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DOCTORAL THESIS

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FISCAL RISK
MANAGEMENT

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SUMMARY

The diversification of vulnerabilities faced by governments in achieving the objectives of fiscal stability and sustainability coincides with the fiscal risks present at the macroeconomic level. Fiscal risks include factors that cause unexpected increases in public expenditures and/or unforeseen decreases in public revenues and that then lead to deviations in fiscal results. The sources of fiscal risk are numerous and vary from one state to another, but their common element is the ability to affect the fiscal balance in the short and medium term, or even long-term fiscal-budgetary sustainability.

The scientific approach of this doctoral thesis aimed at deepening the theoretical concepts related to fiscal risk management, followed by the development of econometric models to quantify fiscal risk and assess from this perspective the sustainability of the member states of the European Union. Scientific research equally assumed the presentation of specific tools and measures through which fiscal risk management can be effectively achieved, as evidenced by specialist articles and government activity. In terms of applied studies, the budget balance and the primary budget balance are proposed as indicators to measure fiscal risk, alongside independent macroeconomic and institutional variables. The budget balance has the ability to present the effect of the presence of fiscal risks in the short term by analyzing the fiscal position of governments, while the primary balance shows whether governments conceive a response to changes in macroeconomic variables in order to maintain the sustainability of public finances.

The empirical results of the analysis focused on the European Union (2007-2022) show that the level of gross domestic product per capita is the most relevant variable that evolves in the same direction as the budget balance, which has the ability to reduce the impact of fiscal risks and allow the construction of a necessary fiscal space for governments. As for the response of the primary balance, its adjustment according to the government debt and the GDP deviation shows that the public finances of the European Union are sustainable. However, the increasing values of the primary balances needed for future interest payments show that 15 of the European Union states are at risk of "fiscal fatigue".

Keywords: Fiscal Risk, Fiscal Risk Management, Fiscal Balance, Primary Balance, Fiscal Reaction Function, Fiscal Sustainability.