



MANAGING FISCAL RISKS AND DEBT RELATED CONTINGENT LIABILITIES

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OECD and fiscal risks

- 38 member countries, among which some of the pioneers in fiscal risks management.
- Since the early 2000s, successive OECD recommendations on fiscal risks management ([*Best Practices for Budget Transparency and Principles of Budgetary Governance*](#)).
- OECD realises comprehensive surveys of its member countries' budget frameworks, which form the basis of [*Managing fiscal risks: Lessons from case studies of selected OECD countries*](#).



1. Fiscal risks management in the OECD

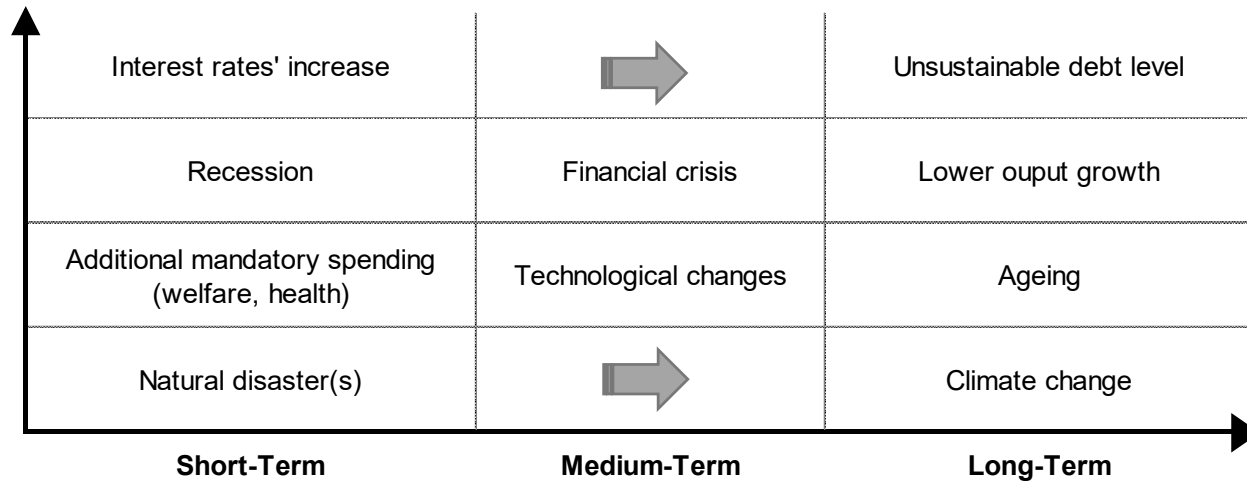


What makes a macro or fiscal development a fiscal risk?

Are all potential macro or fiscal developments identified?



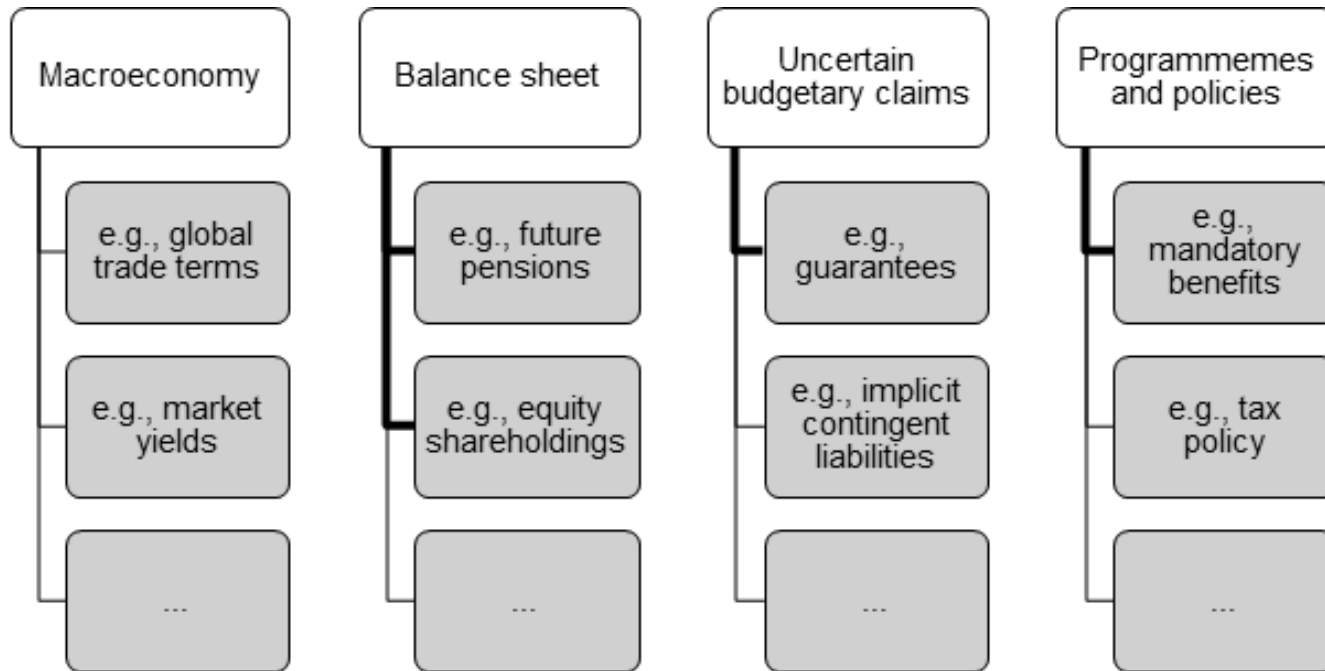
What is included in the forecast?



