INTERNATIONAL MONETARY FUND

Training as Part of Capacity Building: Recent Initiatives and Strategic Considerations

Prepared by the IMF Institute

Approved by Leslie Lipschitz

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ABBREVIATIONS AND ACRONYMS

AFRITAC	Africa Regional Technical Assistance Center
BCEAO	Central Bank of West African States
BEAC	Bank of Central African States
CARTAC	Caribbean Regional Technical Assistance Center
CEF	Center for Excellence in Finance
CEMLA	Center for Latin American Monetary Studies
CY	Calendar Year
DL	Distance Learning
FAD	Fiscal Affairs Department
FIN	Finance Department
FPP	Financial Planning and Policies
FTE	Full-time Equivalent
FY	Financial Year
HQ	Headquarters
IDA	International Development Association
IET	Internal Economics Training
INS	IMF Institute
JAI	Joint Africa Institute
JVI	Joint Vienna Institute
LEG	Legal Department
MCM	Monetary and Capital Markets Department
MEFMI	Macroeconomic and Financial Management Institute of Eastern and Southern Africa
METAC	Middle Eastern Technical Assistance Center
MTS	Medium-Term Strategy
OBP	Office of Budget and Planning
OIA	Office of Internal Audit
OTM	Office of Technical Assistance Management
PFTAC	Pacific Financial Technical Assistance Center
RTACs	Regional Technical Assistance Centers
RTCs	Regional Training Centers
SEACEN	South East Asian Central Banks Research and Training Center
STA	Statistics Department
TA	Technical Assistance
TAIMS	Technical Assistance Information Management System (TAIMS)
UNITAR	United Nations Institute for Training and Research
WAIFEM	West African Institute for Financial and Economic Management
WBI	World Bank Institute

I. EXECUTIVE SUMMARY AND INTRODUCTION

1. **This paper focuses on the IMF's training program as part of the Medium–Term Strategy (MTS) for capacity building in member countries.**[1] It updates Executive Directors on the current features of the program, reviews the efforts that have been made in recent years to strengthen the curriculum and to enhance value for money, and considers options for boosting external financing of training through charging and increased donor contributions. The paper also provides background for addressing the following issues:

- Are the objectives of IMF training fully consistent with the broader objectives of the institution? And are these training objectives being met?
- Is Fund training efficiently organized—i.e., is the current degree of decentralization sensible?
- Are adequate evaluation and feedback mechanisms in place?
- In the absence of market signals and with a large unsatisfied demand, how can we determine the "right" volume of training and how can we assess its worth?

While these are issues for all IMF training, the paper focuses mainly on training through the IMF Institute (INS) program, which accounted for 75 percent of IMF training in CY 2007.[2]

2. **In CY 2007, the IMF delivered close to 63,000 person–days of training for government officials at its Washington Headquarters (HQ), through a global network of seven regional training centers (RTCs),[3] through the regional technical assistance centers (RTACs), in collaboration with other regional training organizations and national governments, and through the INS distance learning program.**[4] In some

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[1] Recommendations for training in the MTS include that steps be taken to: integrate the training program of INS with the budget process; explore the scope for mobilizing additional external resources for training activities; develop a reliable database on costs for external training activities; and explore the scope for combining full charging for the direct cost of training with a trust fund to subsidize the costs for low-income countries. Other aspects of the Fund's capacity building strategy are discussed in a separate paper on *Enhancing the Impact of Fund Technical Assistance*.

[2] Data on training under the INS program are reasonably comprehensive, but the Fund has only recently begun compiling an integrated set of data on the training that takes place outside the INS program, and very little systematic information is available on the decisions and strategies that have governed such training. Recent efforts to strengthen data on training are discussed in a supplementary paper, *Training as Part of Capacity Building: Report on IMF Training During 2007*.

[3] The RTCs (in order of establishment) are located in Vienna, Singapore, Abu Dhabi, Tunis, Dalian (China), Brasilia, and Pune (India).

[4] This paper addresses training as a component of capacity building services for member countries. Therefore, the Internal Economics Training program for IMF staff, which is a significant part of the mandate of INS, is not covered.

regions, a high proportion of senior officials have been through one or more INS courses. The training is focused on topics that the IMF is uniquely placed to address.

3. **Key features of IMF training are the following:**

- The organization of training is overseen by a Fund–wide committee—composed of area departments and training departments, chaired by a Deputy Managing Director—which seeks to ensure that each region receives the mix of courses that is most appropriate to its needs.

- About three-fourths of IMF training is centrally organized under the INS program, permitting efficiency gains in administration and the use of facilities and longer-term investment in curriculum development. This is complemented by training outside the INS program by other departments and RTACs, which is highly decentralized, requires less advance planning, and enhances the flexibility of training delivery.

- Curriculum development is responsive to the evolving issues faced by member countries, drawing on the views of area departments, brainstorming meetings with senior officials on the needs of their regions, and feedback from external surveys. The selection of course participants, which relies critically on inputs from area departments and resident representatives, gives substantial weight to the relevance of the candidate's job, education, work experience, and potential for advancement.

- Evaluation is conducted through a variety of mechanisms, including regular feedback from area departments and country officials, questionnaires collected at the end of every INS course, and periodic surveys of relevant government institutions by an independent outside consulting firm. Evaluation is also provided implicitly by donors, who require a positive assessment of the quality and cost effectiveness of the INS program as a condition for continuing financial support.

- Although IMF training does not get much publicity, both the training per se and its important networking benefits are universally welcomed by member countries. As officials trained by the Fund advance in their careers, Fund missions and Management find favorably disposed interlocutors in high government positions across the membership.

- A large share of training is delivered through the RTCs, which cover (together with other donors) two–thirds of participant costs and provide administrative support and facilities. This generates substantial budgetary savings but adds considerably to the complexity of managing INS. Regional delivery, as opposed to single–country based training delivery, is essential to supporting a diversified and relatively sophisticated curriculum. It also provides additional benefits in terms of the sharing of experiences across countries and the development of cross–country networks.

- Donors pay for a significant amount of INS training at the margin.
- Three–fourths of course participants come from low– and lower middle–income countries.

II. The Objectives and Orientation of IMF Training

4. **The main objective of IMF training has been to strengthen the analytical and technical capacities of member country officials to formulate and implement effective macroeconomic policies.** Such capacity building embraces the subsidiary objectives of supporting the Fund's work on surveillance, program design, and technical assistance. In particular, the INS training program contributes not only to better macroeconomic policymaking by countries on their own, but also to more focused and productive interactions between Fund staff and member country officials, thereby facilitating Article IV consultations and discussions on the use of Fund resources. Similarly, much of the training that takes place outside the INS program is closely linked to, and supportive of, the Fund's technical assistance work. In addition, Fund training has substantial ancillary public relations benefits: all countries value IMF training, regardless of their interactions with the Fund on other matters.[5]

5. **The most recent data, for CY 2007, indicate that 75 percent of IMF training for member–country officials is delivered through the INS program, with the remaining 25 percent arranged independently by other IMF departments and the RTACs (Table 1).**[6] The INS program includes all courses taught by INS and those training events by other departments that are supported administratively by INS; the latter include all training by other departments at the RTCs and almost all of their training at HQ. INS itself presented one-half of total Fund training during 2007.

6. **About 50 percent of IMF training—courses delivered by the TA departments and the RTACS—directly supports the Fund's TA strategy.** Half of this training is delivered in the INS program and typically focuses on broader goals within the TA strategy, such as building capacity in statistical methodologies. However, the RTCs also provide an opportunity to tailor training to TA issues that are of particular interest to a specific region. Courses delivered in collaboration with the RTACs and other training by TA departments outside the INS program are often more closely related to TA delivery. Training in collaboration with the RTACs is particularly conducive to experience–sharing among countries, and this contributes importantly to TA delivery.

