

**TO BE PUBLISHED IN THE GAZETTE OF PAKISTAN PART.I**

F.No.5(4)Debt-II/2015  
Government of Pakistan  
Ministry of Finance  
(Finance Division)

**NOTIFICATION**

Islamabad the 10<sup>th</sup> February, 2023.

S.R.O. (I) 2023. In exercise of the powers conferred by section 17 of the Fiscal Responsibility and Debt Limitation Act, 2005 (VI of 2005), the Federal Government is pleased to make the following rules, namely:-

**1. Short title and commencement.** –(1) These rules shall be called the Fiscal Responsibility and Debt Management Rules, 2023.

(2) These rules shall come into force at once.

**2. Definitions.** –(1) In these rules, unless there is anything repugnant in the subject or context, the words and terms used shall have same meaning as assigned thereto in the Fiscal Responsibility and Debt Limitation Act, 2005 (VI of 2005) or in the following international standards and guidelines adopted by the Government, namely:-

(a) Government Finance Statistics Manual; and

(b) Public Sector Debt Statistics: Guide for Compilers and Users.

(2) In case the meaning assigned to a particular word or term in the standards and guidelines specified in sub-rule (1) are inconsistent with the meaning assigned to the same word or term by a law, rule or regulation in domain of the Government, the latter shall prevail.

**3. Authority to borrow or issue guarantees.** – Subject to the provisions of the Fiscal Responsibility and Debt Limitation Act, 2005 (VI of 2005), hereinafter called as the Act, the authority to borrow, service, repay, extend, write off a debt or give a guarantee shall vest in the Government and all Government borrowings and guarantees shall be executed by the Finance Secretary.

**4. Purposes of borrowing.** – (1) Subject to the provisions of the Act, the Government may borrow for any or all of the following purposes, namely:-

(a) to finance the budget deficit;

(b) to meet temporary cash or liquidity needs;

(c) to make investment in non-financial or financial assets;

(d) to repay, service, refinance, reschedule, restructure, prematurely retire or swap existing debt;

(e) to pay a liability;

(f) any other expense that may form part of excess budget statement.

**5. Functions of Office.** – (1) Without prejudice to the functions specified in sub-section (2) of section 13 of the Act, Debt Management Office shall work in accordance with International good practices for the purposes including the following, namely :-

(I) prepare and execute medium-term debt management strategy, in consultation with the relevant stakeholders and finalize with prior approval of Minister for Finance, in-line with the medium-term budgetary framework (MTBF). In this context,

(a) The Medium-Term Debt Management Strategy (MTDS) shall cover the next three financial years and published on the Finance Division's webpage. The MTDS will be updated on annual basis, if it is considered necessary to do so, aligning it with the MTBF/Medium Term Fiscal Framework (MTFF).

(b) The strategy shall discuss:

(A) The debt portfolio of the Government;

(B) The borrowing requirements of the Government;

(C) Key features of the borrowing plan to meet the borrowing requirements;

(D) Major cost and risk exposures of the debt portfolio including but not limited to:

(i) Rollover or refinancing risk;

(ii) Interest rate risk;

(iii) Exchange rate risk;

(iv) Concentration risk;

(v) Average yield of domestic debt;

(vi) Average yield of external debt.

(E) Key elements of the strategy, along with annual targets, to manage the major risk exposures of the debt portfolio. These shall include but shall not be limited to -

(i) Average time to maturity of debt portfolio;

(ii) Proportion of debt maturing in one year;

(iii) Proportion of fixed rate and floating rate debt in the portfolio;

(iv) Proportion of external debt and domestic debt in the portfolio;

(v) Proportion of debt denominated in foreign currencies; and

(vi) Diversification of investor base;