What is the time horizon considered?



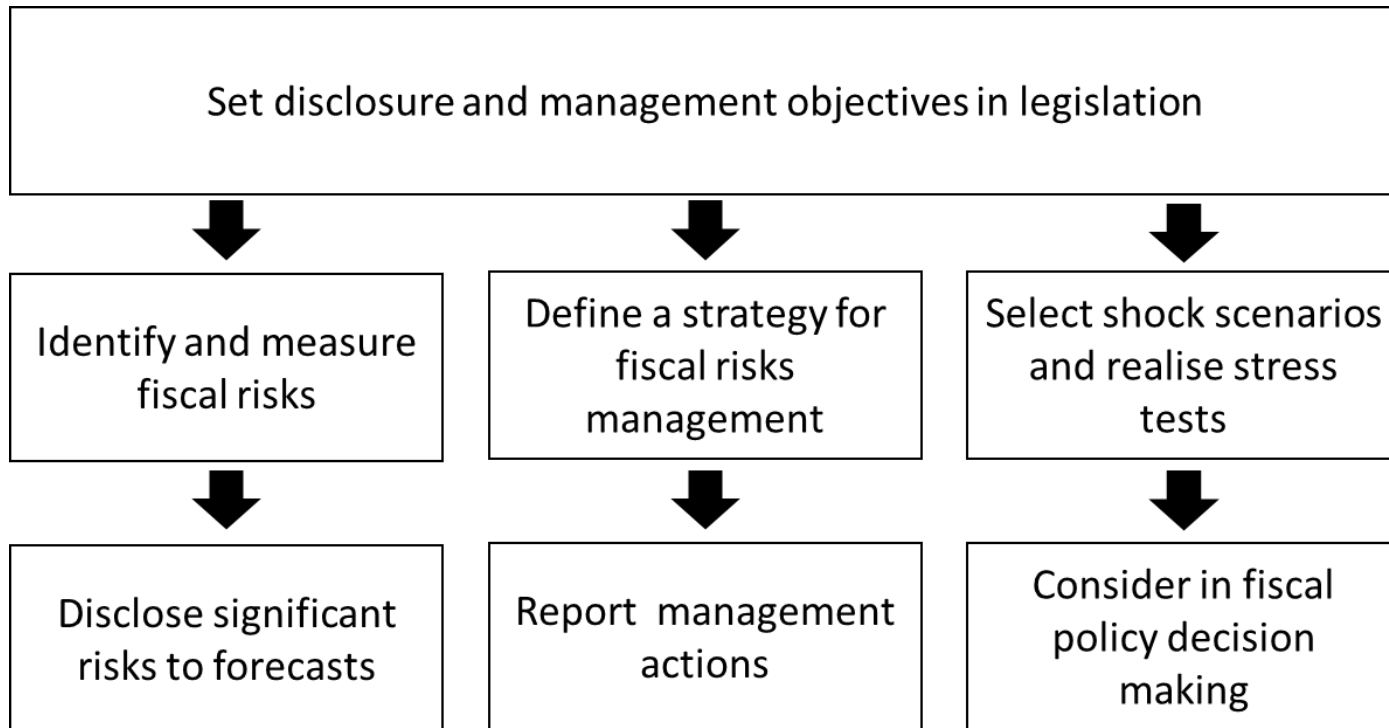
Definition and taxonomy of fiscal risks



Source: OECD, 2021.



Management of fiscal risks



Source: OECD, 2021.