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[5] See Section V below.

[6] Based on participant weeks of training. A statistical description of the IMF training program is provided in a supplementary paper. The IMF Institute *Training Catalog 08* provides a comprehensive description of the courses planned under the INS program for calendar year 2008; a link to the English version of this document can be found at http://www.imf.org/external/np/ins/english/index.htm.

7. **The INS training program is quite distinct from what is offered in university economics departments, as it draws heavily on the unique advantages of the Fund staff in practical economic analysis.** It concentrates on areas in which the Fund staff has considerable expertise—specifically, the design of macroeconomic adjustment programs, macroeconomic surveillance, the compilation and analysis of macroeconomic statistics, and many specialized fiscal, monetary, financial, and legal issues. The focus in the INS program is on applications of theory to real–world policy issues that academic institutions often treat in the abstract. In addition, INS courses emphasize hands–on workshop exercises that lead officials through the steps involved in making practical use of what the courses are designed to teach, such as developing a financial program or assessing debt sustainability. Both experience and outside research on adult learning suggest that this approach greatly increases the retention rate of the material taught.

Table 1. Distribution of IMF Training by Provider, 2007

	Courses within INS Program		Courses outside INS Program		Total IMF Training	
	Participant weeks	Percent	Participant weeks	Percent	Participant weeks	Percent
IMF Institute	6,108	64.7	n.a.	n.a.	6,108	48.6
Of which:						
Financial Programming	(3,168)	(33.6)	n.a.	n.a.	(3,168)	(25.2)
Other[1/]	(2,941)	(31.2)	n.a.	n.a.	(2,941)	(23.4)
Statistics department	2,195	23.3	740	23.6	2,935	23.3
Other departments	1,131	12.0	1,690	53.9	2,821	22.4
RTACs[2/]			706	22.5	706	5.6
Total	9,434	100	3,136	100	12,570	100
Of which:						
Within INS Program					(9,434)	(75.1)
Outside INS Program					(3,136)	(24.9)
Memorandum item:						
Training delivered by, or in collaboration with, RTACs[3/]	217	2.3	1,425	45.4	1,642	13.1

1/ Includes 54 participant weeks of training provided to member–country officials through the Internal Economics Training program.
2/ Any course involving both an IMF department and an RTAC is classified under the department concerned, to avoid double counting.
3/ Includes all RTAC training—both training independently organized by an RTAC and training in which an IMF department is collaborating with an RTAC.

8. **The INS program also differs from those of other organizations engaged in training member country officials.** A recent internal audit of INS looked into the programs of a number of comparator training organizations and concluded that because the INS curriculum is heavily based on the IMF's methodology and policy experience, the risk of overlaps between the INS training program and those of comparators is limited. The INS program consists of courses that have been developed by Fund staff, and quality control is exercised by relying primarily on Fund staff, or consultants with previous Fund experience, to conduct most of the lecturing and workshops. This contrasts with much of the training organized for member country officials by other organizations. The World Bank Institute (WBI), for example, has relied heavily on consultants or partners to develop and deliver course material.[7]

9. **The INS program has sought to provide training for a wide range of member country officials.** Training is delivered in Arabic, English, French, Spanish, and occasionally Portuguese, with simultaneous interpretation, where appropriate, into Chinese, Russian, and other languages. Although three-quarters of course participants are from low-income and lower middle-income countries, there is substantial demand to address the policy issues faced by more advanced emerging-market countries with greater exposure to international financial markets. The INS program has also been providing a number of one- or two-day seminars each year for high-level officials including, in many cases, ministers and central bank governors. The goal is to generate a constructive two-way dialog between member-country officials and experts in the international financial institutions and academia on policy issues of global or regional importance.[8] However, the high cost of these seminars—in terms of both financial resources and the time of senior staff—is difficult to absorb in a period of budget stringency and staffing restraint. Accordingly, despite the usefulness of these seminars for enhancing awareness and deepening understanding of important policy issues and prescriptions for dealing with them, the number of high-level seminars provided under the INS training program has been reduced from an average of nine per year in 2004-05 to seven in 2006 and three in 2007. In its medium-term plan, INS envisages that it itself will organize two of these seminars a year, with participant costs covered by donor funding and contributions from the agencies sending participants, or by arranging the seminar in

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[7] Owing to different comparative advantages and training strategies, there is little overlap between the training programs of INS and WBI. However, the two organizations participate in jointly delivering a course on Applied Economic Policy at the Joint Vienna Institute (JVI), and a joint course on Economic Policies for Growth and Poverty Reduction in Africa, also involving the African Development Bank, is under development for delivery at the Joint Africa Institute (JAI). INS also draws on World Bank experts to make presentations in high-level seminars and give special lectures in some of its courses. In addition, the two organizations serve on the Boards of the JVI and JAI, the Directors of INS and WBI meet bilaterally on a regular basis, and the mechanisms in place for regular interactions have been effective in identifying various ways in which cooperation can be fruitful.

[8] High-level seminars in recent years have focused, for example, on (i) the domestic and international implications of China's exchange rate regime, (ii) the macroeconomic management of foreign aid, (iii) what we have learned from the financial crises of the past decade, and (iv) structured financial products and the implications of the crisis in asset-backed securities.

conjunction with the annual meetings. INS will provide administrative support to seminars organized by other departments on the same basis.

III. The Organization of IMF Training

10. **Under the current organization of IMF training, broad control is exercised over the size and administration of the INS program, while other IMF training is arranged in a decentralized manner by individual training departments.** Key objectives served by the centralized administration of the INS program include the efficient use of facilities and effective coordination with our partners at the RTCs.

11. **The efficient use of RTC facilities requires substantial lead time in planning the INS program (Box 1), but the IMF retains considerable flexibility in adapting the delivery of its training to evolving needs.** In particular, TA departments and the RTACs can organize training outside the INS program with much less advance scheduling. In deciding how to use this flexibility, TA departments take account of the courses they already plan to deliver within the INS program, including the regional allocation of that training, and seek to respond to needs that are not covered by the INS program, including training needs that have strong synergies with the specific technical assistance initiatives of particular countries or regions. INS also retains some degree of flexibility in its plans, as about 10 percent of its training is delivered at overseas locations outside the RTCs where commitments are not made as far in advance.[9]

12. **One drawback of the decentralized organization of IMF training is that data on training delivered or planned outside the INS program have not been maintained in a unified format or consolidated dataset.** The volume of training outside the INS program has risen with the expansion of the RTACs in recent years and represented about 25 percent of all IMF training of officials in 2007 (13 percentage points in collaboration with the RTACs) underlining the importance of compiling an integrated database. As recommended under the MTS, the interdepartmental Subcommittee on Training[10] has now agreed upon, and begun to implement, procedures for doing so.[11] In addition to providing a more complete picture of IMF training ex post, the procedures include the submission and regular updating of the ex ante training plans of individual departments, which will allow the Subcommittee, and ultimately the full Committee on Capacity Building, to reflect more coherently on

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[9] Even at the RTCs, there are elements of flexibility after the calendar-year program is established: there is some scope to add training events (especially short ones); already-planned courses can be adapted to take account of important changes in training needs; and the allocation of training places among countries served by the RTC can be modified.

[10] This group includes members from all five area departments, the six main training departments (INS, FAD, FIN, LEG, MCM, STA), OBP, and OTM. It functions as a subcommittee of the Committee on Capacity Building, which is chaired by Management.

[11] Detail is provided in the supplementary paper.

whether the aggregate plan is sensibly distributed across regions and whether it provides an appropriate mix of courses within each region.

Box 1. Planning of the INS Program

The process of putting together the annual INS course plan takes several months, as it requires inputs and feedback from many parties. The process starts with a set of proposals from each training department, which is submitted to area departments for review. The program is then modified to take account of reactions from area departments, the RTCs, and other organizations with which IMF training providers collaborate.

