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**Joint Statement by Mr. Andrianarivelo, Mr. Bevilaqua, Mr. Hosseini, Ms. Mannathoko,  
Mr. Mohieldin, Mr. Moreno, and Mr. Herrera on FY2022-FY2024 Medium-Term  
Budget  
(Preliminary)  
Executive Board Meeting  
April 27, 2021**

We thank staff for the detailed report and their helpful outreach to our offices.

**We welcome the opportunity to discuss the FY 2022-FY2024 Medium-Term Budget in the context of extraordinary repercussions of the COVID-19 pandemic on Fund operations and, more importantly, on its diverse membership.** The crisis is not over yet, and it has become increasingly clear that the recovery will be uneven. Furthermore, the pandemic effects remain, and risks are rising amid an exceptionally uncertain global outlook. The membership has called on the IMF to lead the way in addressing the economic and financial effects of the COVID-19 shock, and to focus on the macro-critical issues aimed at meeting their evolving needs. While the Fund has risen to the challenge, to effectively execute its mandate and meet the demands of the membership, the Fund needs to be adequately resourced.

**We are concerned that the institution's administrative budget has been unchanged in real terms for the tenth consecutive year, despite a still unfolding and extraordinary crisis.** In this regard, we stress the importance of a strategic discussion on upgrading the capacity of the IMF to respond to a more complex and uncertain global environment. The Fund's relevance going forward will depend on building this capacity to support the central imperatives of a transformational recovery. Our discussions today, and later this Fall, present a unique opportunity to provide the institution with an adequate budget framework that enables it to respond to the members' needs over the medium term.

**We support the proposed decisions premised on the two-pronged approach aimed at supporting the crisis response and recovery, while addressing long-term shifts in the global economy.** These exceptional times will continue to demand measures beyond the short term, in a context of elevated

budget risks. Therefore, we believe the two-pronged approach presents a comprehensive and coherent strategy to strengthen the Fund's dynamic response to pandemic-related challenges while addressing its scarring effects. Moreover, it supports a compelling course of action to meet the changing needs of the membership. It underpins a financially resilient, socially responsible, and sustainable recovery while maintaining the agile and lean Fund that has served the membership well.

### **There is a need for a targeted structural budget augmentation**

**The Fund has been exceptional in delivering longstanding budget prudence. Still, pressures faced by staff and challenges to the resource envelope have increased after a decade of a real flat budget.** We positively note that over the past several years, the IMF has sustained prudence in executing its budget to advance key workstreams within a flat real budget, owing to strict reprioritization and reallocation efforts. While the Fund has proven its ability to fulfill its mandate, its human capital is now burdened to an unsustainable level with pandemic-related workload pressures. We commend staff for their extraordinary performance in successfully delivering during the crisis and adapting to the work-from-home environment. However, we are concerned that continued reprioritization and reallocations, alongside work pressure on staff, will prove detrimental to the quality of the Fund's work and to its engagement with the membership going forward. Furthermore, the near exhaustion of budget space and depletion of buffers renders the flat real budget inconsistent with existing realities and with the need to better serve the membership's desire to exit from the crisis and address its legacies durably.

**In this context, we support a targeted structural augmentation, necessary to continue to effectively assist the membership while addressing new imperatives and helping to ensure the recovery and sustainability.** As staff rightly notes, it will take time to integrate the long-term drivers of global change fully and effectively in the Fund's work, underscoring the criticality of timely actions to build adequate capacity. In welcoming the targeted structural augmentation approach, we support the proposed design that will phase in augmentation over three years, after which the discipline imposed by a flat real budget will be re-instated. A strategic discussion on the scale, coverage, and pace of the augmentation will be crucial to provide enough flexibility and a comprehensive view, allowing staff to act promptly, and decisively in a holistic manner.

**We believe that a multi-year budget allocation should be approved, while avoiding a piecemeal approach, so that departments can effectively plan for the medium term.** The overarching objective should be to ensure a dynamic, nimble, and forceful response to the membership's challenges. We endorse the focus on key priorities of fragility, inclusion, climate change, digitalization, and macro financial surveillance that fall within the purview of the Fund's mandate, alongside collaboration with other global partners. In addition, restoring buffers should be a priority for our medium-term goals. Incorporating these priorities in the IMF workstream should not affect or delay any of its core activities. The structural augmentation should enable adequate and effective coverage of these issues, and other core areas that warrant additional attention and resources. *Given*

*the sense of urgency to address these matters, we seek staff's further elaboration on the impact of delaying the proposed budget augmentation for another year.*

**Failing to deliver on the medium-term key priorities due to lack of adequate resources, will hamper the transformational recovery by affecting the membership most in need: LICs and MICs.** Without the assistance of the Fund, countries that lack the institutional capacity and resources, including fragile, conflict-affected states, and a large number of middle-income countries, to address the challenges posed by the digital economy, higher poverty levels and inequality, climate-related shocks, interest rate normalization and debt vulnerabilities will be deprived of the necessary support to boost their recovery. In this connection, utmost care is required to mitigate potential reputational risk for the Fund arising from constrained resources and capacity, and an inadequate response to the members' crisis-related needs. We, therefore, stress the need for a timely and targeted structural budget augmentation to meet the current and future resource needs that are essential to secure a transformational recovery.

**Going forward, strong demand for CD to support the shift from emergency financing to UCT-quality programs will require adequate resources.** The expected rise in the demand for program engagements and the need to support reform implementation, alongside calls in the comprehensive surveillance review for CD to support surveillance, will see a significant surge in demand for core CD delivery. Therefore, the current CD funding model, which is overly reliant on external support, should be carefully reviewed in view of the competing demand for donor resources in the current context. In this regard, consideration should be given to increasing the share of CD operational costs covered within the Fund's budget, given that it is a core function and in light of the pressing increase in demand in the near term.

**We support the additional resources and CD activities deployed to lower-income countries, including plans to increase the Fund's field presence in fragile states that the pandemic has severely impacted.** We also underscore that given the mounting challenges mentioned above, including higher debt levels and the need to adapt to a digital landscape, priority should also be placed on building capacity in Middle-Income-Countries with similar CD needs.

#### **On the baseline budget**

**We support the proposal for a baseline budget that underpins an effective crisis response with an incremental shift in resources to priority areas, while ensuring an agile IMF.** We also support the staff's proposal for a temporary increase in the carry forward limit from 5 percent to 8 percent, to react to changing crisis-related circumstances.

**We welcome the progress on the implementation of the Capital Investment Framework (CIF), including better preparations for the new ways of working.** We expect the CIF to enhance the monitoring of costs, to ensure prioritization and efficiency, given the large share of IT-related

expenses and the attendant risk of cost overruns. Continuous evaluation is also warranted to help redesign projects as needed, as well as audit and ex-post appraisal of completed projects to draw lessons for the future. Additionally, we welcome the proposed changes to the budgetary treatment of Cloud-based Subscription costs to allow for more transparent reporting and straightforward monitoring. We also welcome efforts to strengthen the Fund's Risk Management Strategy and improve information security.