



Ministry of Finance

Contingent liabilities and guarantees

The Netherlands

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Some data

	2008	2012
Guarantees (bn €)	56	260
- % GDP	12,7%	45%
Of which due to the financial crisis (bn €)	-	150
- % GDP	-	25%
Indirect guarantees (bn €)	n.a.	246
- % GDP	n.a.	40%
Loans financial crisis (bn €)	-	30
- % GDP	-	5%



Developments since 2009

- **Financial crisis/eurocrisis**

Large system risks: only to be borne by government

- **Due to spending cuts**

Do ministries try to get around their expenditure ceilings by choosing guarantees instead of direct expenditures?



Treatment of systemic risks of the financial crisis

Fiscal rule 24

All expenditures and revenues related to the financial crisis (including guarantee related expenditures and revenues) are not relevant for the expenditure ceiling.

As a result

All these costs are directly credited or debited to the national debt.



Treatment of other guarantees

Fiscal rule 25

- In principle no government intervention, unless a market solution is impossible or ineffective.
- For all new guarantees an assessment framework should be filled in and sent to Cabinet for decision-making.
- Risks should be borne by the ministry itself.
- And should be priced with premiums that cover all costs.
- Premiums should be deposited in a reserve.
- So: specific compensation.



Existing guarantees

- Will be evaluated by an ad hoc Commission (MoF, financial directors of ministries and advisor Central Bank).
- Reporting to Cabinet and Parliament: end of summer 2013.



First impression conclusions/recommendations (1)

1. Improve transparency

- International comparability of data (e.g. in Stability Programmes)
- In Budget Memoranda and Annual Report MoF
- In budgets of ministries

Specific annex:

- Complete list
- Information about premiums, their underpinning, reserves
- List of recent and forthcoming evaluations



First impression conclusions/recommendations (2)

2. Make assessment frameworks for new guarantees publicly available.

3. Sunset clause and evaluation every 5 years

4. Extension system of premiums and reserves for existing arrangements often not so useful, because of:

- International agreements (e.g. multilateral banks, export credit insurance)
- Complicated adjustments existing expenditure ceilings



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- Questions?