The calendar-year basis of the INS program has created some complications in the context of the Fund's budgetary practices, which have allocated resources one year at a time for a fiscal year that differs significantly from the calendar year. As a practical matter, the INS course plan is designed on a calendar-year basis because of the need to collaborate with training providers around the world which operate with different fiscal years. Organizing the INS program on a calendar–year basis requires training departments to tentatively commit budgetary resources for more than one fiscal year at a time. Organizing the INS program on an IMF fiscal–year basis would not resolve the need for training departments to make commitments in advance of the Fund's annual budget planning exercise, since many of the RTCs need to schedule the use of their facilities well in advance. Except in Singapore, the IMF is not the only user of their facilities.

These budgeting complications are being alleviated through two channels. First, the move to medium-term budgeting should facilitate the planning of training activities beyond the current fiscal year. Second, in 2007, INS adjusted the timeline for planning the calendar-year course curriculum to synchronize it with the process of designing the Fund's fiscal–year budget. Thus, the course plans for calendar year 2008 began to take shape during January–March 2007 (when the IMF's training departments were developing their business plans for fiscal year 2008), were subsequently adjusted in response to feedback from area departments, and were endorsed by the interdepartmental Committee on Capacity Building at a meeting chaired by Management in early May. The process also involved ongoing consultations with the RTCs—which in a few cases continued into June—to seek their endorsement of the planned courses and agree on the times at which courses would be offered. The plans were then posted on the IMF's website and subsequently published in the annual training catalog.[1]

[1] The 2007 edition was the first global catalog—i.e., the first to include courses at HQ and IMF courses at all of the RTCs. Previous editions focused only on the courses offered at HQ. Most of the RTCs provide courses by both the IMF and other organizations, and most also issue separate catalogs.

13. **INS has substantially altered the geographical organization of its training program over the past decade as part of a two-prong strategy to respond to the excess demand for training and leverage its limited financial and staff resources.** First, it has

expanded its network of RTCs and increased the volume of training delivered abroad. The RTCs have been established in cooperation with regional or national partners who provide substantial co-financing. A second element in the INS strategy has been to exploit the availability of new technologies to extend the reach of training through distance learning courses. These courses have been funded in part by donors and are especially useful for officials who desire intensive training but are unable to spend an extended period away from their jobs.[12]

14. **The RTCs provide an ideal setting for most of the relatively short courses that have been a major component of training expansion in recent years, allowing the training program to be tailored to the specific needs of different regions.** As shown in Figure 1, courses at the RTCs accounted for 53 percent of the total participant weeks of training under the INS program during calendar year 2007, up from 30 percent in 1998. Another 11 percent of INS training in 2007 was delivered at other overseas venues,[13] while 7 percent was delivered through distance learning. The remaining 29 percent was provided at HQ, where courses tend to be relatively long, and typically involve many IMF staff, making them impractical to deliver elsewhere.

15. **INS courses are aimed generally at meeting the needs of a broad range of countries rather than any individual country.** Although training at the RTC in Dalian is restricted to participants from China, and national courses are occasionally delivered for other large countries, most courses are delivered to regional or global groups of participants. This reflects both the limited resources available and a recognition that only a few member countries could provide a sufficient number of suitably qualified candidates to fill a course during any given course-delivery period. The international diversity of course participants facilitates policy comparisons, enriches group work, and creates lasting bonds and networks.

16. **The concentration of overseas courses in a small number of RTCs provides efficiency gains relative to a system in which course delivery sites were more widely dispersed geographically**. These efficiency gains reflect economies of scope in both the administration of courses and the investment in (or procurement of) appropriate computer, interpretation, and audio-video facilities. Similarly, efficiency gains are provided by

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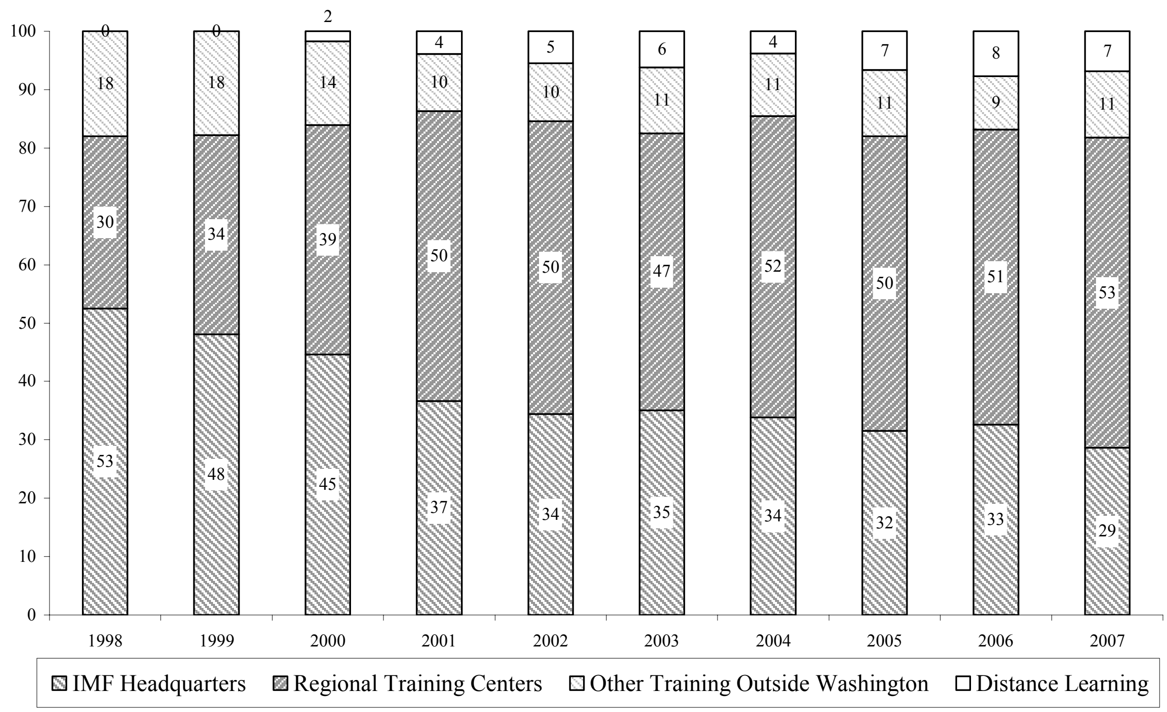
[12] Unlike many e-learning courses, which typically involve learning in isolation and do not provide strong incentives to complete the course, IMF distance learning courses entail considerable interaction with Fund staff counselors via e-mail and among participants through a bulletin board. Only participants who satisfactorily complete the distance phase of the course are invited to participate in the concluding residential segment of the course.

[13] In recent years INS has scheduled a number of overseas courses at the AFRITACs, CARTAC, METAC, and PFTAC, and it also offers courses in affiliation with other training organizations that can provide good facilities and administrative support. These include four regional training organizations in Africa (the Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI), the West African Institute for Financial and Economic Management (WAIFEM), the Central Bank of West African States (BCEAO), and the Bank of Central African States (BEAC)), as well as the Reserve Bank of South Africa, Stellenbosch University in South Africa, the Center for Excellence in Finance in Slovenia (CEF), and the South East Asian Central Banks Research and Training Center (SEACEN).

concentrating the administration of HQ courses in INS. However, for courses that other departments deliver outside the INS network of training facilities, it seems unlikely that efficiency would be gained by inserting INS into the process of organizing and administering the training. Indeed, much of the training outside the INS program enjoys similar efficiencies in the use of the RTAC network, and where practical INS also uses the RTAC network for overseas courses that it delivers outside the RTCs.

