

INTERNATIONAL MONETARY FUND

**Policy for Country Contributions for Capacity Building**

Prepared by the Office of Technical Assistance Management and the Legal Department

(In consultation with INS and other departments)

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**I. INTRODUCTION**

1. This paper proposes a strengthened country contributions policy for capacity-building services.<sup>1</sup> It builds on the recent Executive Board discussions on capacity-building reforms, which included proposals for the use of charges (country contributions) to improve the effectiveness and efficiency of the Fund’s capacity-building activities.<sup>2</sup> On the basis of this country contributions policy, management intends to issue a staff guidance note on implementation and to take steps to bring it to the attention of members and other recipients of Fund capacity-building activities.

**II. BACKGROUND**

2. **The practice of requiring member countries to contribute to the cost of the Fund’s capacity-building activities has been in place, in one form or another, since the beginning of the Fund’s technical assistance (TA) program.** The current country contributions framework was established for TA in 1996, and amended in 2001. This framework requires contributions, based on the recipient country’s per capita income, for

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<sup>1</sup> “Capacity building” comprises all technical services provided by the Fund under Article V, Section 2(b) upon request. While these technical services are commonly referred to as “technical assistance” and include training, the present paper treats training separately from TA for purposes of the country contributions policy. This is the approach taken in the Fund’s institutional outputs.

<sup>2</sup> See *Enhancing the Impact of Fund Technical Assistance*, April 3, 2008 (<http://www.imf.org/external/np/sec/pn/2008/pn0858.htm>) and *Training as Part of Capacity Building—Recent Initiatives and Strategic Considerations*, April 18, 2008 (<http://www.imf.org/external/np/sec/pn/2008/pn0866.htm>).

Fund-financed long-term expert assignments. Members have not been required to make contributions towards other TA activities or training.

3. **The current framework for country contributions has become ineffective.** Fund-financed TA delivery has gradually shifted away from long-term expert assignments to short-term and peripatetic expert assignments. Given the current framework's narrow coverage, no contributions were recorded in the last three fiscal years.

4. **This paper follows up on the Executive Board's initial discussions on May 12, 2008 on management's proposals to strengthen the country contributions policy both with respect to TA and training.**<sup>3</sup>

- Directors agreed that such a framework should not be seen primarily as a revenue-generating measure. Rather, most Directors agreed that it should help rationalize demand for TA, enhance ownership, and create incentives for recipients to use the Fund's TA more efficiently, while increasing internal accountability. Most Directors also accepted a framework using differentiated charges to non-program countries according to the level of income. Directors expressed varying views on the level of charge to be imposed, but broadly agreed that the strengthened scheme should avoid overburdening the administrative capacity of member countries, and should ensure that TA is not unduly limited with respect to those countries that need it most, which tend to be mainly low-income countries.
- With respect to training, Directors expressed varying views on the proposal to recover a part of the cost of training of individual participants at Fund headquarters. Many Directors supported the proposal, while many others were concerned about potential adverse effects. These concerns related to the burden on low-income countries and the impact on the diversity of countries and agencies participating in courses.

5. **The country contributions policy set out in Attachment I would apply to TA and training. In designing the policy, management has sought to address the concerns raised by a number of Directors.** Two important changes have been made to the framework discussed in May: (i) the rate of charge has been lowered for all but high-income countries (the rates are: low-income countries: 10 percent; lower middle-income countries: 30 percent; upper middle-income countries: 50 percent; high-income countries: 100 percent); and (ii) a minimum threshold has been introduced for TA that can be provided without contributions to

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<sup>3</sup> Directors have also recently discussed the question of TA to nonmembers in the context of the Offshore Financial Center (OFC) program. In this discussion, several Directors discussed the possibility of imposing charges for Fund TA to nonmembers. While this discussion focused on nonmember OFCs, the considerations put forward by these Directors support the extension of charges for TA and training provided to nonmembers. See Offshore Financial Centers-Report on the Assessment Program and Proposal for Integration with the Financial Sector Assessment Program, 2008 at <http://www.imf.org/external/np/pp/eng/2008/050808.pdf> and (<http://www.imf.org/external/np/sec/pn/2008/pn0882.htm>).

help ensure that members can consult Fund staff and experts for analysis and advice without undue administrative and financial burden. Together, these changes will help reduce the impact on those countries that need TA and training most. In addition, as suggested by several Directors, management stands ready to adjust the framework if it has an unintended impact on the membership.

