Managing Fiscal Risks Under Stress

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COVID is the Largest Fiscal Shock Since WWII

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

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

Source: IMF Staff Estimates
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

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

Provisions or budget space?
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
  o Fiscal Transparency Evaluation
  o Fiscal Risk Assessment

• IMF’s 2016 Analyzing and Managing Fiscal Risk
  o Fiscal stress test
  o Fiscal Risk management toolkit

• Guidance for Specific Fiscal Risk
  o Guarantees
  o Natural Disasters
  o State Owned Enterprises
  o Balance sheet