cleaning; and office supplies. Expenditures for participation in the Joint Vienna Institute fall therefore into three broad categories: the Fund's share in the common cost of supervision, administration, and services; the cost of teaching; and the cost of participants.

1. Common cost of supervision, administration, and services

The IMF and the CEC will assign staff to the Joint Vienna Institute for general supervision and administration and, in the case of the CEC, also for the administration of CEC courses and the selection and the acceptance of CEC participants. 1/ The IMF will assign the Director, the Chief of the Administrative Section, a finance officer, and a secretary. In addition to the librarian already mentioned, the CEC will assign an administrator and two secretaries. Three administrative staff will be recruited locally and charged to the common budget.

On the basis of the above, the supervisory and administrative staff of the Joint Vienna Institute during Phase I will consist of the following:

	<u>Assigned by IMF</u>	<u>Assigned by CEC</u>	<u>Common Budget</u>
Director	1		
Chief of Administrative Section	1		
CEC Administrator		1	
Finance Officer	1		
Librarian		1	
Administrative Staff			3
Secretaries	1	2	

Although the CEC Administrator and the two secretaries assigned by the CEC will be responsible for the administration of CEC courses and for the selection and administration of CEC participants, they will also be available to perform administrative duties for the Joint Vienna Institute as a whole. In addition, the librarian will work part-time on other

1/ Other organizations, including the IMF, will administer the selection and the acceptance of participants at their headquarters.

administrative matters and the administrative staff will also perform secretarial duties.

The Director and Chief of the Administrative Section positions will be filled from current personnel allotments in the IMF Institute budget. New positions will have to be created for the finance officer and the secretary that will be assigned by the IMF to the Joint Vienna Institute. Like the administrative staff charged to the common budget, they will be hired on a one-year contractual basis. 1/

The finance officer will be responsible for ensuring accurate and timely payments and expenditure recording associated with transportation and living allowances of participants in IMF courses; for the payment and recording of expenses for contractual personnel; for the payment and recording of all other common expenditures; for the recording of contributions of sponsoring institutions and donors; for the payments and receipts associated with special activities; and for the preparation of a monthly reconciliation of accounts and a quarterly financial report for sponsoring institutions. The finance officer will act as the representative of the Interim Controller in all financial matters affecting the Joint Vienna Institute. 2/

Excluding personnel assigned by the IMF and CEC, the total common cost of the Joint Vienna Institute during Phase I is estimated at \$580,000 (Table 1). The contribution of \$5,000 per courseweek for the common budget by five of the sponsoring institutions will total \$496,000. The remainder of the expenses is expected to be financed with contributions from donors. The Netherlands has already agreed to contribute f.1.2 million (about US\$700,000) over a period of two years. The contribution of the International Monetary Fund to the common budget will be based on its 47-course weeks and will amount to \$235,000.

2. Cost of teaching

Fund staff from Washington (IMF Institute, Fiscal Affairs Department, Statistics Department, and Monetary and Exchange Affairs Department) will be responsible for most of the teaching in the IMF courses in the Joint Vienna Institute. It is estimated that staff from Washington will spend a total of 69 weeks in Vienna during Phase I (Table 2). In addition, two teaching staff (one regular staff member and one full-time consultant) will be posted in Vienna to help teach subjects that are common to all IMF courses. The Fund will use locally-recruited part-time consultants to prepare and teach a course on basic economics that will precede the more advanced course on macroeconomic and financial policies. These teaching staff and consultancy positions will be filled from current personnel allotments in the IMF Institute budget.

1/ Alternatively, contractual staff may replace staff provided from Washington.

2/ The Treasurer of the IMF has been appointed Interim Controller.

Table 1. Projected Common Costs during Phase I (1992/93) 1/

(In thousands of U.S. dollars)

<u>Personnel Cost</u> <u>2/</u>	<u>132</u>
3 Administrative support staff	132
<u>Other Costs</u>	<u>448</u>
Cleaning of offices, apartments and lecture rooms	184
Amenities for participants <u>3/</u>	71
Office Supplies (includes provision for initial stock)	80
Communications	50
Library (books, professional journals)	10
Miscellaneous	53
<u>Total Cost</u>	<u>580</u>

1/ Excluding teaching staff, administrative staff assigned by sponsoring institutions, building occupancy, and travel and per diem of participants.

2/ Including benefits.

3/ Coffee, biweekly "get together."

