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April 22, 2021

**Statement by Mr. Trabinski and Ms. Wehrle on FY2022-FY2024 Medium-Term Budget
(Preliminary)
Executive Board Meeting
April 27, 2021**

We support the proposed FY22 administrative budget. The extensive reprioritization and savings underlying the budget allow to sustain the crisis response and provide additional resources for longer-term issues, while keeping the overall envelope flat in real terms. We welcome the regional focus on MCD in CD spending priorities, with the opening of the new CCAMTAC. Furthermore, we support a temporary increase in the carry forward limit from 5 percent to 8 percent and the proposed allocation of the carry forward in FY22. Allowing to fully capture the expected underspend in FY21 will provide flexibility, while avoiding a potentially inefficient spending increase towards the end of the financial year.

We stress that a strong case needs to be made for any possible budget increase. We take note that staff intends to request a formal Board endorsement on the scale, phasing, and uses of a structural budget augmentation in the fall. We emphasize the following:

- **At this point, we are not in a position to lend any indication of support to a possible budget increase.** Before discussing a potential structural increase, the Board needs more time to discuss and decide on the scope and focus of the Fund's activities, including possible new initiatives. We underline the importance of the Board's formal consideration of the CSR and FSAP Review, given their strategic importance and implications for the budget. These discussions should ideally already include cost estimates to allow the Board to weigh possible trade-offs between activities and better define priorities.
- **We caution against the need for a substantial structural budget increase.** We are of the view that a swift and substantial expansion could create inefficiencies and also note the uncertainty around precise future needs. We reiterate that the flat real budget

has served the Fund well, as it requires constant reallocation of resources in line with priorities and needs, and continued search for efficiencies and savings, including from new ways of working.

- **On emerging issues, it is crucial that the IMF continues to focus on aspects within its mandate and fields of expertise.** We support the Fund’s work in new areas, including climate change and digitalization. At the same time, it is essential that the Fund stick to areas where it enjoys a comparative advantage, such as climate-related fiscal policies. It should also avoid duplicating the work underway in other institutions and bodies. Furthermore, while we agree on the vital relevance of “strengthening health systems” (Para. 20), we question whether the Fund is the institution that would provide the greatest value-added and expertise on this issue. A division of labor between the key international institutions and fora along their respective mandates and strengths, combined with close collaboration and coordination, is essential for efficiency and effectiveness.
- **A continued build-up of precautionary balances remains crucial, and any budget increases would slow the build-up.** Financial risks to the Fund have increased significantly, notably due to higher credit outstanding and the nature of emergency lending. The Fund’s income and the pace and scale of reserve accumulation remain uncertain, including due to uncertainty on program requests, disbursements, and drawings. We also highlight the risks from the Fund’s defined benefit pension system and note that the expected continued growth of assets in the Staff Retirement Plan cannot be assured. We continue to see merit in raising the minimum floor for precautionary balances.
- **Every single budget increase must be based on an individual decision by the Board.** While we could see merit in the idea of a tiered approach, we have strong reservations against having a single Board decision on the total scale of a tiered structural budget increase in the fall of 2021 or at any other single point in time. Under a possible tiered approach, the Board should take an informed separate decision at every step, without prejudging future decisions. Such an approach would allow the Board to remain more flexible, especially given the current uncertain environment.

We support the proposed capital budget for FY22. We welcome progress on capital-intensive modernization projects as well as in implementing the Capital Investment Framework (CIF). Given the importance and resource implications of major investment projects, enhancing strategy, governance, budgeting and operational practices is important, as are risk and change management. The recent downward revision in savings and upward revisions in costs of the IHR program underline the importance of a strong framework for complex projects.

We support the proposed change in the budgetary treatment of cloud subscription costs.
We agree with the OIA that the rigor and governance of the CIF should be followed in managing cloud costs.