### III. A STRENGTHENED COUNTRY CONTRIBUTIONS POLICY FOR CAPACITY BUILDING

6. **Using price signals will help measure the value recipients attach to services and ensure that the services respond to their needs.**<sup>4</sup> Requiring that recipients contribute towards the cost of capacity-building services helps discipline demand, increase incentives for recipients to use these services efficiently, and signals ownership and commitment on their part. A price mechanism also helps ensure that the supply of capacity-building services responds to the needs of recipients and is aligned with their priorities. This in turn provides an important input into the prioritization of scarce resources, and enhances transparency and accountability in their provision.

7. **A strengthened country contributions policy will supplement other capacity-building reforms underway that aim to enhance the effectiveness and efficiency of capacity-building activities.** These reforms include improvements in the area department-led prioritization process, performance measurement, and a new external financing framework. Together, these efforts will also help adapt the Fund's capacity-building activities to a more resource-constrained environment, while maintaining, or possibly increasing, the level of delivery.

8. **The revised country contributions policy will apply to a broad set of capacity-building activities and delivery modalities.** As set out in Attachment I, the framework will apply to TA provided by the Fund and training of officials taking place at Fund headquarters.<sup>5</sup> It will apply to such TA and training provided to Fund members and nonmembers.

- **The framework will not apply to assessments under the Financial Sector Assessment Program (FSAP), or Reports on the Observance of Standards and Codes (ROSCs),** which while constituting technical services provided under Article V, Section 2(b), are

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<sup>4</sup> The Crockett report considered that charging for services has positive aspects, not so much for the revenue that would be generated, but since it helps to rationalize demand and enhances efficiency and accountability. See *Committee to Study Sustainable Long-Term Financing of the IMF - Final Report*, January 31, 2007 (<http://www.imf.org/external/np/sec/pr/2007/pr0718.htm>).

<sup>5</sup> The focus on headquarters training reflects that virtually all training outside of Washington receives substantial financing from training partners, donors, or recipient countries (see, *Training as Part of Capacity Building—Recent Initiatives and Strategic Considerations*, April 18, 2008, footnote 2, *supra*).

closely related to Fund surveillance and are treated under the Fund's output structure as surveillance activities.

- **Already passing a market test, donor-financed capacity-building services will not be subject to contributions.**<sup>6</sup> This would include donor financing under the proposed topical trust funds. Primarily financed by donors and recipient countries, the activities of the regional TA centers (RTACs) and regional training centers (RTCs) will also not be covered by the country contributions policy.
- **Contributions will not be required for TA to program countries.** TA provides an important input into the success of programs by assisting countries strengthen their institutions and implement program conditionality, which in turn helps safeguard Fund financial resources.
- **TA interventions falling under a de minimis threshold<sup>7</sup> (as noted above), and regional TA seminars, workshops and conferences will not require country contributions.**<sup>8</sup> The latter type of events is administratively difficult to cost and seek contributions for. Moreover, a large share of the cost of such events is borne by participating countries, and therefore subject to a form of market test.

9. **The contribution rate will be differentiated by the per capita income level of the recipient.**<sup>9</sup> This is to avoid undue rationing of capacity-building services, simply because countries are unable to pay the cost.<sup>10</sup> Countries will be placed into groups according to per capita income, each with a different rate of charge.<sup>11</sup> Per capita income has been used to

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<sup>6</sup> Requiring a contribution from recipients for services that also receive donor financing would be costly to administer.

<sup>7</sup> Such a threshold, based on FY2009 costs, would be US\$11,200. It would, for example, cover about ten days of TA delivery at Fund headquarters. Attachment I explains how the threshold is derived.

<sup>8</sup> The extent to which contributions will be required for cross-participation in other international organizations' TA missions will depend on the nature of the participation, as specified in Attachment I. The Fund is committed to cooperate and collaborate with other TA providers in order to enhance the effectiveness of TA (collaboration and mission cross-participation with the World Bank is, for example, mandated by the Joint Management Action Plan). Fund staff thus regularly participate in other international organizations' TA missions, and vice versa.

