OPINION ON FISCAL RISKS

Pioneer analysis in Spain on the most relevant risks for public finances

- **Macroeconómic** risks
- **Environmental** risks
- **Legal actions** against the State

Fiscal risk management **is key to ensure the sustainability** of public finances

Macroeconomic risks

The **most frequent** and with the **greatest impact** on public accounts

Extreme events such as the financial crisis or COVID-19

Unforeseen shocks at national or international level

PROPOSALS

- Improve the **analysis of forecasting errors** as a source of macroeconomic risks
- Quantify the **macroeconomic risks** underlying macroeconomic and fiscal forecasts

Environmental risks

The total **fiscal cost** of natural disasters between 2005 and 2023, including the pandemic, amounted to **47.2 billion euros**

APPROXIMATION OF THE TOTAL COST OF THE MATERIALIZATION OF ENVIRONMENTAL RISKS. MILLION EUROS AT 2023 PRICES

	Damage repair works	Aid and subsides to victims	Compensation to victims	Other response cost	Total
Climatological	1.020	1.349		4	2.372
Hydrological	1.136	115	5.188		6.438
Meteorological			1.677		1.677
Geophysical			925		925
Biological (COVID-19)				35.745	35.745
Total	2.155	1.464	7.789	35.749	47.157

PROPOSALS

- Improve the **information available** on natural disasters
- Improve the **explanation of fiscal costs**
- Design risk **mitigation measures**.

Legal actions against the State

Unfavorable sentences have resulted in an average cost of **1 billion per year** in the period 2014-2023

Recurring errors

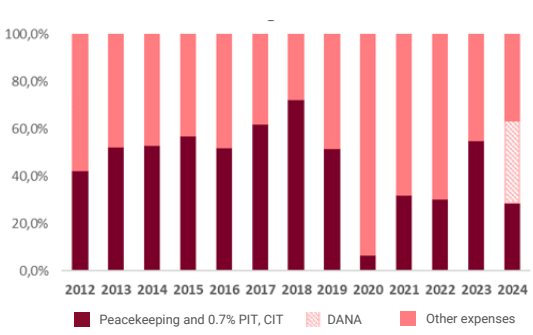
- Inadequate use of the **Royal Decree Law**
- Regulatory **extra limitations**
- **Omission** of EU **warnings**
- **Repeated** appeals for similar reasons

PROPOSALS

- easures to **prevent** judicial conflicts
- Measures to **minimize the impact** of unfavorable sentences
- **Improve transparency** with a general database

Contingency fund

It is a **useful tool** to mitigate fiscal risks, but...



43%

Not related to unforeseen shocks

PROPOSAL

- **Limit its use** to improve the **efficiency** of the fund