



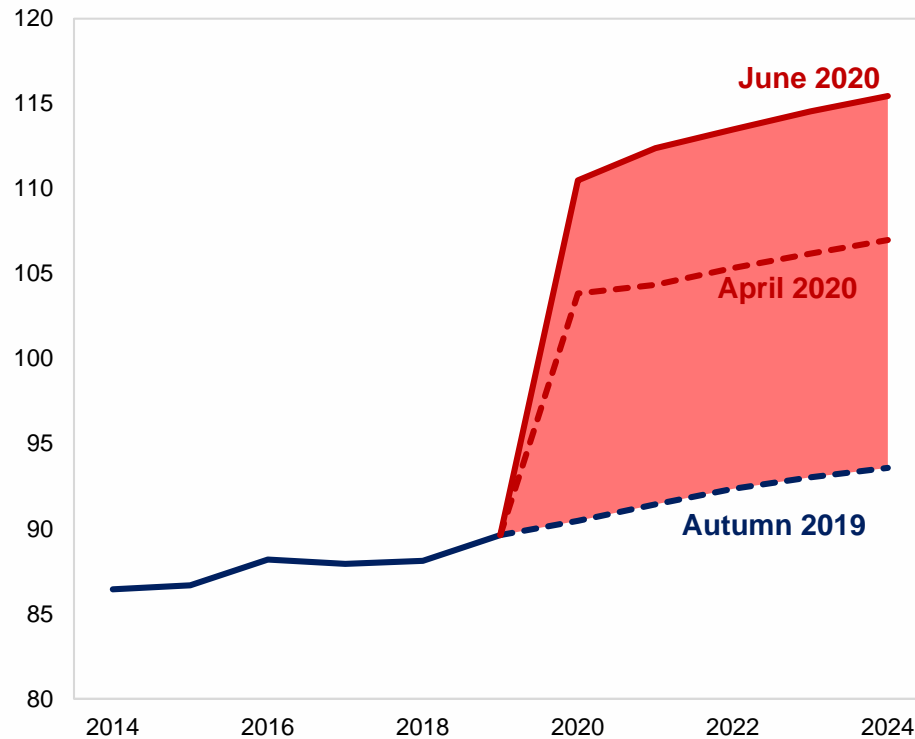
# **Managing Fiscal Risks Under Stress**

**JULY 2, 2020**

Jason Harris  
Fiscal Affairs Department

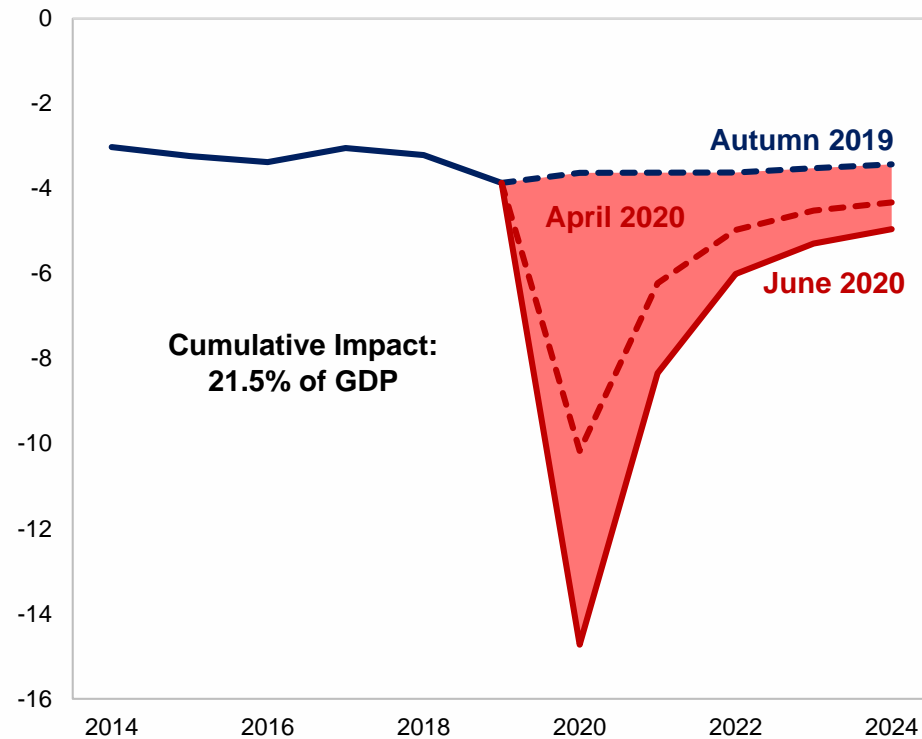
# COVID is the Largest Fiscal Shock Since WWII