<sup>9</sup> The current groups, effective July 1, 2008, are defined as follows: low-income countries: US\$935 or less; lower middle-income countries: US\$936-3,705; upper middle-income countries: US\$3,706-11,455; and high-income countries: US\$11,456 or more.

<sup>10</sup> To illustrate, the direct costs of some typical capacity-building services and the required contributions from a non-program low-income country could be: (i) full-fledged diagnostic TA mission: US\$80,000-100,000 in costs (US\$8,000-10,000 in contribution); (ii) typical short-term expert assignment: US\$30,000-40,000 (US\$3,000-4,000); and (iii) participation in a six-week course at headquarters: US\$7,800 (US\$780).

<sup>11</sup> Dependent territories of members will be charged in accordance with the income grouping of the member.

determine the rate of charge since 1996. Management issued guidelines in 1996 specifying the required level of country contribution according to the recipient country's per capita income.

10. **The country contributions policy will be integrated into the Fund's existing prioritization process.** The prioritization process will remain critically important as it will continue to ensure that capacity-building activities respond to country authorities' reform agendas as well as the Fund's own policies and surveillance and lending perspectives across countries, regions and functional areas. Specifically, the Regional Strategy Note (RSN)/Resource Allocation Plan (RAP) process allocates internal and donor-provided resources to those countries that need the assistance most and use it effectively, and, in the context of the country contributions policy, will allocate the implicit subsidy provided through the differentiated rate of charge.

11. **Together, the differentiated rate of charge and the prioritization process will ensure that the provision of TA and training is not unduly limited with respect to those countries that need it most.** The predominance of Fund-supported programs and donor financing for low- and lower middle-income countries means that only about 16 percent of TA delivered to these countries in FY2008 would have been subject to country contributions (Text table 1 provides a simulation of the impact of the policy on the different income groups using FY2008 TA delivery information; however, delivery patterns change from year-to-year). Half of the TA that would have been subject to contributions in FY2008 took the form of staff-led missions, while close to one-third related to standalone TA expert assignments. With respect to training, based on the INS program for FY2009, it is expected that almost one-quarter of training for low- and lower-middle income countries would be subject to contributions. However, since about one-quarter of total Fund training has been delivered outside the INS program and would not be subject to contributions, the share of total training that would require contributions is expected to be lower than 25 percent.

12. **The impact of charges, particularly on developing countries, is expected to be mitigated by stepped up fundraising.** Staff is in the process of exploring the scope of opening new Regional Technical Assistance Centers (RTACs) and bundling Fund capacity building in topical trust funds, such as for fragile states or for public debt management. Consistent with the Fund's current focus, it will be mostly low income and lower-middle income countries that will benefit from the new RTACs and trust funds. This would ease supply constraints for these countries and reduce the share of capacity building subject to the charging regime.

Text table 1. Incidence of country contributions policy: Simulation based on FY2008 composition of TA and training

Income group 1/	Technical assistance 2/			Training 3/		
	Total field delivery (person years)	of which: subject to contribution (percent of total)	Total estimated contribution (US\$ millions, per year)	Total delivery (participant weeks)	of which: subject to contribution (percent of total)	Total estimated contribution (US\$ millions, per year)
Group I: Low income	81.3	13	0.6	3,444	25	0.1
Group II: Lower middle income	57.2	21	2.2	3,161	23	0.3
Group III: Upper middle income	27.1	43	3.5	1,695	22	0.2
Group IV: High income 4/	4.7	42	1.4	660	31	0.3
Total revenue net of collection costs	170.3	22	7.7 6.7	8,960	24	0.9 0.8
<i>Memorandum item</i>						
Net revenue as percent of internal budget 5/			9.1			2.2

Source: Fund staff estimates.

1/ Income groups in effect in FY2008.

2/ Based on FY2008 TA field delivery data (a proxy for TA output) using average personnel and travel costs. Regional TA, totaling 16 person years, has not been attributed to income groups and is not included in the total. Estimated contribution assumes no demand response, but a reduction in Fund-financed TA by 20 percent as per the medium-term budget.

3/ Projection for FY2009 INS training program, assuming unchanged country composition of participants from FY2008.

4/ CARTAC provides externally-financed TA to some high-income Caribbean countries and territories which significantly reduces the proportion of TA to high-income countries subject to contributions.

5/ FY2008 budget for TA and training, excluding externally-financed activities, governance, and Fund-wide costs for facilities and support. Includes the cost of training outside the INS program.