Figure 1. Distribution of IMF Institute Training, 1998-07
(in percent of participant weeks)



Note: The residential component of distance learning courses is classified under distance learning, irrespective of location.

17. **Along with the substantial benefits it provides, the network of RTCs presents INS with the difficult challenge of managing eight training campuses in six different time zones on five continents.** INS management devotes large amounts of time to oversight of the RTC operations and training facilities, to periodic renegotiations of the formal agreements that govern the operations and financing of the RTCs, and to dealing with an ongoing stream of administrative, staffing, and budgetary issues that have risen proportionately with the number of training centers.

IV. Curriculum, Regional Distribution, and Participant Selection

18. **The content of IMF training is molded by the views of both IMF departments and member countries.** Within the INS program, decisions about the menu of courses for each training location, and how frequently each course is offered, are based, inter alia, on: (i) the views of area departments (with specific focus on training that supports their work on surveillance and program design); (ii) perceptions collected from regional meetings with senior officials on the training needs of their regions; (iii) the level of excess demand for previous course offerings; (iv) the feedback that is systematically collected from participants at the end of every course; and (v) periodic surveys that independent outside evaluators conduct to assess the INS training program and the demand for future training. Similarly, decisions on the IMF training that takes place outside the INS umbrella reflect ongoing consultations between the training departments, RTACs, area departments, and member countries.

19. **While all training departments consult closely on curriculum with area departments, the nature of training differs to some extent across departments.** Courses delivered by INS emphasize the various macroeconomic and financial topics that bear on effective surveillance and policymaking and thus build capacity in the interlocutors for IMF missions. RTACs and TA departments are better placed to deliver country-specific training in support of TA, and TA departments also deliver courses aimed at providing support for surveillance and Fund programs within their areas of expertise.

20. **Curriculum development—both a deepening of coverage and a broadening of content—has been given a lot of attention by INS in recent years.** For INS, courses on financial programming and policies (FPP)—which have long been a staple of the INS curriculum—provide a basic understanding of how Fund missions approach the formulation of a consistent balance of payments adjustment program. But their value extends considerably beyond this context. These courses build a solid understanding of sectoral interrelationships (between the real, monetary, fiscal, and external accounting catchment systems), an appreciation of the identity constraints that ensure consistency, and an ability to assess the economy-wide implications of policy actions. While the basic structure of FPP courses has withstood the test of time, the challenges for macroeconomic policymaking have continued to evolve, as has accepted wisdom on the effective design of policy programs. An internal INS stocktaking exercise a few years ago concluded that the conventional FPP course was out of date for the many countries in which the principal shocks are now likely to come from (or be amplified by) portfolio shifts (or a repricing of risk) in global capital markets. Accordingly, INS initiated a major effort to revamp its FPP curriculum. A thoroughly overhauled version of the HQ FPP course, first delivered in August-September 2007, is beginning to provide a much more extensive treatment of balance sheet vulnerabilities and capital account crises. Another new variant of the course, which places the design of macroeconomic policy more specifically in the context of a formal or informal inflation targeting regime, was launched in November 2007. Meanwhile, the reach of FPP training continues to be enhanced through ongoing substantive and technological improvements to the distance learning course.

21. **While the FPP promotes an understanding of adjustment programs and provides a solid foundation for macroeconomic analysis and policymaking more generally, even the longer variants of this course have only limited time to devote to macroeconomic diagnostics.** In many countries, government officials face the challenge of processing large amounts of data to find meaningful analytical conclusions, often in the context of conflicting signals from different data series. In others countries, officials confront the equally daunting challenge of reaching conclusions with significant gaps in the available data. To address these needs, INS has developed a curriculum on macroeconomic diagnostics. A four-week course has been offered at HQ since late 2005, and a two-week version for overseas delivery was rolled out in August 2007.

22. **To complement the cross-sectoral content of courses on financial programming and macroeconomic diagnostics, INS also delivers—and has been expanding—a range of courses attuned to analysis and policy design in specific sectors.** The INS curriculum now contains courses on such topics as macroeconomic management and fiscal policy (which focuses inter alia on intertemporal issues and debt sustainability), financial markets and instruments, and monetary and exchange rate policy. Currently, INS is developing a new course on external vulnerabilities for delivery later this year, and a four-week course on Finance for Macroeconomists is being developed for delivery at HQ in 2009. In general, regional deliveries of INS courses are designed to cover a well-defined set of core topics, while also devoting particular attention to policy issues that are most relevant to countries in the region.

23. **Other IMF departments have also made major contributions to the expansion and strengthening of the curriculum, drawing on their specialized expertise and cross-country experience.** The Statistics Department has recently developed new courses on financial soundness indicators, external debt statistics, international trade-in-services statistics, and remittances statistics. The curriculum of the Fiscal Affairs Department now includes courses on program and performance budgeting, fiscal transparency, and natural resource taxation. The Monetary and Capital Markets Department has revamped its courses on payment systems and central bank accounting, and has added new courses on strategic aspects of sovereign asset management and operational approaches to sovereign liability management. The Legal Department gives a range of courses, tailored for different groups of legal system and financial sector officials, on anti-money laundering and combating the financing of terrorism, bank insolvency, financial sector regulation, and international financial institutions. And the Finance Department has introduced a course on safeguards assessments of central banks. Even where course titles remain unchanged, training departments are almost continuously upgrading the content of their courses to take account of changes in the environment, the lessons of experience, and the evolution of analytic tools.

24. **Despite considerable expansion of the menu of courses over the past decade, long-standing courses on financial programming and macroeconomic statistics remain important components of IMF training.** FPP courses are heavily oversubscribed; during 2007 they accounted for 34 percent of training within the INS program and 25 percent of

total IMF training (Table 1). The Statistics Department delivered 23 percent of total IMF training during 2007, mainly for compilers of various types of macroeconomic statistics.[14]

25. **The regional allocation of IMF training reflects the various considerations that have influenced training inside and outside the INS program**.[15] In allocating its own resources, INS has sought to respond to the urgency of demands from the area departments while remaining cognizant of issues of regional distribution. It has monitored the regional distribution in both absolute terms and relative to population size, while recognizing that neither indicator would provide an appropriate standard on its own. The medium-term strategic commitments inherent in the agreements related to the RTCs provide an important degree of year-to-year stability in the distribution of training. Nevertheless, there have been shifts in the regional distribution in response to changes in training needs and the environment. Moreover, the distribution of IMF training can be influenced significantly by training outside the INS program; this is highly responsive to evolving needs in the context of the strategy for TA delivery. INS, other training departments, and the RTACs make efforts to try to prevent language issues from adversely affecting the country distribution of training.[16]

26. **Selection procedures for the INS training program seek to ensure that the officials chosen are well positioned to use what they learn to the benefit of their countries.** To facilitate the application and nomination processes, INS makes descriptions of its courses accessible to prospective applicants and tries to direct requests for nominations to the most appropriate agencies.[17] [18] Area departments, in consultation with the Fund's resident representatives, are critical to this effort; they help solicit applications from, or nominations of, qualified candidates and play a lead role in rationing the large excess demand for courses by application. INS also works closely with the TA departments to ensure that participants in courses delivered by these departments in the INS program are well matched to the subject matter.

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[14] The supplementary paper provides details on the distribution of IMF training and a compete listing of the courses provided during 2007.

[15] The regional allocation of IMF training is discussed further in the supplement.

[16] For example, INS collaborates with the Bank of Portugal to provide special courses for the Lusophone countries of Africa. In addition, interpretation is used in a number of cases to reach participants who cannot understand the language of course delivery.

[17] The INS program includes courses for which countries are invited to nominate candidates and courses that are open to applicants from all eligible countries.

