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May 1, 2020

**The Chair's Summing Up
FY2021–FY2023 Medium-Term Budget
Executive Board Meeting 20/51
April 27, 2020**

Executive Directors approved the FY 2021 budget proposal, while recognizing the severe uncertainty associated with the duration and impact of the COVID-19 crisis. They were pleased with the Fund's rapid response, and stressed the importance of maintaining the capacity to quickly and comprehensively help the critical needs of the membership.

Directors encouraged ongoing reallocation, reprioritization, and streamlining efforts to ensure the best possible use of available resources, especially against the backdrop of the exceptionally challenging conditions among the membership. They encouraged learning appropriate lessons from the expanded use of IT solutions during the crisis to improve the efficiency of the Fund's operations. To help meet urgent departmental demands in FY 2021, they agreed to an increase in the maximum carry forward from 3 to 5 percent of the Fund's general administrative expenses for the next three years. Given the temporary needs associated with the current crisis over this period, they noted the intention to present the Board with a clearly justified supplementary budget later in 2020, including additional measures that may become necessary in light of developments. In view of the continued uncertainty, Directors asked that the Board be updated regularly on budget developments in a comprehensive manner.

Looking beyond the crisis, many Directors considered that, over the medium term, a flat real budget would continue to serve the institution well. However, a number of other Directors believed that, given the diminished buffers and significant increasing demands from the membership, reconsidering the flat real budget stance would be appropriate. More generally, many Directors stressed the importance of continuing to integrate core elements into the budget presentation, including by coordinating the consideration of spending and income issues and taking into account risks and broader objectives.

Directors agreed that, as the Fund's crisis-related work moves from initial emergency response to ongoing crisis management and recovery, the Fund should stand ready to support members in addressing a range of complex challenges, including debt vulnerabilities, bankruptcies, unemployment, and economic inequality. More broadly, the temporarily delayed work on existing priority areas will need to be resumed, including bilateral surveillance, and work on other areas such as financial sector surveillance, fragile states, governance, digitalization, and climate change, among others. Directors stressed that the

delivery of capacity development should be more closely integrated with surveillance and lending activities, leveraging innovative approaches used during the crisis. They looked forward to considering soon a proposed Board Work Program appropriately focused in the immediate period on crisis-related activities, while ensuring that ongoing priorities and workstreams are addressed as appropriate.

Directors acknowledged that FY 2021 will be a transition for the Fund's operations, given the implementation of the Comprehensive Compensation and Benefits Review (CCBR) and the 1HR project, and the continuing work on other large modernization projects. They stressed that these projects should deliver long-term savings, and called for careful monitoring and reporting to the Board. A number of Directors recalled that, as agreed in the context of the CCBR, some of the realized savings would be used to increase the recruitment of nationals from under-represented regions.

Directors agreed with the proposed capital budget, and welcomed that the IT capital budget is allocated to the modernization projects and enhancing information security. Directors welcomed the proposed Capital Investment Framework that codifies the recent practice of seeking Board endorsement for large, transformational projects prior to implementation. They underscored the importance of the envisaged ex ante project justification for Board consideration, including through a business case and cost-benefit analysis.

Directors acknowledged the rising risks to the Fund operations and budget associated with an unprecedented number of program requests and related work. They called for diligence in addressing information security risks, those related to the ongoing large modernization projects, as well as potential risks to the IMF's own budget from delays in donor-financed CD activities. Directors called for heightened risk assessments and timely and comprehensive updates to the Board.