

INTERNATIONAL MONETARY FUND

Policy for Country Contributions for Capacity Building—Supplement

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

(In consultation with INS and other departments)

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1. **As part of its mandate, the Fund provides technical services in accordance with Article V, Section 2(b) upon request.**¹ 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.²

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

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

² 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.

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.³

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

- 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.⁴

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 for which invitations are sent after that date.⁵

Coming into force

6. This framework will become effective May 1, 2009.⁶

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

⁴ 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.

⁵ 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.

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 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.**⁷ 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).^{8, 9}

⁶ 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.

⁷ 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.

⁸ 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.

- *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.¹⁰
- *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 total cost is less than a standard threshold established by the Managing Director once a year.¹¹
- *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.**¹² 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

⁹ 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.

¹⁰ Where TA is funded partly by donor resources and partly by the Fund, the country contributions policy will not apply.

¹¹ 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).

¹² 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.

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,¹³ 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.

10. Recipient authorities will be given a cost estimate before TA is delivered and payment will be required after TA is delivered. 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. TA will be provided after the recipient has accepted the cost estimate.¹⁴ Following the completion of the TA, a statement of expense will be furnished to the recipient authorities and payment will be required within a period of time specified by management. Where arrears are incurred in the payment of charges for TA, the delivery of additional TA to institutions within the relevant country or to the relevant international organization will require the clearance of these arrears, and advance payment of charges for TA for a period of time specified by management.

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

¹³ 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.

¹⁴ To the extent that the payment mechanism involves the use of administered accounts, a standard trust fund management fee will be applied to defray the Fund's costs of administering accounts established for this purpose.

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.¹⁵

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, 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 charges for training will be the responsibility of the member or non-member country or the relevant international organization.** Payment will be required within a period of time specified by management. Where arrears are incurred in the payment of charges for training, the delivery of additional training to institutions within the relevant country or to the relevant international organization will require the clearance of these arrears, and advance payment of charges for training for a period of time specified by management. 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.

¹⁵ Member countries are encouraged to help defray the costs of training outside of headquarters whenever possible.