[18] Course descriptions are published in the IMF Institute's *Training Catalog* and are also posted on the INS website and the websites of the RTCs. INS makes efforts to identify appropriate contacts on training issues within member-country finance ministries, central banks, and other agencies. It sometimes asks Executive Directors' offices to assist in disseminating information to their constituencies on the most appropriate types of candidates to nominate or encourage to apply, and it has recently created an electronic registry of training contacts to enhance its ability to communicate quickly with member-country agencies about prospective course participants and other issues.

V. Evaluation

27. **Various feedback mechanisms are used to evaluate the relevance of the training curriculum, the effectiveness of course delivery, and whether the training program is reaching the right people.** In addition to periodic feedback received from area departments and country officials, reactions and suggestions are collected from participants in every INS course—through both a formal questionnaire and further probing during the closing session of the course. This participant input focuses on the appropriateness of the topics covered, whether the content of lectures met expectations, whether the lecturers were effective, whether the workshops and readings contributed to understanding, and how the various aspects of the course could be improved. Along with looking for specific suggestions for improvement, INS generates a summary measure of the value of the course by asking participants to rate the extent to which the knowledge/skills acquired will be used in their jobs, how strongly they would recommend the course to others, and their overall satisfaction with the course.

28. **In addition to collecting feedback from course participants, INS periodically commissions independent outside organizations to conduct surveys of the member-country agencies that send their officials to INS program courses.** The most recent survey of sponsors, conducted during January–March 2006, solicited evaluations and other feedback from 516 central banks, ministries of finance, statistical agencies, and other ministries and agencies in 179 member countries that had sent participants to the INS training program during 2003–05.

29. **Feedback from the surveys of sponsors has been highly positive.** The response rate in the 2006 survey was 58 percent, which is unusually high for an undertaking of this type. Among the findings:

- Virtually all respondents (97 percent) agreed that they were satisfied with their IMF training experience, and 72 percent indicated strong agreement.
- There was general agreement that INS training (i) helped participants do their jobs better (95 percent); (ii) enhanced their understanding of the IMF and its work (94 percent); and (iii) improved their ability to formulate and implement policy (91 percent).
- Seventy percent of respondents said that officials had been given added responsibilities or promotions as a result of their INS training.
- Over two-thirds of respondents indicated that their demand for INS training would increase over the next five years.[19]

[19] The greatest increase in demand was for specialized courses on topics such as finance, inflation targeting, macroeconomic diagnostics, and macroeconomic forecasting. The level of interest in these courses was

(continued…)

30. **Similar positive feedback was provided by the recent internal audit of INS.** The internal auditors found that the INS training program was well focused on areas of Fund interest and comparative advantage and an important service to the membership—a service that contributes to enhancing member countries' policy–making capacity, fosters the Fund's policy dialog with its members, and creates goodwill for the Fund. At the same time, the auditors suggested that the evaluation of INS training might be enhanced by requiring training participants to take exams and by conducting studies to assess the capacity–building impact of training. Neither of these approaches, however, is extensively employed by comparator training organizations, and given the other feedback mechanisms in place, INS has not felt a need to pursue them for purposes of evaluating its training.[20] A separate rationale for exams is to provide an incentive for participants to work hard at absorbing course material. This, however, raises a major consideration related to the atmospherics of courses. Intensive group engagement in workshops is essential to the bond-building, network-encouraging, and learning-from-one-another aspect of courses that are highly praised by participants from both advanced and developing countries, and there are concerns that a refocusing on individual examinations would weaken these attributes of INS training. INS feels that its selection procedures have generally resulted in highly motivated participants, but it is encouraging its training teams to experiment with quizzes in a low-key manner.

31. **Positive assessments of the quality and cost effectiveness of the INS program are also implicit in the support it receives from its many donors.** Donor oversight is particularly apparent at the RTCs. Our local partners at these centers are either directly involved in the administration of the program or provide oversight through the RTC's Board or Executive Committee. They are, therefore, well placed to form views on the quality of the program and its cost, and they have clearly been satisfied. All of the RTC agreements, except for the newest one for India, have been through at least one renewal. Indeed, in a number of cases, the local partner has been willing as part of the renewal to invest a substantial amount of money in upgrading their training and accommodation facilities. Donors other than local partners at the RTCs require regular evaluations focused on value for money; these are carefully analyzed and often prompt follow-up questions prior to renewed financial commitments.

32. **The evaluation process is facilitated by the information that INS disseminates to various stakeholders.** Detailed information on courses and participants is made available to Fund staff through the Technical Assistance Information Management System (TAIMS).

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considerably higher than shown by the previous survey three years earlier. Demand remained strong, however, for long-standing courses on financial programming and policies and macroeconomic statistics.

[20] The use of exams would not provide a good indication of what participants had learned unless their knowledge was carefully assessed at both the beginning and end of each course, which would be time consuming. And beyond the types of surveys that outside evaluators regularly conduct for INS, there is no proven methodology for analyzing the impact of training, none of the comparator organizations is currently conducting impact analysis, and the costs would be high.

Comprehensive programs with course descriptions are disseminated in print and via the internet to communicate the availability and content of training events. Course evaluation scores are shared with partners at the RTCs and with other donors. Most financial reports to donors include information on actual costs as opposed to standard costs. Also, a comprehensive *Report on Training*, which was published biennially in the past, is now circulated annually in streamlined form.

VI. Costs and Value for Money: Is the Volume of Training Appropriate?

33. **Since IMF training has generally been provided free of charge rather than at prices that reflect its marginal cost, it is not surprising that there is considerable excess demand.** This excess demand is evident in the number of applicants who cannot be accommodated and in the many requests for courses that IMF training departments have to turn down.[21] It is also evident in the recent external survey of the INS training program, which found that most sponsors of course participants expect their need for Fund training to increase further over the next five years, in many cases to a large extent.

34. **In the absence of a market mechanism—and the question of charging is taken up in the next section—it is important to look for other information that might convey a sense of whether the IMF has gone too far or not far enough in responding to the demand for training.** Because the benefits of training are difficult to quantify, an assessment of whether the marginal benefits exceed the marginal cost is a matter of judgment. But the cost of IMF training can be quantified and compared with the cost of other types of training, and the signals provided by donors can also be considered.

35. **The major components of training costs are associated with personnel and travel.** Travel costs include both those associated with course participants, and in the case of overseas courses, those of the teaching staff. At HQ and the RTCs, the Fund together with the relevant cosponsors currently cover all of the travel costs of participants. For overseas regional courses outside of the RTCs, practice varies. Typically, the Fund itself does not cover the participant costs. In many cases, the Fund allocates donor money to cover these costs; in some cases, where the Fund is delivering a course on behalf of another training organization, travel costs are the responsibility of the participants' employers (although this may also be funded by donors). OBP estimates the gross IMF budget for external training in FY 2009 at US$68 million, including allocated support and governance spending, representing about 7 percent of the overall budget.[22]

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[21] Sponsors are asked to limit and prioritize applications. Nevertheless, the number of applicants is typically three times the number of available spaces.

[22] This includes spending financed by donor funds flowing through the IMF accounts, but does not include spending financed by partners at the RTCs.

36. **In managing the training program, it is important to distinguish between costs that are sensitive to the location of training and costs that are not.** Location-sensitive costs correspond mainly to the transportation and accommodation of course participants and training staff. Location-invariant costs—here referred to as *basic delivery costs*—include the time of staff devoted to teaching, curriculum development, and administration of the training program. Although attempts to allocate costs appropriately are fraught with difficulties, a preliminary attempt to do so—based on TRS reports and other information—suggests that basic delivery costs for INS-delivered training in FY 2009 will average around US$2,400 per participant week of training provided.[23]

37. **The gross course-related travel costs of training (i.e., outlays before any cost sharing) can vary substantially by course location and course length.** Gross participant costs are lower at the RTCs than at HQ, but this cost advantage is outweighed by the cost of staff travel to overseas training locations (Table 2).