### 13. To be effective, the cost base for the country contributions policy must be transparent and administrative procedures kept simple.

- For TA, the cost base will be all TA project-related costs, including associated backstopping, management and administrative support. This ensures that resources are available for quality control and project management, which are essential for high-quality TA. The approach follows the practice being put in place for donor-financed TA, and thus leverages the changes in the costing systems and work practice underway, including expected enhancements to time recording and costing outlined in *Enhancing the Impact of Fund Technical Assistance*, supra, footnote 2. In the context of discussing TA requests with recipient authorities, cost estimates will be provided ahead of the provision of TA. To provide certainty for the authorities, any cost overrun will be borne by the Fund, while savings with respect to the cost estimate will revert back to them.
- Advanced payment will be required for the delivery of TA to ensure administrative simplicity and avoid arrears. One option being explored by staff is the possibility of establishing an administered account for country contributions that would allow recipients to deposit funds.<sup>12</sup> This option would provide for a high degree of transparency to country authorities and would allow them to transfer resources to the

<sup>12</sup> A trust fund management fee would be applied to defray the Fund's costs of administering these accounts (see also supra, footnote 2, *Enhancing the Impact of Fund Technical Assistance*, April 3, 2008).

Fund, before they have made specific TA requests, against which they can request TA from the Fund over time.\*

- The cost base for training at headquarters will be participant travel and living expenses, and other participant-related costs. It will be established by management once a year based on the projected average cost for the program year across all participants.<sup>13</sup> This more narrow cost base relative to TA is based on a number of considerations. A more comprehensive base would: (i) increase the relative price differential between training at Fund headquarters and regional training centers, which would lead to an undesirably large reduction in headquarter-based *training*; and (ii) negatively affect the diversity of member countries and agencies represented at courses (see *Training as Part of Capacity Building—Recent Initiatives and Strategic Considerations*, supra footnote 2 for a full discussion). To facilitate payment, a simple payment mechanism will be devised.

14. **Most of the necessary systems and work practice changes are being implemented already as part of the new framework for donor-financing.** This includes upgrading the Fund's time reporting system; developing standards for costing and procedures for closing projects and activities; and reviewing and, if necessary, upgrading systems for tracking contributions and financial reporting.

#### IV. IMPLEMENTATION

15. **Management intends to make effective the policy on May 1, 2009 for TA and training for both members, and nonmembers and international organizations.** Under the current division of responsibilities between management and the Executive Board, management has the authority to establish, in consultation with the Executive Board, the policy set out in Attachment I with respect to members. More specifically, since 1991, the Managing Director has been given broad authority from the Executive Board over the provision and conduct of TA and training to members. The present country contributions framework was introduced in 1996 and modified in 2001 through decisions of the Managing Director, taken after extensive consultation with the Executive Board. Given the need for flexibility, the Managing Director intends to follow a similar approach with the introduction of the policy set out in Attachment I with respect to members.

16. **Executive Board endorsement is required to apply the country contributions policy to requests for TA and training from nonmembers and international**

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\* Based on the discussion in the Executive Board, Management will proceed on the understanding that members will be billed ex post for capacity building services rendered. Members will of course do their best to remit the charges on a timely basis. However, where arrears do occur, and only in those cases, further delivery of the type of service to which the arrears relate (i.e., TA or training) will require the clearance of the arrears, and the advance payment of charges for such services for a certain period of time.

<sup>13</sup> The average participant cost per week, based on FY2009 costs, would be US\$1,300.

**organizations.** Management therefore proposes that the Board endorse the application of the policy in this manner. In addition, it is proposed that future changes to the country contributions policy as applicable to nonmembers and international organizations be decided by Management in consultation with the Executive Board.<sup>14</sup> This approach would ensure consistency in applying the country contributions policy to members and nonmembers. The income groupings applied to members would apply equally to members and nonmembers, as set forth in Attachment I. International organizations would be treated according to the unweighted average per capita income of the relevant organization's member countries.

17. **It will be important that recipients of capacity-building services are aware of the revised policy.** Management therefore intends to bring the country contributions policy to their attention, and to publish it on the Fund's external website. New procedures would be explained to staff in detail through the issuance of a staff guidance note, which would also be circulated for information to the Executive Board. Staff would undertake an outreach effort, including in the context of the Annual Meetings, to ensure that member countries are aware of the revised policy.