Institutional responsibilities

Council of minister

- *Consider fiscal risks for policy decision making*

Minister of finance

- *Approve the strategy*
- *Monitor new and existing fiscal risks and use this information at the decisions-making stages of the government's annual budget process*
- *Report to the legislature*

Ministry of finance
and/or
Fiscal risks committee

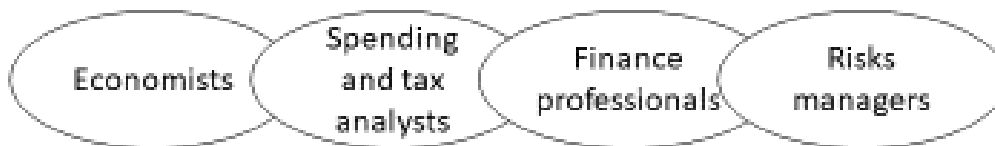
- *Establish a management strategy*
- *Consolidate and analyse fiscal risks*
- *Provide guidance and tools*

Ministries

Agencies

Funds

- *Identify and measure specific risks*
- *Report fiscal risks to the ministry of finance*
- *Manage fiscal risks*



Source: OECD, 2021.

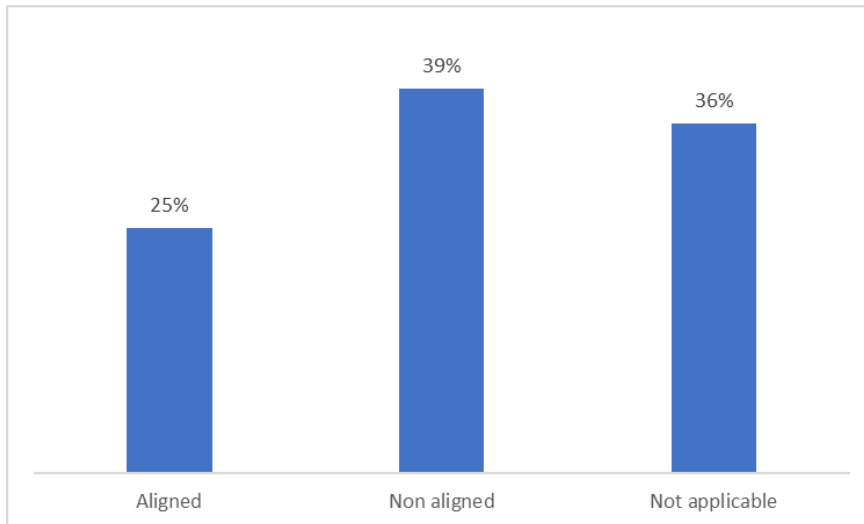


2. Post-COVID challenges for MOFs



Policy risks

Consistency between most recent approved budget and the previous year's expenditure ceiling, 2023



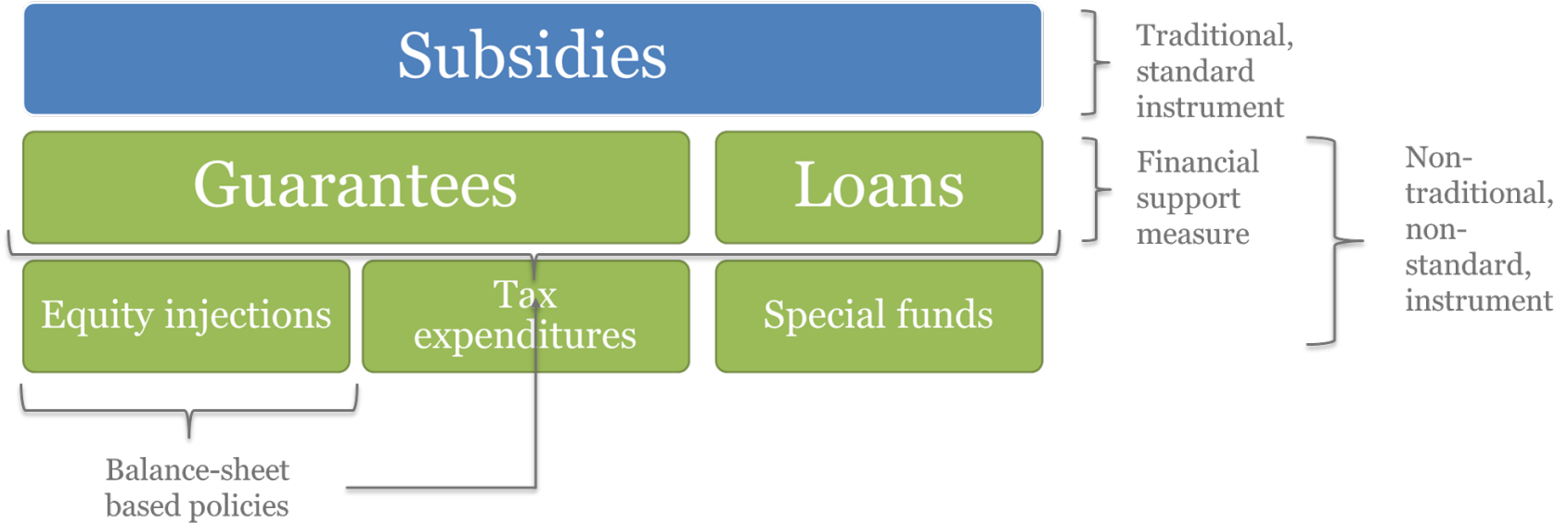
Source: 2023 OECD SBO Survey on Budget Frameworks, preliminary results.