Table 2. Participant Costs and Staff Travel Costs[1/]
(U.S. dollars per participant week)

	Long HQ Courses[2/]		Two-Week Course		One-Week Course	
	Gross cost	Net cost to IMF	Gross cost	Net cost To IMF	Gross cost	Net cost to IMF
HQ	1,300	1,300	1,920	1,920	2,920	2,920
RTCs (participant costs only)[3/ 4/]	n.a.	n.a./	1,490	490	2,110	740
RTCs [3/]	n.a.	n.a./	2,060	1,020	3,110	1,660

1/ Projections for FY 2009, including costs of staff accommodations for overseas courses and imputed accommodation costs for participants where hotels are not used (including at HQ).
2/ Average of 4-6 week courses in FY 2009, mean length 5.4 weeks.
3/ Weighted average for RTCs, with weights based on participant weeks of training. The net cost is based on general cost–sharing provisions for each RTC and does not take account of additional donor funding that is available for some individual courses.
4/ Excluding staff travel.

38. **The net costs to the Fund of one-week and two-week courses are considerably lower at the RTCs than at HQ, even after accounting for the cost of staff travel.** As noted earlier, overseas training benefits from large financial and in-kind contributions by

[23] As personnel costs associated with the preparation and delivery of training by other departments are not part of the INS budget, the calculation is limited to training delivered by INS staff. INS expenses related to administering courses delivered by other departments have been excluded from the calculation for this purpose. Apart from this and INS time devoted to IET and other Fund outputs, all INS personnel costs are included in the calculation. The calculation does not include the cost of any support personnel at overseas locations who are not IMF employees.

partners at the RTCs, by donors, and by local hosts of overseas training events outside the regional training programs. Overall, training partners, donors, and local hosts cover about two-thirds of the participant costs for training outside Washington. The fact that, at some of the RTCs, the Fund incurs managerial overhead needs of course to be factored into a full–cost accounting, but even at those locations this does not offset the amounts that the Fund saves on the travel costs (staff and participant) of training at these locations. Moreover, the Fund's partners at the RTCs cover the costs of facilities and most local support staff—costs that the Fund would have incurred if it had chosen to expand training in Washington instead of developing a network of RTCs. Donors also make significant contributions to the cost of experts used to help deliver overseas courses. Reflecting the relatively high cost of one-week courses, INS has combined or eliminated most such courses.[24] There are still a significant number of training events of one week or less delivered by the TA departments at the RTCs as often the specialized topics that they cover fit more easily within the one-week time frame. It may be noted that the longer courses delivered at HQ cover a more extensive range of material and can benefit greatly from distributing the lectures relatively widely among INS and other Fund staff to exploit the expertise available. It would not be cost-effective to offer overseas courses that involved travel for relatively large numbers of lecturers, while relatively long and understaffed training missions would compromise quality and pose other difficulties.

39. **The cost of IMF training appears to compare reasonably with the cost of university courses.** A typical two-week course delivered by INS provides approximately 60 hours of lectures and workshops—more classroom time than many semester-long university courses—as well as a substantial amount of unsupervised group working time, reading, and class preparation. Against this background, the basic delivery cost of a two-week course (about US$4,800 per participant) does not seem out of line with tuition fees at first-rank universities.[25] This suggests that with regard to efficiency in producing training, the IMF compares reasonably with universities that offer top-quality courses, particularly given that these universities typically have important additional financing from their endowments and from other donations.

40. **The value for money of IMF training appears to compare favorably with university courses.** The lectures and workshop exercises of INS courses are heavily oriented toward the real world policy issues that member countries confront, bringing both theory and case-study experiences to bear on the issues. Compared with many academics, who often treat policy issues in the abstract, IMF training staff are generally better able to deliver down-to-earth policy perspectives that draw on the wealth of experience and internal policy

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[24] Because of the fixed costs associated with staff and participant travel, one-week courses are quite expensive in participant-week terms. This consideration needs to be weighed against the fact that, with given capacity constraints on course size, two one-week courses provide training to more participants than one two-week course.

[25] Undergraduate tuition at many private universities in the United States exceeds US$35,000 per academic year. Tuition at professional schools (such as law and business schools) is often above US$40,000.

discussions that the Fund provides. Furthermore, along with staying focused on issues that are highly relevant to member countries, INS courses divide participants into small workshop groups and give them more personalized attention than many university courses provide. In addition, strong efforts are made to ensure that IMF training is well channeled. The selection of participants pays careful attention to the backgrounds and job responsibilities of the candidates and to the priorities assigned to them by the Fund's area departments and resident representatives. These considerations suggest that the benefits of IMF training are more quickly realized than the benefits of university courses. Consistently, the feedback received from independent surveys indicates that INS training has helped participants do their jobs better, improved their ability to formulate and implement policy, and generally enabled them to take on greater responsibilities.

41. **The externalities associated with IMF training are another important factor to consider.** Sound macroeconomic policies in any country confer benefits on the world community at large that are unlikely to be taken into account in the demand for training from individual countries. Indeed, it is evident from the views expressed by area departments that having interlocutors who have participated in INS training greatly facilitates the work of their missions.[26] The significant ancillary public relations benefits of training are also worth noting. Training is perhaps the least controversial part of the Fund's work and is universally welcomed across the membership, leaving a lasting favorable impression with participants. As officials trained by the Fund advance in their careers, Fund missions and management find favorably disposed interlocutors in high governmental positions across the membership.

42. **The willingness of donors to underwrite a large part of the variable costs of training suggests that the INS program provides good value for money and that the scale may not be excessive.** In some cases, individual donors (or donors in combination) cover a very large part of the marginal costs of training, though in no case do they cover Fund staff salaries.[27]

43. **Against this background, the IMF Institute has over the past four years taken a multi-faceted approach to increasing the value for money of its training program.** It has substantially reduced the real cost of INS training by boosting productivity and restraining participant costs. It has increased the value of training through the curriculum development described earlier and further strengthening of participant selection procedures. And it has

[26] While this consideration applies to official at all levels, it is interesting to note that there is a heavy presence of INS course participants in senior policy ranks in member countries. The 2007 Bank/Fund Annual Meetings were attended by 378 delegates who had taken INS courses, including 47 Central Bank Governors, 22 Ministers, 20 Deputy Central Bank Governors, and 8 Deputy Ministers.

[27] There is, of course, no reason to expect donors to incorporate all aspects of the value of a course in their calculus. Moreover, some donors may consider a contribution from the Fund as an important incentive for cost management, or perhaps as a means of sharing the burden of training provision with the international community.

sought to secure additional donor support and respond to the push for accountability by increasing the transparency of its operations.

- Overall INS output has risen by more than 20 percent from FY 2004 to FY 2008, while the INS net administrative budget has risen by less than 15 percent in nominal terms.[28]

- With overall INS employment, including contractuals, essentially unchanged over this period, the output increase has reflected an impressive rise in productivity. Reduced time for research, cuts in administrative services for participants, and the gains from introduction of new technologies have contributed to this.

- The length of the flagship FPP course at HQ was reduced from 8 to 7 weeks in 2006 and is being reduced further to 6 weeks in 2008. This has been accomplished by pruning less important elements of the course and through some efficiencies in delivery, without sacrificing any of the key objectives of the course. It has also provided scope for the introduction of new courses. INS has achieved other efficiencies by combining or eliminating one-week courses.

- The expansion of training over the past four years has been outside Washington, with the aid of additional donor support. Donor contributions to participant costs and consultant costs have risen by about 60 percent over this period.