18. Staff will devise a payment system that is administratively simple both to the Fund and to recipient countries and workable given national procurement rules.

19. Management intends to bring to the Board a review of the implementation of the revised framework in the beginning of FY2011, and, as indicated above, stands ready to modify the framework if this proves necessary.

## V. RESOURCE IMPLICATIONS

20. **The cost of introducing the revised country contributions policy is small.** Various systems and work practice changes needed to collect and bill all TA project-related costs are already underway and are included in the medium-term budget as part of establishing the new external financing framework. The additional costs to be absorbed in the FY2009 budget relate to preparation of staff guidelines, setting up payment mechanisms and adapting existing financial systems, and outreach are estimated at US\$0.2 million for both TA and training.

21. **The cost of administering the policy has not been included in the medium-term budget.** Estimated at about US\$1.1 million per year, the collection costs for TA and training will be covered by the additional revenue generated under the policy. The remaining revenue will offset some of the cuts in the Fund's internal capacity-building funding (SM/08/97).

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<sup>14</sup> Consistent with the requirements of Rule N-16(d), the Executive Board would continue to approve individual requests for TA and training from nonmembers and international organizations.



## **Policy for Country Contributions for Capacity Building**

1. **As part of its mandate, the Fund provides technical services in accordance with Article V, Section 2(b) upon request.**<sup>1</sup> Such services include technical assistance (TA) and training (each as defined below), which help recipients strengthen their capacity to design and implement effective macroeconomic and financial policies.<sup>2</sup>

### *Objective*

2. **To strengthen the role of recipients and improve accountability, capacity building needs to pass a market test.** This helps ensure that the provision of TA and training is consistent with the priorities and objectives of recipients. Recipients' willingness to pay provides a signal of their interest in and the value they attach to the Fund's capacity-building services. This signal serves as an important input into the Fund's prioritization and efficient allocation of limited resources with respect to capacity-building. An alternative market test is the willingness of donors to finance the Fund's capacity-building services.

### *Scope of policy and rate of charge*<sup>\*</sup>

3. **Country contributions will be required of members for TA and training as specified below.** The contribution rate will be graduated according to the recipient country's per capita income level (GNI). For this purpose, countries will be placed into four income groups, each with a different level of charge that helps determine the contribution (Text table 1). Dependent territories of member countries will be charged according to the rate of charge applied to the member. These are the minimum rates, and recipient authorities are encouraged to exceed them whenever possible. In addition, it will be expected that recipient authorities will provide in-kind resources that are necessary for TA activities to be successful.<sup>3</sup>

4. **Contributions will also be required from nonmembers and international organizations that receive TA and training.** They will be treated as follows:

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<sup>1</sup> While these technical services are commonly referred to as "technical assistance" and include training, the present framework treats training separately from TA.

<sup>2</sup> The Managing Director is authorized to approve requests for TA and training for member countries. However, the provision of TA to and training of officials of nonmembers and international organizations requires the advance approval of the Executive Board pursuant to Rule N-16(d) of the Fund's Rules and Regulations.

<sup>\*</sup> Following the Executive Board discussion, the final version of the policy for country contributions will be amended, in particular, with respect to the payment modalities applicable under the policy.

<sup>3</sup> In-kind resources include: office space and equipment, administrative support, communications facilities, material supplies, and utilities.

- Nonmember countries and jurisdictions will be subject to contributions according to their GNI per capita.
- International organizations will be subject to contributions according to the level of the unweighted average GNI per capita of the organizations' member countries.<sup>4</sup>

Text table 1. Rate of charge

Income group 1/	Percent of cost base
Group I: Low income	10
Group II: Lower middle income	30
Group III: Upper middle income	50
Group IV: High income	100

1/ The groups are based on GNI per capita as estimated by the World Bank and adjusted each year on July 1.

5. The income groups for members, nonmembers and international organizations will be established once a year by the Managing Director on July 1, and will apply to TA requests approved and training received after that date.