Table 2. Projection of Visiting IMF Teaching Staff during Phase I

Courses	Number of Staff	Number of Weeks	Number of Staff Weeks
Public Expenditure Finance	2	3	6
Macroeconomic Financial Policies	1	6	6
Bank Supervision	3	2	6
Macroeconomic Financial Policies	1	6	6
Government Finance Statistics	3	3	9
Aspects of Public Finance	2	6	12
BOP Statistics	3	3	9
Macroeconomic and Financial Policies	1	6	6
Public Expenditure Management	3	2	6
High Level Seminar	3	1	3
<u>Total</u>	<u>22</u>		<u>69</u>

The total cost of existing Fund staff time allocated to supervision, teaching, and administration in the Joint Vienna Institute is estimated at \$888,000 (Table 3). The travel of the Fund staff to and from Vienna is expected to cost \$229,000, including per diem and hotel expenses. The cost of travel of Fund staff to and from Vienna should be compared to the savings that result from the fact that participants from Eastern Europe and the Commonwealth of Independent States travel to Vienna instead of Washington. These savings would amount to about \$1 million a year.

The delivery and administration of IMF courses during Phase I will require the hiring of new staff. All IMF courses in Vienna will be interpreted into Russian and it is, therefore, necessary to translate course material and to provide for interpreters. Translation of course material will require the use of contractual staff by the Bureau of Language Services for a total of 2.5 man years, and interpretation will require four interpreters for one year. In addition, the work associated with the Joint Vienna Institute in the Treasurer's Department in Washington-- financial disbursements, financial control, preparation of financial statements, and development of financial systems for Phase II--will require the use of contractual staff equivalent to one staff year. Including the finance officer and the secretary that will be assigned to the Joint Vienna Institute, 9.5 new positions will have to be created at an annual cost of \$716,000. These positions will be offered on a short-term contractual basis.

Of the 13.5 positions granted to the IMF Institute since October 1991, 5 will be used for work in Vienna (Director, economist, chief of administrative section, full-time consultant, and one year of part-time consultancy), 2.5 positions will be used for work in Washington in connection with the Joint Vienna Institute (economist, admission assistant, and 0.5 year consultancy for liaison with ministries, central banks, and universities).

3. Cost of participants

The cost for IMF participants will consist of travel, per diem, the social program, and medical insurance. Participants will be offered round-trip tourist-class transportation by air, except for participants coming from neighboring countries, who will travel by train. The per diem has been set at \$40 per day, but this may be reduced to \$35 per day if arrangements can be made to give participants access to three instead of two subsidized meals in the cafeteria of the School for Custom Officers. There will be a modest social program consisting of a city tour for each course, an additional one-day excursion for those courses that last six weeks, and participation in "get togethers," organized every two weeks for all participants. 1/ There will be no receptions or official luncheons. For

1/ The cost of the bi-weekly "get together," organized for all participants in courses in the Joint Vienna Institute, is charged to the common budget.

Table 3. Estimated Cost of IMF Participation in the Joint Vienna Institute during Phase I (1992/93)

(In thousands of U.S. dollars)

<u>IMF Staff 1/</u>	<u>888</u>
Director and Head of Administration Section	300
Visiting IMF teaching staff 2/	220
One permanent teaching staff	150
One full-time teaching consultant	130
Four part-time teaching consultants	88
<u>Travel by IMF staff (Washington-Vienna)</u>	<u>229</u>
22 round trips at \$6,000	132
Per diem and hotel (69 weeks at \$200 per day)	97
<u>Cost of Translation (additional contractual staff)</u>	<u>190</u>
600,000 words; (two staff years)	170
Proofreading and typing (0.5 staff year)	20
<u>New staff (contractual one-year positions)</u>	<u>526</u>
Finance officers (two staff years 3/)	144
Interpreters (four staff years)	340
Secretary (one staff year)	42
<u>Cost of living and settlement allowances</u>	<u>340</u>
<u>Cost of participants</u>	<u>1,024</u>
Travel 4/	545
Living allowance 5/	441
Social program 6/	22
Medical insurance 7/	16
<u>Share in common cost 8/</u>	<u>235</u>
<u>Total</u>	<u>3,432</u>
(Cost per IMF participant day)	(\$316)

1/ Existing IMF positions, already provided for in FY93 budget. Budgetary authorization is sought for all other expenditure items, for a total of \$2,544,000.

2/ Sixty-nine staff weeks or 1.7 staff years.

3/ Of which one staff year will be used in Washington.

4/ Tourist class. Includes cost for hotel and business class fare for 33 participants in high-level inaugural seminar, October 5-9, 1992.

5/ \$40 per day; 10,857 participant days; additional \$35 per day for 33 participants in high-level inaugural seminar, October 5-9, 1992.

6/ City tour for twelve courses plus excursion for four six-week courses.

7/ \$20 per participant per month.

8/ Assessed at a fixed amount of \$5,000 per course week for 47 IMF course weeks.

the thirty-three high-level participants in the inaugural seminar on "Transition and Adjustment" during October 5-9, 1992, the per diem will be raised to \$75 per day. In addition, these participants will be offered business-class travel and accommodation in hotels rather than in the Joint Vienna Institute. The total cost of participants is estimated at about \$1 million.

