

Management responses to expenditure cuts

Avebury - Exxon Cuts Capital Spending by 30% in Response to Coronavirus

IMF 2017 Article IV Recommendations	Authorities' Response
Fiscal Policy Staff recommended a fiscal consolidation of 1.6 percent of GDP (excluding one-time gains) to maintain fiscal sustainability. The objective was to be achieved primarily through a rationalization of subsidies and tax expenditures, particularly VAT exemptions.	Already Consistent The fiscal policy stance was broadly adequate before the political shock, but the emerging recession added pressures to short-term challenges and prompted the creation of fiscal buffers to address debt sustainability. In 2018 the authorities cut expenditures—mostly in capital outlay—by 1.6 percent of GDP. In 2019 a tax reform with an estimated yield of 1.5 percent of GDP focused on the rationalization of VAT exemptions and increased taxes on selected goods. The authorities took measures not previously discussed such as an increase in the minimum tax and freezing public wages.
Reducing the social security was deemed a priority. IMES legal reserves were projected to be depleted in the near future.	The authorities implemented a parametric pension reform with a projected yield of 1.5 percent of GDP in 2019 to address the financing of the IMES.
Monetary and Exchange Rate Policies Strengthen liquidity management tools to deepen financial markets, introduce a short-term policy rate and a corridor to reduce volatility.	Already Consistent To ensure liquidity management the authorities introduced daily monetary operations, issued new financial instruments, and reduced reserve requirements.
Banks should further enhance their liquidity, capital, and provisioning buffers to preserve financial stability against shocks.	The authorities introduced—but later suspended temporarily in circumstances not envisaged as an anti-cyclical provision tool. They also established regulations to create an extraordinary capital reserve and concentration of capital to mitigate the potential deterioration of bank loan portfolios.
External and financial buffers should be strengthened. Given the exchange rate framework, staff advised a strategic reserve position to reach the IMF's suggested adequacy ratios.	The authorities contracted a US\$300 million credit line with the regional development bank (CDB) to support the exchange rate and grant international reserves.
Financial Sector Policy The authorities should address the gaps in the supervisory perimeter. Every deposit-taking and potentially important non-bank entities should be subject to effective risk-based supervision and IMES CFT oversight. Cross-border establishments should be further improved.	Partly Consistent The supervisory perimeter remained unchanged and left without oversight potentially important non-bank entities. The IMES CFT framework improved with regulations issued in July and October 2018 that strengthened the financial intelligence unit and additional counterparty oversight identified in the 2017 Annual Evaluation Report (AER). However, some significant weaknesses identified in the AER are pending.
Structural Reforms To improve competitiveness, maintain the investment in infrastructure, increase human capital development, and address labor skills bottlenecks. Improve data quality and the scope of macroeconomic statistics.	Marginally Consistent The business environment in 2018-19 led to postponement of measures dealing with competitiveness. Recognizing slow progress in recent years, the authorities agreed with a 2019 indicator on public sector findings and recommendations and stated their intention to step up efforts to improve macroeconomic statistics in the near term.

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Vendors may cost you more than your project

Salary is the most common area in which reductions are made and it is unlikely benefits will be cut, but you could be asked to contribute a larger percentage to the monthly premiums.

The Good, The Bad, And The Ugly Of Cost Cutting

However, the point at which you track and report depends on the scope of the project.

Responding to Audit Findings

Information on planned capital expenditures may be partial, where donor-financed expenditure is significant and coordination with the donors is inadequate. With such insights, managers will also be able to deliver a consistent message on how cost reductions would make a company stronger—a message reducing short-term resistance and even inspiring the organization to support the effort. As such, cost managers are in high demand and have opportunities to progress to lead project managers.

How to budget for COVID

Better communication uncovered inconsistencies in accounting practices. Roe Institute for Economic Policy Studies at The Heritage Foundation.

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