### *Coming into force*

6. This framework will become effective May 1, 2009.<sup>5</sup>

### **Technical assistance**

#### *Definition and coverage*

7. **TA is provided to recipients by the Fund upon request, under the terms of Article V, Section 2(b).** It generally consists of advice provided by Fund staff and experts to the recipients through a variety of modalities, including staff missions of limited duration: the assignment of experts and/or resident advisors for periods ranging from a few days to a few years, including through the Fund's regional TA centers; TA seminars and workshops; and desk-based analysis and advice. Training is a form of TA but for the purposes of this policy (and in line with the Fund's output structure), is treated separately, below. TA is distinct from

<sup>4</sup> A similar approach will be taken towards regional central banks and other regional entities that, for the purposes of capacity building, form part of the Fund's membership.

<sup>5</sup> It will not apply to those TA requests from member countries that the Managing Director has agreed to provide prior to May 1, 2009, even if the TA is actually provided thereafter. For training, the revised framework will apply to training activities that begin May 1, 2009, and thereafter.

the Fund's work in surveillance under Article IV, and the Fund's financial assistance under Article V, Section 3.

**8. The country contributions policy will apply to TA that is provided to a recipient.**<sup>6</sup> The following exemptions will apply:

- *Assessments under the FSAP or ROSC programs.* While constituting a form of technical service under Article V, *Section 2(b)*, these assessments are closely aligned with the Fund's surveillance activities, are classified in the Fund's output structure as surveillance activities, and so will not be covered by the country contributions policy.
- *TA to program countries.* The provision of TA supports the implementation of programs and helps safeguard the Fund's financial resources. The country contributions policy will therefore not apply to TA requests from a member that are approved during the period in which the member (i) has a Fund financial arrangement in place, or (ii) is implementing a program that the Fund is supporting through the approval of outright purchases (e.g., under the Fund's policies on Emergency Post Conflict Assistance and Emergency Natural Disaster Assistance).<sup>7 8</sup>
- *Donor-financed TA*, including that provided through the regional TA centers (RTACs), already passes a market test and will therefore not be included under the country contributions policy.<sup>9</sup>
- *De minimis cases.* Fund staff and experts should be available for country authorities to consult and for *analysis* and *advice* without undue administrative burden. To ensure the availability of such advice and assistance, no contribution will be required for TA whose

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<sup>6</sup> It will not apply to TA activities that are not part of a specific TA project performed for a recipient (such as TA-related outreach and general research and policy work, as defined in the Fund's output structure). This includes: (i) Fund staff participation in general donor and TA-provider meetings, seminars and conferences, which is necessary for continued policy development and to ensure that staff keep abreast of advances in their fields of expertise; (ii) policy development; (iii) TA evaluation and general oversight of the TA program; and (iv) TA program management, including prioritization and TA expert recruitment activities unrelated to specific projects.

<sup>7</sup> In these cases, the exemption will apply during the period of the program, if one has been specified; otherwise the Managing Director will, at the time of the authorities' request for TA, determine the period during which no charges will apply.

<sup>8</sup> Specifically, country contributions will not be required for any TA which the authorities of a member country requests, and the Managing Director agrees to provide, during the period of a Fund arrangement or program, as the case may be, even if the TA is actually provided after the expiration of the arrangement or program.

<sup>9</sup> Where TA is funded partly by donor resources and partly by the Fund, the country contributions policy will not apply.

total cost is less than a standard threshold established by the Managing Director once a year.<sup>10</sup>

- *Regional TA seminars, workshops and conferences.* The country contributions policy will not apply to regional TA seminars, workshops or conferences (that are classified in the Fund's output structure as TA). This type of *assistance* may be distinguished from training in that it does not take the form of a *course*, is conducted on a regional (or broader) basis, seeks to identify and develop solutions for regional or sub-regional problems, and often forms the basis for subsequent country-specific TA.
- *Cross-participation in other international organizations' TA missions.* For purposes of the country contributions policy, the cost of participation by another organization's official in a Fund mission will only be subject to contributions from the recipient if the Fund is required to pay for the participation of the other organization's official on its mission. The participation of Fund staff and experts in TA missions of other organizations will not be subject to contributions from the recipient.