- Fiscal frameworks put to test during the COVID-19 crisis.
- Exception becoming the norm due to a succession of crises.
- Need to rebuild credibility of spending forecasts and MTEFs.



Non-standard policy instrument risks

1. What they are

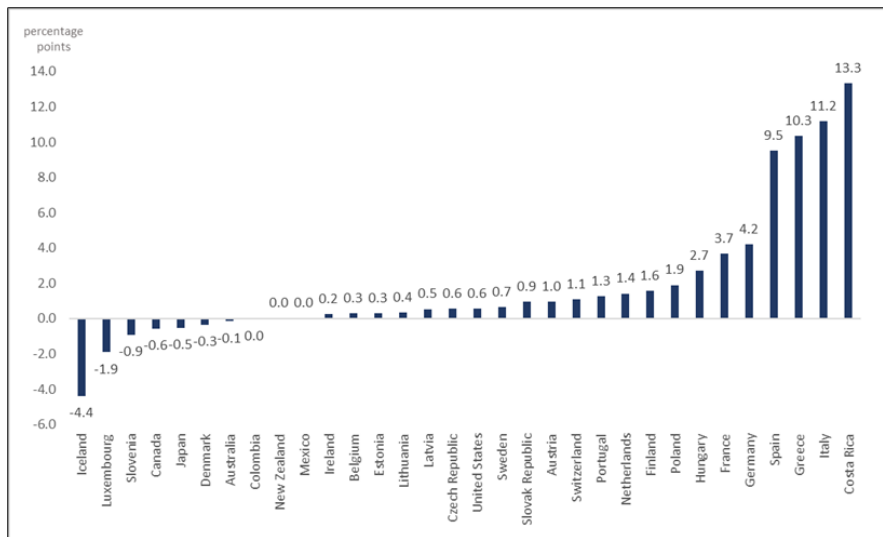




Non-standard policy instrument risks

2. Why they matter

Change in government guarantees in terms of GDP, between 2019 and 2021



Source: OECD staff estimates based on government guarantees in national currency: Eurostat for EU member-states, national sources for other OECD countries; for GDP in national currency: OECD National Accounts Statistics (database) on 2 May 2023.

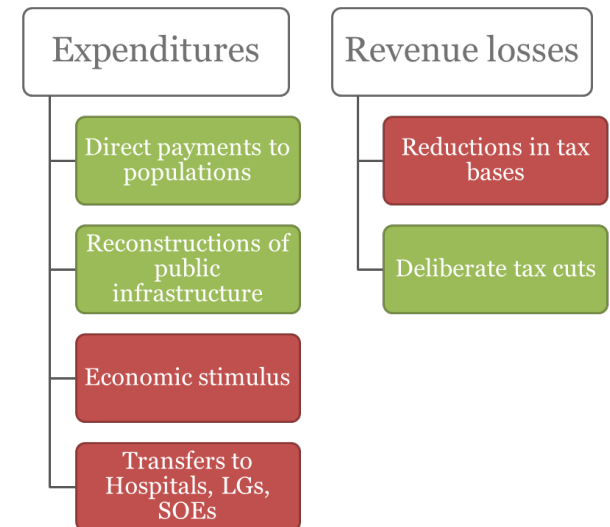
- Use of non-standard policy instruments (e.g., guarantees) increase during crises.
- Increasingly considered for delivering new policy objectives such as the green transition.



Natural disasters and climate change risks

- Few OECD governments disclose and quantify natural disasters and wider climate change risks (extreme weather events, implications of carbon taxes, etc.)
- Generally, quantification methodologies are not comprehensive enough.
- Very few OECD governments and IFIs have attempted the comprehensive incorporation of net zero into longer-term fiscal projections.

Challenges with estimation of costs of natural disasters



Source: [Fiscal Resilience to Natural Disasters: Lessons from Country Experiences | en | OECD](#)



3. Way Forward



Way forward for OECD countries

- Restoring sound fiscal frameworks ([OECD Spending Better Framework](#)).
- Managing risks from non-standard policy instruments as a priority ([Balance sheet-based policies in COVID-19 packages](#)).
- Incorporating the transition to net zero in fiscal projections (Climate Working Group of the [OECD PBO/IFI Working Group](#)).



<http://www.oecd.org/gov/budgeting/>