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CONFIDENTIAL

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**Joint Statement by Mr. Buissé, Mr. Fanizza, Mr. Hilbers, Mr. Huh, Ms. Levonian, Ms. Mahasandana, Mr. Pösö, Ms. Riach, Ms. Shortino, Mr. Tanaka, and Mr. von Kleist on
FY2022-FY2024 Medium-Term Budget
(Preliminary)
Executive Board Meeting
April 27, 2021**

We thank staff for the FY 2022-FY2024 medium term budget paper. We understand the significant pressure on staff because of the extensive work that is underway related to the crisis response. We continue to support action to alleviate pressure on staff and to ensure staff well-being.

We support the Fund's proposed administrative budget for 2022, and the proposal for a temporary increase in the carry forward limit. This budget will continue to deliver the Fund's crisis response, as well as target resources towards priority areas, while remaining within the flat real budget envelope. We note that this budget incorporates extensive reprioritization by departments, initial savings from modernization, and savings from travel and events. We welcome additional spending on financial surveillance, monetary policy, climate change, debt, inclusion, and small and fragile states. *Could staff clarify the extent to which additional spending envisaged for financial surveillance in FY22 will deliver the IEO recommendations?*

We support the change in the budgetary treatment for cloud subscription costs and the proposed capital budget for 2022. At the same time, we are concerned about the recently revised cost-benefit analysis (CBA) for 1HR, which shows a steep increase in the capital costs and a reduction in the expected administrative savings. We expect that staff will demonstrate how the lessons learnt will be applied to other modernization projects to avoid such an outcome in the future. We emphasize the importance of close and timely engagement with the Board in case there are deviations from the initial CBA. As the Budget Risk Matrix (Figure 16) currently assesses only the annual administrative budget impact, we suggest including a similar risk matrix for the capital budget in future reports.

We recognize that there is still a high degree of uncertainty around the Fund's work in the period ahead. We are open to consider a well-supported case for a possible one-off structural real increase to the budget. We thank staff for taking on board our concerns on the timing of this proposal which we understand will now be presented to the Board in the autumn. This will provide the necessary time for engaging with our authorities. We support continued reprioritization of FY22 resources to meet urgent needs, including for issues such as digitalization and climate.

We welcome the additional detail on the new work that the Fund would like to pursue on climate related issues, financial surveillance, and fragile states. However, there is still no indication on the potential size of increase envisaged which makes discussions with capitals difficult. We have found the recent discussions on climate change and digitalization very useful and look forward to the forthcoming series of Board engagements on the different priorities. Whilst each of these discussions is extremely helpful, we will need information on the expected costs of each of the new activities. This will be necessary in order to assess the cost of the overall package and to discuss the possible trade-offs that could mitigate the overall cost. If staff could present different budget options to the Board, this may help to facilitate a discussion of priorities between and within thematic areas and to make these trade-offs.