## G20 Government Debt Forecasts (Weighted Average, Percent of GDP)



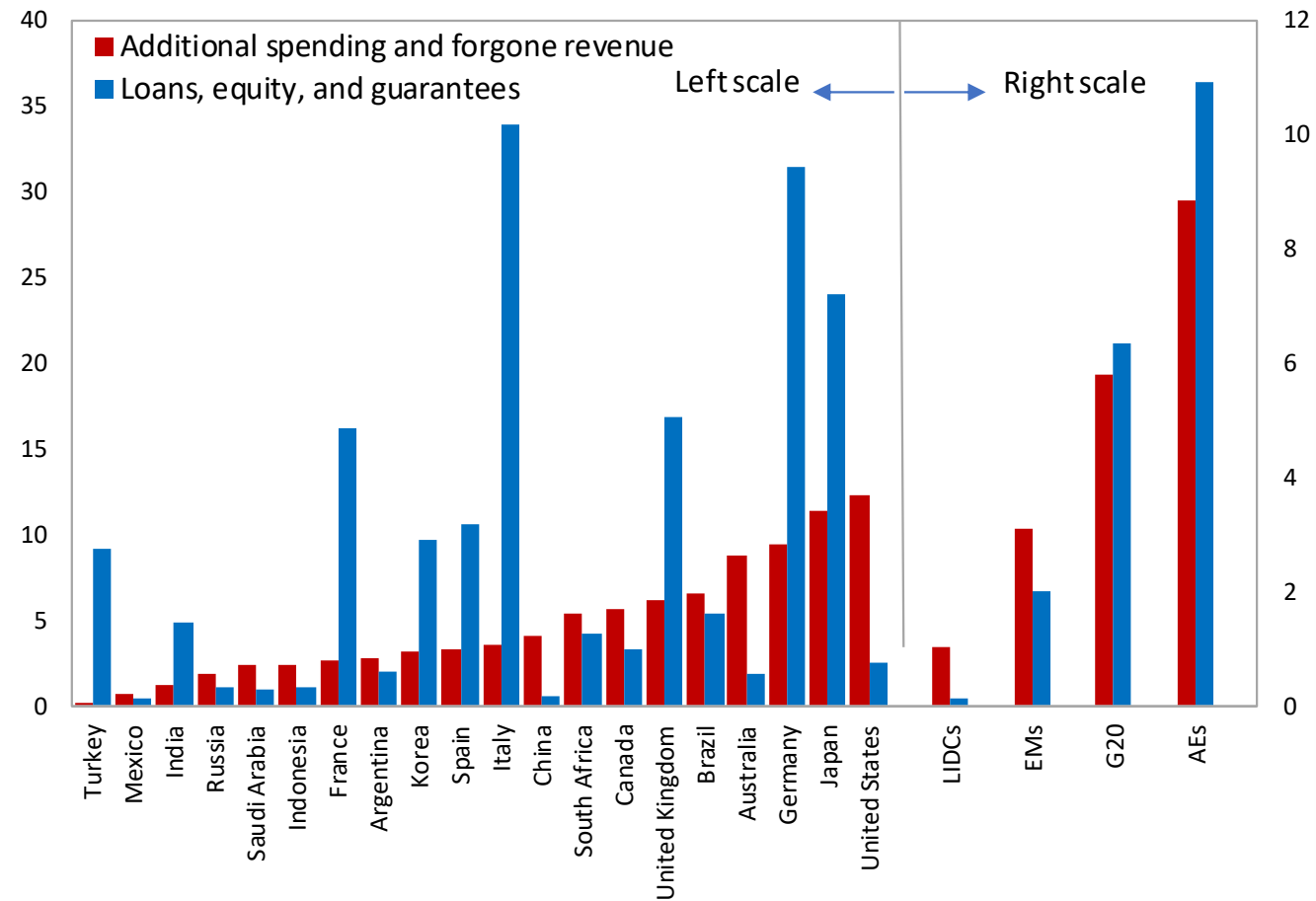
Source: IMF Staff Estimates

## G20 Fiscal Balance Forecasts (Weighted Average, Percent of GDP)



# Fiscal Response is Adding to Fiscal Risks

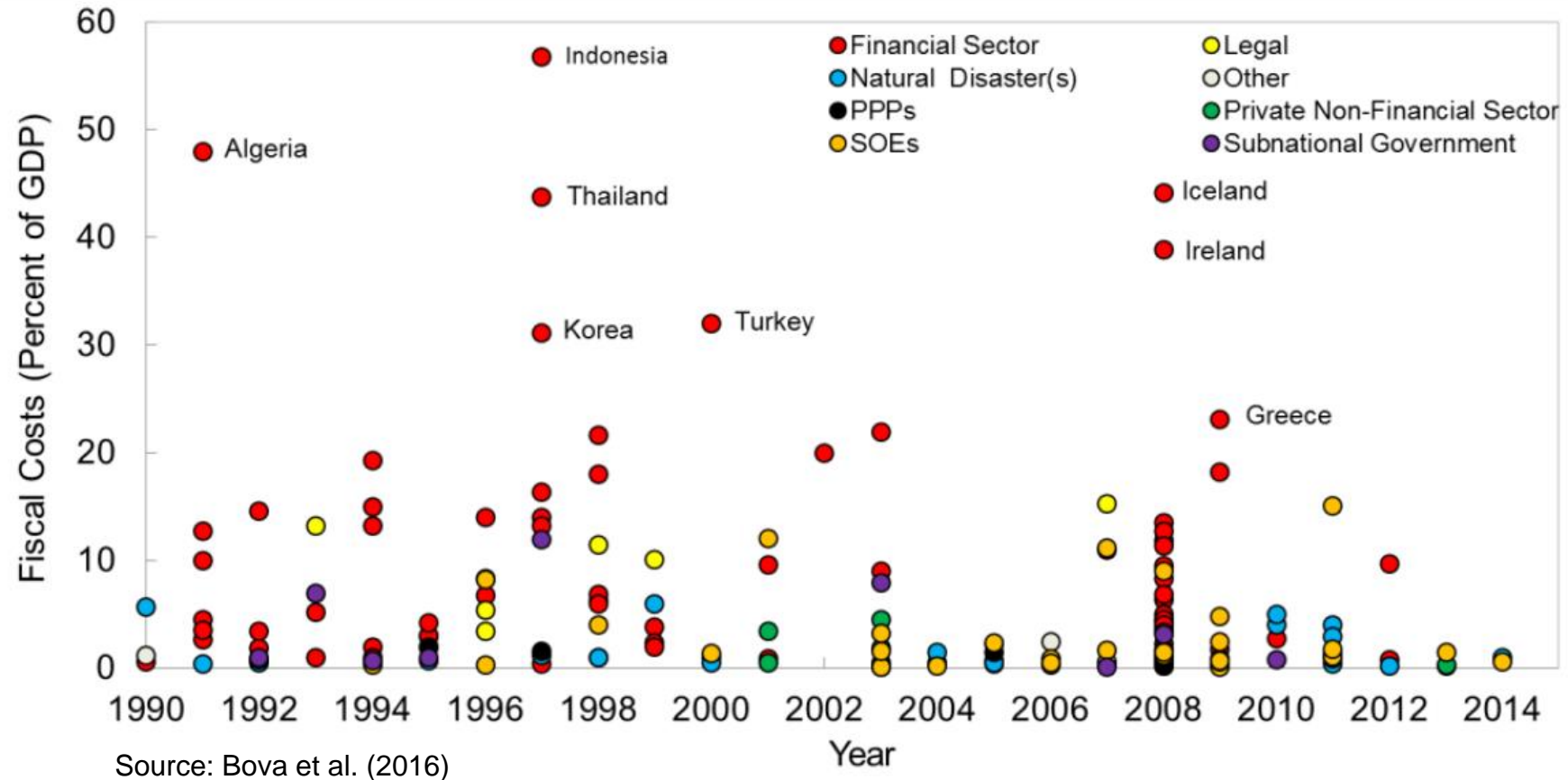
## G20 Fiscal Response to the COVID-19 Pandemic (Percent of GDP)



Source: IMF Staff Estimates

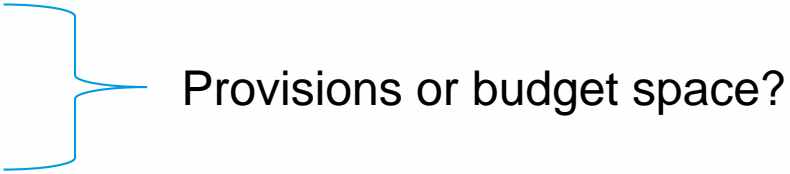
# Expect Realizations of Existing Risks: When it rains it pours

## Contingent Liability Realizations by Year and Type



Source: Bova et al. (2016)

# Evaluating and Managing New Policies

- **Rationale:**
  - What policy objectives?
  - Alternative options?
- **Costs**
  - Maximum exposure
  - Expected cost

Provisions or budget space?
- **Risk management & mitigation**
  - Central gatekeeper with clear accountability
  - Regular review of developments
  - Intra-government coordination
  - Accountability and reporting

# Institutional Capacities Need Strengthening

- **Maintain an up to date view of the public finances**
  - Heightened monitoring and forecasting
  - Weekly fiscal developments
- **Keep up to date costings**
  - Ensure costings are done and recorded
  - Involve line ministries, and update as events evolve
  - Clear Communication
- **Remove barriers to spending**
  - Increase flexibility
  - Identify low priority and lagging spending to offset
  - Improve cash flow
- **Manage Debt positions, market access and overall risk**
  - Ensure continuity of funding
  - Use cash buffers, credit lines & multilateral lending facilities
  - Track risks from forex & short term debt plus contingent liabilities

# Resources and Tools

- [COVID-19 Special Series](#)
- [Identifying and Understanding Risk](#)
  - Fiscal Transparency Evaluation
  - Fiscal Risk Assessment
- [IMF's 2016 Analyzing and Managing Fiscal Risk](#)
  - Fiscal stress test
  - Fiscal Risk management toolkit
- **Guidance for Specific Fiscal Risk**
  - [Guarantees](#)
  - [Natural Disasters](#)
  - [State Owned Enterprises](#)
  - [Balance sheet](#)