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April 22, 2021

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

We thank staff for the informative paper. We broadly agree with staff's proposal and would like to limit ourselves to the following points.

We support staff's proposal to increase the general carry forward limit from 5 percent to 8 percent so that the FY21 structural underspend could be used to covered future needs. Fully aware of the challenges brought by the real flat budget for the past ten years, we see merit in the proposed targeted structural augmentation starting from FY23 to address new imperatives in the Fund. The augmentation is consistent with a projected surplus in the Fund's medium-term income position and with continued progress towards the precautionary balance target for the coming years. We welcome staff's proposal to augment the budget gradually over the next two or three years and then return to a real flat path at the new higher level.

To decide the augmented scale, a detailed analysis and justification are needed to enable the Board to see which part of the proposed augmentation could be permanent and which part will be only a one-time adjustment. Even with an augmented budget, we see the need to continue reinforcing the ongoing budget discipline and prudence. It is also important to learn lessons from the Fund's past experiences that the budget and staff often increased in times of crisis and then shrunk when the crisis receded.

The existence of the large and increasing external donations on CD reflects a long-time insufficient funding for CD. The implicit argument for additional quota increase for donating countries has made the general review on quota exceptionally complicated. Any augmentation of the Fund's budget should consider internalization of financing for CD to address the inherent problems associated with various kinds of conditional external financing. We agree with the need to revisit the balance of Fund-financed CD and external financed CD in the medium term.

The pandemic has demonstrated the Fund's ability to operate virtually and has implications for the way the Fund will work in the post-COVID environment. We take note that teleconferences can reduce travel and communication costs, while costs may increase for new equipment. The needs to conduct field visits at the grassroots level in addition to real and virtual meetings are very necessary and should be emphasized.

We welcome the focus on climate change, digitalization, fragility, and restoring buffers. We also emphasize the need to avoid diluting the core mandate of the Fund. In addition, we encourage staff to treat climate change as a macro-critical environmental and ecological issue rather than a carbon issue alone. On digitalization, standard setting is more important and urgent. The standards and rules governing such issues should be made by multilateral institutions to ensure inclusiveness and non-discrimination. We encourage the Fund to take a leading role in this area.