

Fiscal Risk Analysis & Management

Discussion:

Ahmed Mazin

Chief Funds Executive

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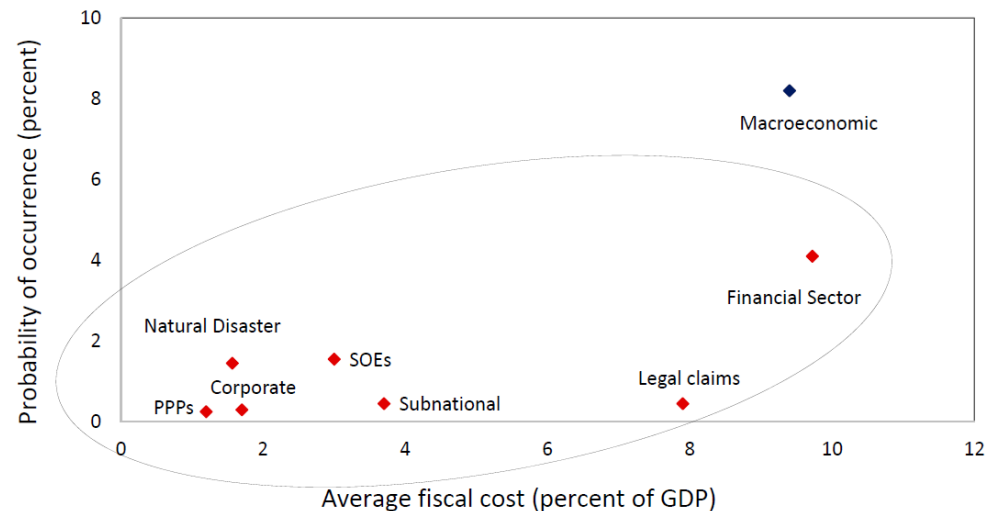
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Sources of Fiscal Risks

- **Macroeconomic shocks**
 - High likelihood
 - Cost as share of GDP around 9%
- **Financial Sector**
 - Less likely than macroeconomic shocks
- **Natural disaster**
 - Costs 1.5 % of GDP on average

Size and likelihood of fiscal shocks by type



Sources of Fiscal Risks - Maldives Perspective

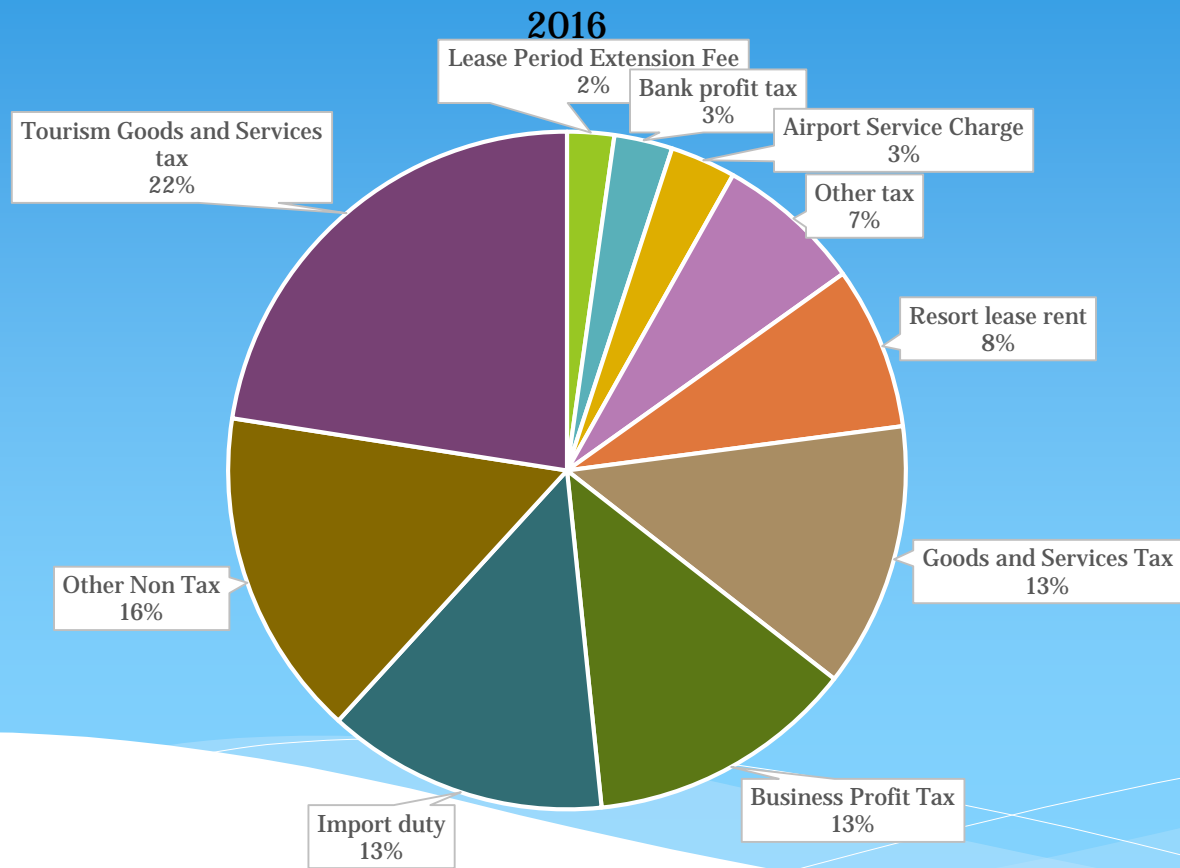
- **Macroeconomic shocks**

- 30% of GDP directly by tourism
- Shocks to tourism industry
 - External factors : global recessions, fuel price hikes, pandemics, terrorism
- Government revenue depends on tourism , and cyclical
- 2009 Recession : GDP fell by 5%, fiscal deficit : 20.5% of GDP

- **Natural disaster risk**

- 2004 Tsunami fiscal risk
- GDP fell 8.1% in 2005

Maldives - revenue breakdown



Source : Government Budget 2017

Fiscal Risks in LICs

Sources of Contingent Liabilities

- **Guarantee on SOE loans**
- **Shortfalls in pension schemes**

Fiscal Risks in LICs - Maldives Perspective

Sources of Contingent Liabilities

- **Guarantee on SOE loans**
 - SOEs loan guarantees and on-lending facilities for SOEs for major public sector infrastructure projects .
 - Eg: US\$ 800 million upgrade of International Airport
 - Sovereign Development Fund – set aside funds to service development loans
 - Improve corporate governance of SOE incentives for greater financial accountability
- **Shortfalls in pension schemes**
 - Pension system reform-funded pension scheme
 - Rationalize the unfunded pension systems that remains

Fiscal Risk Analysis

Fiscal risk analysis for low capacity countries

- **Macro-fiscal sensitivity analysis**
- **Financial balance sheet**
- **Disclosing explicit contingent liabilities**

Fiscal Risk Analysis - Maldives Perspective

Fiscal Risk Analysis

- **Addressing data issues**
 - Availability and reliability issues with data
 - PFM reform – strengthen the systems to improve the data recording and reporting
- **Macro-fiscal sensitivity analysis**
 - Utilize macro-fiscal tools in budgeting process
 - Medium Term Fiscal Framework, Medium Terms Debt Management Strategy , Debt Sustainability Analysis, Financial Programming and Policy model

Thank You