4. Total cost

The total cost of running IMF courses in Vienna is estimated to amount to \$3.4 million, or \$316 per participant day. Because the premises of the Joint Vienna Institute are made available by the Austrian authorities free of charge, and because the teaching staff can rely on the course preparation done at the Fund in Washington, the cost per IMF participant day in Vienna is considerably less than that in Washington. It is expected that the Japanese authorities will permit the use of \$1 million from the Japan Account for a contribution to the IMF cost for giving courses in Vienna. The contribution would be reflected in the budgets for FY93 and FY94 as reimbursements, thus reducing the net budget outlays.

Of the total cost, \$888,000 consist of personnel outlays for already existing positions. Budgetary authorization is sought for \$2,544,000, of which \$1,730,000 will apply to FY93. (Table 4)

IV. The Outlook for Phase II

During Phase II, the IMF will continue to assign to the Joint Vienna Institute the Director and the Chief of the Administrative Section, and it will pay for their salaries and benefits. Because it is expected that there will be a smaller number and lower turnover of participants, both the administrative staff and the number of secretaries could be reduced from three to two. In addition, since participants in the core program are expected to be conversant in English, there would no longer be a need to employ four interpreters on a permanent basis. However, since participants in most IMF courses in the satellite program may include non-English speaking senior officials, there still would be expenditures for translation and interpretation, albeit at a reduced scale.

Apart from the Director and the Chief of the Administrative Section assigned by the IMF, personnel of the Joint Vienna Institute during Phase II will consist of a finance officer (to be transferred from the IMF budget to the budget of the Joint Vienna Institute), two administrative staff, one librarian (to be transferred from the CEC budget to the budget of the Joint Vienna Institute), and two secretaries (of which one is to be transferred from the IMF budget to the budget of the Joint Vienna Institute).

The various projected cost elements during Phase II are shown in Table 5. In addition to personnel costs, there will be expenses for participant travel, living allowances, cleaning, the social program, and medical insurance. Travel has been calculated on the same basis as for

Table 4. Projected Nonbudgeted Cost of IMF Participation in Phase I
(In thousands of U.S. dollars)

	<u>FY 1993</u>	<u>FY 1994</u>	<u>Total</u>
I. <u>Personnel Expenses</u>	<u>1,057</u>	<u>478</u>	<u>1,535</u>
A. Salaries	637	319	956
New Staff and cost of translation	(477)	(239)	(716)
Cost of living allowance for staff assigned to Vienna	(160)	(80)	(240)
B. Other personnel expenses	420	159	579
Settlement allowances and travel of staff assigned to Vienna	(100)	(--)	(100)
Living allowance for participants	(294)	(147)	(441)
Social program	(15)	(7)	(22)
Medical insurance	(11)	(5)	(16)
II. <u>Travel Expenses</u>	<u>516</u>	<u>258</u>	<u>774</u>
C. Business travel (IMF staff)	153	76	229
D. Other travel	363	182	545
III. <u>Other administration expenses</u>	<u>157</u>	<u>78</u>	<u>235</u>
J. Miscellaneous			
Share in common costs	157	78	235
<u>Total</u>	<u>1,730</u>	<u>814</u>	<u>2,544</u>

Source: Table 3.

Table 5. Projected Annual Common Cost during for Phase II 1/

(In thousands of U.S. dollars)

<u>Personnel Cost</u>	<u>297</u>
Finance and budget officer	72
Administrative staff (2)	90
Librarian	45
Secretaries (2)	90
<u>Other Cost</u>	<u>1,327</u>
<u>Core program</u> (44 weeks, 66 participants)	<u>976</u>
Travel <u>2/</u>	158
Living Allowance: \$220 per week	639
Cleaning of offices, apartments, and lecture rooms	108
Social Program for participants	57
Medical insurance: \$20 per month	14
<u>Satellite program</u> (48 weeks, 33 participants)	<u>93</u>
Cleaning of offices, apartments and lecture rooms	69
Social activities with participants	24
<u>Common cost</u>	<u>258</u>
Office supplies	50
Communications	50
Library (purchase of books)	10
Miscellaneous	148
<u>Total Cost</u>	<u>1,624</u>

1/ Excluding teaching staff, and supervisory and administrative staff assigned by sponsoring institutions. The IMF will continue to assign to the Joint Vienna Institute the Director and the Chief of the Administrative Section.

2/ Two round-trips per participant, tourist-class air travel. Travel to neighboring countries will be by train.

participants in IMF courses during Phase I, but the living allowance for participants in the core program has been reduced to \$220 per week. All other charges for both the core program and the satellite program are on the same basis as those during Phase I. The common cost for office supplies will be reduced during Phase II since there will be no expenses for the initial stocking.

