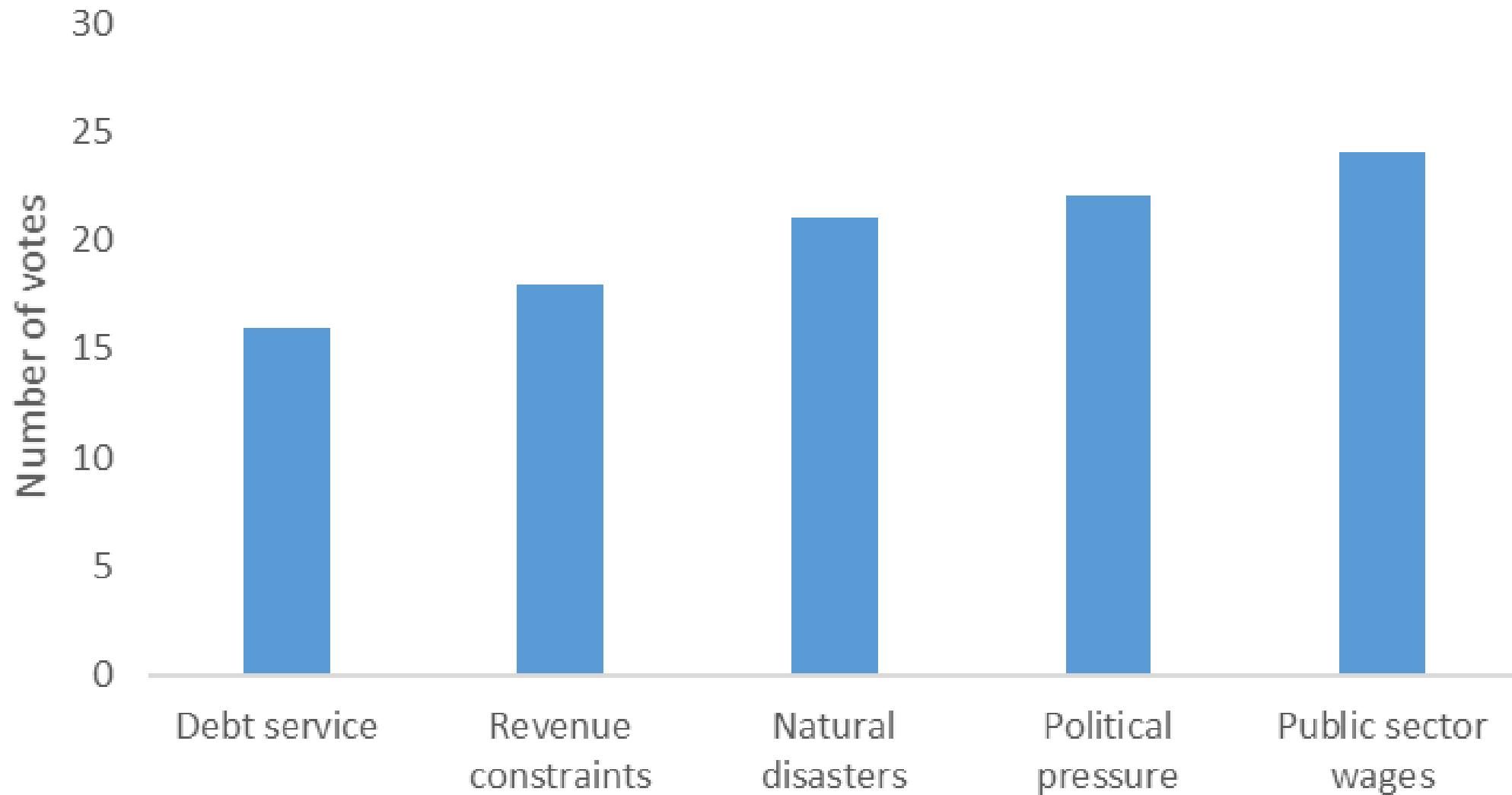


Top 5 budgetary pressures in Africa



Then decide whether to bear the risk

- Pros –public policy benefit
- Cons – Moral hazard, fiscal position

First analyse risks

- Identify
- Calculate fiscal exposure
- Assess likelihood of occurrence

Can we reduce the probability of the risk occurring?

Controls on activities of public entities

- Limits on liabilities or borrowings of local authorities

Regulate, incentives and other indirect measures

- Adjust legal framework for salary setting
- Charge risk-related guarantee fees / partial guarantees

Monitor risks and transparency

- Data and analysis
- Publish information on evolution of risks

Can we reduce exposure to risk?

Market instruments

- Disaster Insurance

Institutional preparation

- What are institutional mechanisms to agree responses?
- What needs to be communicated, to whom?

If not, create fiscal space to absorb retained risk

Budget provisioning

- Budget contingencies, margins, reserves
- Revenue under-estimation

Buffer funds

- Natural Disaster Funds, Stabilisation Funds

Fiscal headroom

- Prudent debt limits

Contingency plans and institutional mechanisms to manage

- Managing expenditures

Questions:

1. How will you prepare for the risk you have identified?

2. What challenges do you foresee?