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EUROPEAN UNION

Regional Conference on Climate Fiscal Risks

Fiscal Risks Monitoring in North Macedonia

DR. ALEKSANDRA NAKJEVA RUZHIN

Former Special Advisor to the Minister of Finance

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I. Relevance of Strengthening Fiscal Risk Management

1. COVID-19 and Energy crises
 - ▶ Strong impact on macroeconomic and fiscal position.
2. Government committed to safeguarding public finances
 - ▶ Reforms in public finances aimed at fiscal consolidation.
3. Strengthened fiscal risk management (FRM)
 - ▶ Seen as a tool aiding fiscal consolidation process.
4. Assessments and recommendations of SIGMA and PEFA
 - ▶ Lack of fiscal risks analyses in certain areas, and of overall risk analysis on consolidated basis.

II. Legal Foundations

Organic Budget Law (2022)

- ▶ **Fiscal principles** accompanying budget principles (Article 9)
 - prudent management of fiscal risks from macroeconomic shocks; guarantees; SOEs; PPPs, etc.
- ▶ Establishing independent **Fiscal Council** (Article 11)
 - analyses and opinions on fiscal risks, Budget execution and implementation of Fiscal Strategy.
- ▶ Detailed stipulation of **Fiscal Strategy content** (Article 18)
 - requirement for qualitative & quantitative description of macro-fiscal risks, fiscal risks related to contingent liabilities & specific risks, explaining effects on key macroeconomic and fiscal parameters.
- ▶ **Integrated Financial Management Information System** (Article 106)
 - other necessary components to support implementation of OBL and sound PFM
- ▶ **Other provisions related to fiscal risks**
 - [Fiscal impact and risks associated with new projects & initiatives (Article 20)]; Liabilities arising from court decisions & settlements (Article 49); Budget reserve for natural disasters (Article 58); Debt management for reducing exposure to risks (Article 88).

III. Policy Considerations

1. PFM Reform Program 2024-2027

- ▶ Measures and activities for advancing MoF's capacities for regular monitoring & analysis of fiscal risks

2. IFMIS Project

- ▶ FRM included in IFMIS TS to ensure regular and timely provisioning of accurate fiscal risks data & information from various Government sources

IV. Achievements in Monitoring Fiscal Risks

1. Institutional arrangement for FRM

- ▶ FRM Working Group (FRMWG) established at the MoF (2023);
- ▶ Mandated with fiscal risks assessment, analyses, monitoring and reporting.

2. Capacity development of FRMWG & other relevant institutions

- ▶ Within MoF (DMEP; DBF, DMD; Treasury Department; PIM Department) and outside MoF (MoE; MoJ; State Attorney; ORS- ECHR; CMC, DRP, MoEPP).

3. Preliminary assessment of selected risk sources

- ▶ Macroeconomic risks; SOEs; subnational governments; arrears; other spending risks (wage bill, health and pension spending); debt, on-lending and guarantees; public investment; PPPs; court cases against the State; natural disasters and climate change.

4. Strengthened Fiscal Risks Programming and Disclosure

- ▶ Significantly enhanced fiscal risks disclosure & analysis in Fiscal Strategy 2025-2029; strengthened programming of FRM activities with PFM Reform Programme 2024-2027.

V. Potential Areas for Further Advancement

1. Strengthening the FRM operational framework
 - ▶ Expansion of FRMWGA to key stakeholders outside MoF;
 - ▶ Full integration of fiscal risk register with IFMIS.
2. Enhancing availability of data, and analysis of key sources of fiscal risks
 - ▶ Development and regular update of fiscal risk register;
 - ▶ Strengthened capacity for fiscal risks analysis, identification of systemic relationships & interactions among risks, assessing cumulative risk exposure, and for proposing risk-mitigation measures (across MoF departments & key stakeholders outside MoF).
3. Further enhancing fiscal risks disclosure in line with EU requirements
 - ▶ Further refinement of fiscal risks chapter of Fiscal Strategy document;
 - ▶ Publishing in-depth stand-alone reports of specific, large-impact fiscal risks.

THANK YOU FOR THE ATTENTION!

Q & A