- Participant airfare allowances have been reduced in nominal terms and living allowances have been frozen in nominal terms.[29]

- The efforts to strengthen the curriculum have received endorsement from the training preferences communicated through the survey of member country agencies as well as through the newly initiated meetings of outside experts on regional training needs.

- Efforts to enhance the participant nomination and selection processes have taken a number of forms. INS staff and RTC partners have approached member countries when course candidates did not meet the desired standard; the new regional meetings with country officials are being used to highlight the candidate attributes that are important for different types of courses; and INS has strengthened its internal

[28] Overall INS output is a weighted average of INS-delivered training for officials (80 percent), INS administrative services and participant costs for training delivered by other departments (14 percent), and internal economics training (6 percent). In terms of participant weeks, INS training of officials has risen by 22 percent over the past four years, while training by other departments within the INS program has risen by 6 percent.

[29] In most cases, allowances for participant living expenses are denominated in U.S. dollars, and the depreciation of the U.S. dollar has thus been an additional source of real cuts in these allowances. Where participants are provided a travel allowance, as opposed to a pre-paid ticket, INS is carrying out regular comparisons of actual ticket prices and these allowances.

procedures for recording participant performance at courses, which is important information when participants in past courses apply or are nominated for subsequent courses.

- INS has for some time disseminated output information on its own training program and, as discussed in the supplement, steps are underway to broaden the database to include training outside the INS program.

- In addition, INS has been making progress in providing more detailed estimates of the costs of its activities, with some elements of this work included in the business plan for FY 2008.

VII. Charging and Donor Financing

44. **The refocusing of the Fund's work in the context of a sharply reduced overall budget envelope translates into two broad imperatives for INS:**

- Training needs to be limited to that which reflects the Fund's unique capacities, supports the Fund's mission, and is seen as critical by member countries.

- Training delivery needs to be parsimonious in its reliance on the IMF budget to ensure that the volume of training is protected to the extent possible.

45. **The close attention in recent years to curriculum development and to training evaluation has ensured that the INS program is already well aligned with the Fund's medium-term strategy and that processes are in place to maintain that alignment.** INS will continue to employ the various mechanisms outlined in Sections IV and V to ensure that its program is well adapted to the evolving needs of the membership and the mission of the Fund.

46. **The budgetary outlook is, however, particularly challenging, with a reduction in the INS real net administrative budget of 21 percent between FY 2008 and FY 2011.**[30] This comes on top of the substantial budgetary savings already realized over the past four years in terms of staff productivity gains, other cost savings, and increases in external funding. Moreover, as INS has recently been through an OIA zero-budget audit, the relatively easy options have been exhausted.

47. **Given its size, the budgetary challenge will need to be met on three broad fronts:** (1) a reduction in the volume of training; (2) staff productivity gains and other efficiency savings; and (3) increased reliance on external financing, in the form of participant co-payments toward the cost of training and greater donor funding.

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[30] This is measured in terms of the deflators for the individual components of spending.

48. **Overall, INS plans to cut the volume of training that it delivers by about 6 percent from the FY 2008 level, with a 5 percent reduction in training for officials and a 10 percent reduction in internal economics training (IET).** The larger reduction in IET needs to be seen in the context of the decline in the population of Fund economists. The reduced volume of activity will yield real savings equivalent to 7 percent of the FY 2008 net INS budget.[31] The projected reduction in training of officials does not take account of cuts in training delivered by other departments in the INS program or training that they deliver outside the INS program. Preliminary indications are that training by other departments will fall by an amount that is larger than that of INS-delivered training.

49. **Productivity gains of almost 7 percent will yield savings equivalent to 4½ percent of the net INS budget.** Real spending on INS staff is projected to decline by 12½ percent (with a 12 percent cut in positions) during FY 2009-2011; overall INS personnel spending, including on contractuals, will fall by a similar amount. The productivity gains will be realized through shifting more training overseas (see below), which releases support staff resources at HQ, organizational efficiencies (such as increasing division size), and closure of the IMF staff position at the Joint Africa Institute.[32]

50. **There will also be important non-staff cost savings of more than 2½ percent of the FY 2008 net INS budget, much of which reflects a further shift in the balance of training delivery toward the RTCs.** Most short courses (those of 3-weeks duration or less) will henceforth be held outside of Washington, a proposal endorsed by the Working Group on Capacity Building, reflecting the relative cost considerations discussed in Section VI. Moreover, as a general rule, INS will require that participant costs for high–level seminars be fully financed externally, or that the seminar is held in conjunction with the Annual Meetings. Other savings come from a continued tight rein on participant expenses, following the practice of recent years; part of this saving has been realized already in the implementation of the FY 2008 budget.

51. **Moving shorter courses outside of Washington has disadvantages in terms of the global reach of the INS curriculum.** Many of the shorter courses delivered at HQ have been offered only at a limited number of RTCs—in part, because of resource constraints, but also because in some regions a particular course may be relevant only for a relatively small subset of the countries in the region. INS is trying to alleviate curriculum-reach issues associated with the shift of short HQ courses overseas by negotiating at certain RTCs to allow participants from outside of the region to attend specific courses that are not delivered in the participant's own region. Short courses that are externally financed may be delivered

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[31] The contribution in percentage points to net budget reduction is greater than the decline in training, as reduced training lowers gross costs, while the amount of external financing is assumed to be unaffected for the purpose of this calculation.

[32] To the extent that training partners overseas need to hire additional staffing, these are not productivity gains in the broader sense of the word. This consideration applies particularly to the position at the JAI, where the Fund staff person will be replaced by an African Development Bank employee.

in Washington under this new policy and, until alternative arrangements can be made at the RTCs, the residential segments of Fund-financed distance-learning courses will continue to be delivered in Washington.

52. **The medium-term plan envisages an increase in real external financing equivalent to almost 7 percent of the INS FY 2008 net budget.** About 3½ percentage points is expected to come from charging for training, in the form of co-payments for participant costs, and the balance from boosting donor financing. As a result, the IMF contribution to participant costs in FY 2011 is planned to be almost 60 percent lower in real terms than in the FY 2008 budget.[33] If the planned external financing does not materialize, training volumes would need to be cut considerably to stay within the overall budget envelope.

Charging for training [*]

53. **A number of questions arise in designing a system of training co-payments.** Which training courses would be subject to co-payments? What costs should be considered in setting the co-payments? How would co-payments be varied according to a country's per-capita income?

54. **It is proposed that co-payments be instituted for training only at HQ**. Overseas training activities are heavily subsidized by various partners and donor governments. Introducing charges at the Regional Training Centers (RTCs) would require the renegotiation of the various Memoranda of Understanding establishing the centers; this would be time consuming for Management and staff. Moreover, as the Fund pays only one-third of participant costs for training outside of Washington, charging for training overseas could result in a significant decline in co-financing, thereby limiting the financial benefits. With the exception of some distance learning courses, training at HQ has been fully Fund-financed.

55. **It is envisaged that the Fund's cost recovery will be related to participant costs—mainly for travel, per diems and accommodation—the latter including an imputation for Concordia**.[34] This would be implemented through a standard weekly participant fee that would be calibrated to cover the average cost per participant. This would be preferable to basing the charges on actual travel and living costs, as such a policy would lead to substantial and undesirable cost differentials depending on geography (e.g., Mexico compared with Indonesia). While the plan here is somewhat different from that for TA,

[33] The projection for FY 2011 in the medium-term budget envisages IMF spending on participant costs of about US$2.8 million.

[34] The imputation for Concordia rooms used by training participants would be based on a policy of recovering Concordia's operating costs and depreciation expenses, net of revenues from sales to other users.