### ***Costing and administration***

9. **The Fund's cost base for billing purposes will be all TA project-related direct costs.**<sup>11</sup> Costs will be determined on the basis of actual time spent by staff and experts on TA delivery, backstopping, management, and administrative support using a methodology specified from time to time by the Managing Director. At present, actual time of staff and long-term experts will be priced at the mid-point of the relevant salary grade multiplied by the prevailing benefit coefficient that reflects the average level of benefits provided; while all other costs, including for short-term experts, travel,<sup>12</sup> and TA seminars and workshops, will be the actual expenses incurred by the Fund. Staff and expert time associated with the review of TA provided by another department (i.e., inter-departmental review) will not be included in the cost base. The costs of participation of officials of another international organization in a Fund mission will be included in the cost base, comprising the actual amount paid by the Fund to the other organization.

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<sup>10</sup> The threshold will be established at the beginning of each fiscal year. It applies to each individual request and is not cumulative. This is particularly relevant for desk-based TA, which may include experts working outside of headquarters who do not travel to the country of the recipient. The Managing Director will specify the methodology under which the threshold will be determined. At present, the threshold will be based on the cost (rounded up to nearest US\$100) of 10 working days of an A15 staff (mid-point of A15 salary grade, including the prevailing benefit coefficient).

<sup>11</sup> General governance and support costs (indirect or overhead costs) are currently not attributed to projects and they will not be part of the cost base.

<sup>12</sup> Travel costs for back-to-back missions will be prorated on the basis of estimated stand-alone mission costs, while hotel and subsistence allowance associated with time in between missions will be shared equally between the back-to-back missions.

10. **Recipient authorities will be given a cost estimate and payment will be required before the TA can be undertaken.** In planning a TA activity with recipient authorities, Fund staff will provide a cost estimate indicating the total estimated cost and the contribution to be paid by the recipient based on the applicable rate of charge. The cost estimate is an upper limit, and cost overruns will be covered by the Fund. If the cost estimate is accepted, advance payment will be required before the TA can be undertaken.<sup>13\*</sup> A simple payment process will be developed to help facilitate payment and avoid delays in the timing of requested TA. To the extent that the payment mechanism involves the use of administered accounts, a trust fund management fee will be applied to defray the Fund's costs of administering accounts established for this purpose. Following the completion of the TA, a statement of expense will be furnished to the recipient authorities and unspent resources will be reconciled.

## **Training**

### *Definition and coverage*

11. **Training, for purposes of this policy, takes the form of courses for officials of member countries, nonmember jurisdictions or international organizations to strengthen their analytical and technical capacities in areas within the Fund's mandate.** The Fund offers a wide range of training courses at Fund headquarters, regional training centers and regional TA centers, through collaboration with other regional training organizations and national governments, and through the IMF Institute's distance learning program. Most training benefits from sizable financial support from partners and donors. This is not the case for training offered at Fund headquarters which, with few exceptions, is fully Fund-financed.

12. **The country contributions policy will apply to all training offered at Fund headquarters, other than training funded or co-funded by donors.** All other training activities will be excluded.<sup>14</sup>

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<sup>13</sup> In exceptional circumstances where the Managing Director deems the provision of particular TA to be essential for the Fund to help a member achieve important policy objectives that are consistent with the Fund's purposes, he may waive the requirement for prepayment provided that the recipient accepts in advance the estimated TA cost.

<sup>14</sup> Member countries are encouraged to help defray the costs of training outside of headquarters whenever possible.

\* The final version of the policy will be amended provide that members, nonmembers, and international organizations will be billed ex post for training. If arrears do occur with respect to training further delivery of training will require the clearance of the arrears, and the advance payment of charges for training for a certain period of time.

*Costing and administration*

13. **The cost base for billing purposes will be the average participant costs irrespective of where the participant comes from.** Participant costs will consist of travel, per diems, accommodation, and other miscellaneous participant-related costs; staff costs, and course delivery and development costs will be excluded. A standard weekly participant cost base will be established once a year by the Managing Director, based on the projected average cost for the program year across all participants.

14. **Payment of the participant fee will be the responsibility of the member country.** Detailed information on the standard weekly participant fee and payment process will be provided on the IMF Institute's website and in the Annual Training Catalog, and will be specified in letters to prospective course participants and their sponsors at the time of invitation. Payment modalities will be specified by the Managing Director from time to time, including any provisions for prepayment he deems necessary.\*

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\* The final version of the policy will be amended provide that members, nonmembers, and international organizations will be billed ex post for training. If arrears do occur with respect to training further delivery of training will require the clearance of the arrears, and the advance payment of charges for training for a certain period of time.