Excluding teaching, which will continue to be provided by the sponsoring institutions and personnel assigned to the Joint Vienna Institute, total expenditures per year during Phase II will amount to about \$1.7 million. The sponsoring institutions are seeking to cover this amount by donor contributions. As already mentioned, the Netherlands has pledged f.1.2 million (about US\$700,000) over a period of two years (Phase I and the first year of Phase II), and indications of financial support have been received from Belgium, Switzerland, and Canada. Other countries are giving consideration to a contribution. Japan will be asked to continue to contribute to the Joint Vienna Institute during Phase II.

No changes are expected that would drastically alter the cost structure of Phase II during 1994-1998.

V. Draft Decisions

The following decisions relating to the participation of the IMF courses in the Joint Vienna Institute are proposed for adoption by the Executive Board:

Decision No.1

The Executive Board approves an increase in the employment of contractual staff for Phase I (September 92- August 93) as follows:

5.0 staff years	IMF Institute
2.5 staff years	Bureau of Language Services
2.0 staff years	Treasurer's Department

for participation in the Joint Vienna Institute, thereby increasing the total staff resources for FY 1993 by 6.3 from 2,566.7 to 2,573.0 staff years.

Decision No.2

The budget of \$2,544,000 for Phase I of the Fund's participation in the Joint Vienna Institute is approved. The amount of funds hereby authorized will be reduced by any funds made available from the Japan Administered Account. An amount of \$1,730,000 is hereby appropriated for FY 1993, thereby increasing the total FY 1993 administrative budget to \$388,570,000. The additional funds will increase the various FY 1993 categories as shown in the following table:

(In thousand of U.S. dollars)

	Approved Budget	Supplementary Appropriation	Revised Budget
<hr/>			
I. <u>Personnel Expenses</u>			
A. Salaries	176,080	637	176,717
B. Other personnel expenses	97,185	420	97,605
II. <u>Travel Expenses</u>			
C. Business Travel	31,205	153	31,358
D. Other Travel	20,915	363	21,278
III. <u>Other Administrative Expenses</u>			
J. Miscellaneous	8,190	157	8,347

Decision No. 3

The Executive Board approves in principle entering into Phase II of the Joint Vienna Institute, along the lines outlined in this paper. The Fund's contribution to the common costs of Phase II, as set out in Table 5, will be determined by agreement with the other sponsoring institutions.

List of Courses for Phase I

	<u>Weeks</u>
<u>Bank for International Settlements</u>	<u>5</u>
Comparative General Central Banking	1
Use of Monetary Techniques in Transition I	1
Use of Monetary Techniques in Transition II	1
Payment and Settlement Systems I	1
Payment and Settlement Systems II	1
<u>European Bank for Reconstruction and Development</u>	<u>12</u>
Privatization in Countries Undergoing Transition	2
Leadership and Management in a Competitive Free Enterprise System	2
Finance and Market Strategy in a Privatized Economic Environment	2
Central and Eastern Europe Economy Transformation	2
Management in Transition	2
Negotiating with Private Sector Investors	2
<u>Commission of the European Communities</u>	<u>25</u>
Building the European Community	6
Principles of Budgetary Policy	2
Financing of Public and Private Enterprises	6
Money and the Control of the Money Supply	6
Competition Policy	2
Rebuilding Europe's Economy	3
<u>International Bank for Reconstruction and Development</u>	<u>18.6</u>
Enterprise Analysis for Privatization and Restructuring Program	3
Natural Monopolies: Regulation, Structure, and Pricing Decisions	4
Privatization Issues	0.6
Urban Water Supply Management and Environment	3
Public Expenditure Management	2
Summer School on the Economics of the Market	4
The Enterprise in Transition: Corporatization	2
Corporate Governance	2
<u>International Monetary Fund</u>	<u>47</u>
Public Expenditure	3
Basic Economics (3)	9
Transition and Adjustment	1
Macroeconomic and Financial Policies (3)	18
Bank Supervision	2
Government Finance Statistics	3
Aspects of Public Finance	6
Balance of Payments Statistics	3
Public Expenditure Management	2

ATTACHMENT

List of Courses for Phase I (cont.)

<u>Organization for Economic Cooperation and Development</u>	<u>16.6</u>
Horizontal Agreements	0.4
Public Procurement Systems	2
Abuse of Dominance	0.4
Assessment of Legislative Proposals	3
Vertical Agreements	0.4
Allocation and Control of Government Resources	2
Mergers and Demonopolization	0.4
Social Policy Design and Administration	2
Measuring and Monitoring the Informal Sector	1
Implementing Enterprise Surveys	2
Training in Active Labor Markets	2
Negotiation of Privatization	1
<u>Total</u>	<u>124.2</u>