[*] This issue is still under discussion in the Fund.

where no standardization of travel costs is envisaged, travel is a much higher share of participant costs than it is of a typical long-term TA assignment.[35]

56. **As with TA, charges would be differentiated by the per capita income level of the participant's country of origin.** The charging scale would be the same as for TA outside program countries, with high-income countries paying 100 percent of the standard fee. Based, on expected costs in FY 2009, the scale of charges would be as follows:[36]

	Low-Income	Lower Middle-Income	Upper Middle-Income	High-Income
Charge per participant week, in US$	260	520	780	1,300
In percent of total participant cost	20	40	60	100

The revenue yield from the above scale of fees would be about US$1¼ million, based on the HQ course program for FY 2009, and assuming an unchanged composition of participants by country income group.

57. **Basing the charge on participant costs rather than a more comprehensive measure of the cost of course delivery reflects a variety of considerations.** A more comprehensive base for charging:

- would considerably increase the relative price differential between courses at HQ and the RTCs. It would be of concern if this led to a substantial reduction in the demand for HQ training, as the longer courses at HQ provide distinct and important benefits—in terms of both substance and exposure to the Fund.

- would risk reducing the involvement of upper middle-income countries as well as high–income countries in HQ training courses. Any sizeable reduction in the share of participants from these countries would have a generally detrimental influence, as mixing participants from countries at different income levels has been a particular

[35] The administration of fees could be handled through a simple modification of the existing system of financial transactions with participants. In cases of default, participants from the defaulting agency would not be invited to subsequent courses until the default had been cleared.

[36] This is based on the average weekly cost for longer courses at HQ in FY 2009, as all Fund–financed courses under the new course-length policy for HQ will be 4-6 weeks long, except for the residential segments of two Fund-financed DL courses.

strength of INS courses and highly appreciated by participants from countries at different income levels.

- could affect the distribution of training among central banks and other agencies within countries, owing to differences in their respective budget constraints.

- would deviate from the practice of other training institutions, which typically do not charge tuition but often expect participants to cover their expenses, with varying degrees of subsidization (see Box 2). At the World Bank, participant costs for low-income countries are typically fully subsidized with no co-payment. INS favors having some co-payment for all countries.

Moreover, the proposed charges are substantial enough to get the attention of budget managers in the participants' organizations and thus help fulfill the goal that training has meaningful country buy-in. For example, for a standard six-week course the charges would range from US$1,560 for a low-income country to US$7,800 for a high-income country. INS plans to seek donor funding to underwrite the subsidy of participant expenses for all but high-income countries.

Box 2. Charging Practices of Other Training Organizations

Other international or regional organizations that train member country officials typically do not charge tuition fees and have varying practices with respect to coverage of participant travel and lodging expenses, often entailing some degree of subsidization. For low-income countries, the World Bank Institute (WBI) essentially subsidizes all participant costs, using donor funds and IDA loans. The WBI does not have a policy of charging everyone at least some minimal amount to ensure that training is "demand driven." Middle–income countries are also subsidized to some extent using donor funds or Bank loans to cover participant costs. There are a few courses (a small percentage of the total) for which the WBI charges tuition fees and uses the fees from higher–income countries to subsidize the costs of participants from lower–income countries. The United Nations Institute for Training and Research (UNITAR) also typically covers participant costs through donor funding. The Inter-American Development Bank (IDB) covers most participant costs, such as for travel and accommodation, in part financed by donor funds. Allowances for daily expenses are covered by participants' own agencies. Regional training organizations in Africa with which INS cooperates cover participant costs or a significant part thereof through donor funding. A number of central bank training organizations, however—such as the Federal Reserve Board, the Bank of England, and the Center for Latin American Monetary Studies (CEMLA)—typically expect participants to bear their transportation and lodging costs, but do not charge for tuition.

58. **If the Fund decides to introduce this co-payment scheme, the experience will be reviewed after it has been in operation for a year.** This review will examine whether and how the introduction of co-payments has influenced the level and country composition of demand for training. The degree of success in efforts to boost donor financing of HQ training will also be an important factor in assessing whether there is a case for increasing co-payments.

Boosting donor financing

59. **The focus of INS at present is on boosting the external financing of existing training, as this is required to support the planned medium-term budget.** Significant increases in training beyond what is specified in the medium-term plan would require an increase in staff, as there are limits to the extent to which the balance of staff and experts in training delivery can be shifted toward the latter.

60. **There are three key elements in the INS fund-raising strategy:**

- **Increase the availability of donor funding for training in regions where it is relatively weak.** The share of participant costs covered by donors and training partners is considerably higher for the RTCs in Asia and Europe than for the other RTCs; there is a strong need for more generous co-financing in Africa, the Middle East and Latin America.

- **Attract donor funding for HQ training.** The key immediate focus is to encourage donors with specific regional interests to support participants from these regions at HQ courses.

- **Broaden the range of costs covered by donors.** Traditionally donor funding has been focused on participant costs and to a lesser extent consultant costs. The immediate strategy is to broaden donor support to include staff travel costs, as has been done in some recent agreements, and, as Fund policy permits, the cost of staff time also.[37]

61. **INS will work closely with OTM to ensure that the donor strategy for training is well aligned with the Fund's corporate fundraising strategy.** This will entail:

- Coordinating approaches to donors for regional funding.

[37] The latter step would require strengthening of cost-allocation procedures to allow accurate billing of donors.

- Taking advantage of potential donor interest in the proposed topical funds to attract financing for training.[38]

- Using RTACs to deliver training where they offer cost-effective alternatives to the RTCs—a consideration that is particularly relevant in light of proposals to expand the RTAC network.

62. **Increased use of RTACs for training would offer a number of efficiency benefits in terms of sharing facilities and administration and attracting donors, but will depend on addressing some limitations of the RTACs as a location for training.**

- The geographical coverage of individual RTACs is typically smaller than is ideal for a training program offering a diverse curriculum. The more basic courses can be efficiently offered to smaller country groups, but efficient delivery of more specialized courses requires broader geographical coverage.

- The location of an RTAC, driven by considerations other than training administration, may not be the most desirable in terms of flight connections within and beyond the region, or in terms of the available training facilities.

This suggests that effective use of the RTAC network for training requires scope for collaboration among RTACs themselves and between RTACs and other training organizations to deliver courses that would include participants from outside the catchment area of a particular RTAC. It also suggests that, for logistical reasons, the location for RTAC-based regional training may need to be different than the location of the RTAC administration.

VIII. Issues for Discussion

63. **In providing guidance on the INS training program and IMF training more generally, Executive Directors may wish to address the following questions:**

- **Are the objectives of IMF training properly aligned with those of the forward-looking strategy for the institution as a whole**?

- **Are recent curriculum development initiatives consistent with the Fund's medium-term priorities?**

- **Are adequate oversight, feedback, and administrative mechanisms in place to ensure that member countries receive good value from IMF training?**

[38] For example, a donor fund for fragile states might be used to finance participants from these states at training courses at the RTCs and at HQ.

- **How can we assess the "right" volume of regional training in the absence of market signals?**

  - Is feedback from relevant government agencies a good guide?

  - Does donor funding provide a signal of the perceived marginal value of training?

- **In adapting the training strategy to the tighter budgetary environment, is the right balance being struck between the different elements: changes in volume, changes in course location, introduction of country co-payments, and increases in donor financing?**

  - Do Directors agree that it is preferable to base charges on a standard weekly fee rather than actual travel costs, which are influenced by geography?

  - Is there a danger that co-payments will shift the demand for training away from the longer flagship courses at HQ with negative effects on both the substance of the curriculum and the exposure of course participants to the Fund?

  - Is there a concern that co-payments will shift the balance of course participants away from government ministries and agencies and more toward central banks?

  - Could differentiated co-payments reduce country diversity with detrimental effects for the training program?

  - Given the relatively high cost of high-level seminars, is it reasonable to require that participant costs for these seminars be covered by donors or the agencies sending participants to the seminar?

  - Is the planned increase in donor financing desirable?