- (F) Identity the constraints and factors that pose challenge for the targets from being achieved;
  - (G) Projections of key measures of debt burden and costs including -
    - (i) Government Debt and Guarantees along with their bifurcation into Domestic and External components;
    - (ii) Ratio of Government Debt and Guarantees to Gross Domestic Product (GDP); and
    - (iii) Ratio of Interest Expense to Revenue.
  - (H) The medium-term debt management strategy shall be published on website of the Finance Division.
- (II) The office shall maintain comprehensive and authentic record of public debt and guarantees, including the debt and guarantees issued by the Government. For this purpose, the Office will preserve and safeguard the records, files and information that happens to come to the hands of the Office, or it deals with on day to day basis and perform data quality checks including Debt Management and Financial Analysis System (DMFAS). The Office will develop a consolidated debt management information system which links public debt and guarantees information recorded in various databases including DMFAS, Integrated Financial Management Information System (IFMIS). The Office will ensure dissemination of the public debt information through publications including;
- (i) semi-annual debt bulletins;
  - (ii) annual public debt review; and
  - (iii) debt policy statement.
- (III) The Office shall act as the capital markets investor relations office of the Finance Division in matters pertaining to public debt including communication of debt management strategy to financial market participants; obtaining the feedback of the participants regarding the debt management strategy, modification of existing debt instruments, introduction of new debt instruments etc.; and responding to queries of the participants without disclosing confidential information.
- (IV) The Office will anchor and support development of the domestic debt capital market with the ultimate objective of mobilizing long-term domestic financing at competitive rates.
- (V) Coordination function including coordination with Economic Affairs Division (EAD), State Bank of Pakistan (SBP), Budget Wing, Central Directorate of National Savings (CDNS), External Finance for borrowing decisions and record keeping. Also include coordination with the Macro-Fiscal Policy Unit (MFPU) on MTFP.

(VI) Perform any other functions assigned by the finance secretary and work in collaboration with all other wings of finance ministry or any other ministry or office of the Government or State Bank of Pakistan, or any other institution working on or requiring assistance from the office.

**6. Management of guarantees.** – (1) Annual budget statement for each financial year shall include estimates of Government guarantees to be issued during the financial year.

(2) The estimates under sub-rule (1) shall be compiled by the Office by obtaining information from the relevant government's units and public corporations.

(3) The Office shall prepare a framework for management of guarantees including the processes for issuance, valuation and monitoring of Government guarantees.

(4) The framework under sub-rule (3) shall be based on the following principles, namely:-

- (a) in all cases of guarantees, including loan guarantees to specific public corporations and other entities, revenue or profit guarantees to investors in infrastructure projects or other programs, or credit guarantee schemes for various categories of businesses or individuals, the repayment capacity of the beneficiaries and the expected losses on account of those guarantees shall be assessed;
- (b) each guarantee shall be assigned a risk rating according to a pre-defined scale such as low risk, medium risk and high risk;
- (c) in cases where the underlying risk is too high, other forms of unilateral financial support such as grant, subsidy or social benefits may be considered instead of providing guarantees;
- (d) in order to achieve a balance in allocation of risks between the Government on one hand and the lenders and investors on the other hand and incentivized stronger due diligence on the part of lenders and investors, partial guarantees shall be preferred over full guarantees in respect of underlying claims or obligations; and
- (e) in case, a need for additional guarantees arise during the year, or there is a change in the schedule or volume of guarantee, or a guarantee is not needed during the year, the office shall deal with the matter on case to case basis while advising or taking necessary steps to deal with the situation that may arise.

**7. Coordination with macro-fiscal policy unit.** - (1) To carry out purposes of the Act, the Office and macro-fiscal policy unit shall maintain close coordination.

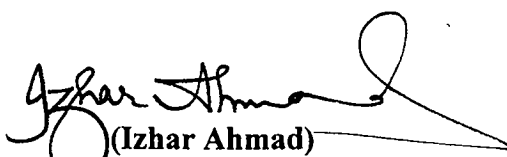
(2) The Office shall provide to the macro-fiscal policy unit information and projections related to borrowings and guarantees for the purpose of debt sustainability analysis, medium-term fiscal framework, and fiscal risk statement.

(3) The macro-fiscal policy unit shall provide the information and projections related to macro fiscal variables including GDP, inflation, exchange rate, interest rate, primary balance etc. to the Office for the purpose of the medium-term debt management strategy and annual borrowing and guarantee plans.

**8. Transparency in reporting of public sector debt statistics.** - (1) The Government shall strive to maintain high standards of transparency in reporting of statistics pertaining to public sector debt and guarantees.

(2) Subject to the provisions of the Act, the debt bulletin to be issued on a bi-annual basis shall be in accordance with the international standards contained in Public Sector Debt Statistics: guide for compilers and users as amended or substituted from time to time, as practiced and adopted in Pakistan.

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