

THE SINDH FISCAL RESPONSIBILITY AND DEBT MANAGEMENT ACT, 2022

SINDH ACT NO. XXXIII OF 2023

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[04TH SEPTEMBER, 2023.]

AN ACT to impose the fiscal and debt constraints to ensure the public financial management of the province in a prudent, disciplined and sustainable manner.

WHEREAS it is expedient to impose the fiscal and debt constraints to ensure the public financial management of the province in a prudent, disciplined and sustainable manner and for matters connected therewith and incidental thereto. **Preamble.**

CHAPTER I PRELIMINARY

1. This Act may be called the Sindh Fiscal Responsibility and Debt Management Act, 2022. **Short title, extend and commencement.**

(i) It shall extend to the whole of the Province of Sindh.

(ii) It shall come into force at once.

2. (1) In the Act, unless there is anything repugnant in the subject or context:- **Definitions.**

(a) “Constitution” means the Constitution of Islamic Republic of Pakistan, 1973;

(b) “Current revenue expenditure” means the expenditure on goods and services for consumption or utilization in a financial year and may include employees related expense, retirement benefits, operating expenses, repair and maintenance, subsidies, transfer payments and grants.

(c) “Debt servicing” means payment of interest and repayment of principal on account of loans;

(d) “Development expenditure” means expenditure incurred on development projects to acquire, build or improve physical or non-physical assets;

(e) “Development project” means a planned activity to acquire, build or improve a physical or non-physical entity in a defined period, with a defined outcome, and within a specified budget;

(f) “Financial year” means a period of twelve months

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starting from first day of July and ending on June 30, the following;

- (g) “Finance Department” means Finance Department of Government of Sindh;
- (h) “Government” means Government of Sindh;
- (i) “Government entity” means an office, statutory body, local council, autonomous body or an organization working under the administrative and financial control of the Government;
- (j) “Guarantee” means formal assurance by the Government for repayment of debt and related expenditures on account of a financial liability;
- (k) “Prescribed” means prescribed by rules made under this Act;
- (l) “Province” means the Province of Sindh;
- (m) “Provincial Assembly” means the Provincial Assembly of Sindh;
- (n) “Provincial Fiscal deficit” means the difference between total revenue receipts and total expenditure of the Provincial Government;
- (o) “total public debt” means sum of domestic and external debts of the Government with defined terms and conditions for repayment for each;
- (p) “Total revenue” means all tax and non-tax receipts to the Government including federal grants to the province but not including loans or grants received from other entities;
- (q) “Unit” means the Debt Management Unit established under section 8 of the Act;

(2) All revenues, expenditures, loans and grants in this Act shall mean public revenues, expenditures, loans and grants, unless specified otherwise.

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CHAPTER II

FISCAL RESPONSIBILITY AND DEBT MANAGEMENT MEASURES

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| 3. | Government shall have the authority to borrow and issue loans and guarantees as defined in the Sindh Public Finance Administration Act, 2020. | Authority to Borrow. |
| 4. | Government may borrow money or issue guarantees as defined in section 24 of Sindh Public Finance Administration Act, 2020. | Purpose of Borrowing. |
| 5. | Government shall have the following fiscal management objectives:- | Fiscal Management Objectives. |
| | i. To maintain current revenue expenditure within prudent limits; | |
| | ii. To prioritize sustainable expenditures having greater impact on the human development index. | |
| 6. | Government shall take all appropriate measures to minimize annual budget deficits over the long run and shall adhere to the following quantitative fiscal targets:- | Principles of fiscal discipline. |
| | i. Provincial fiscal deficit shall not exceed twenty percent of total revenue of preceding Financial Year. | |
| | ii. Debt servicing of total public debt shall not exceed ten percent of total revenue of preceding Financial Year. | |
| | iii. Stock of Guarantees does not, at any time, exceed twenty five percent of the total revenue of preceding Financial year. | |

Explanation. – For the purpose of this section, each guarantee shall be valued at its risk-weighted value in accordance with a valuation methodology to be prescribed;

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| 7. | <p>(1) if the provision of section 6 is not complied with, Government shall return to a compliant status in a period not exceeding three financial years, not including the financial year in which non-compliance takes place.</p> <p>(2) The annual budget for the following financial year and any plans to issue new debt, or guarantees, if so planned, may be so adjusted to return to a compliant status.</p> | Compliance with the Act. |
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CHAPTER III DEBT MANAGEMENT UNIT

8. Government shall establish a Debt Management Unit (DMU) in Finance Department with the terms and conditions as may be prescribed. **Establishment of the Debt management Unit.**

CHAPTER IV ECONOMIC POLICY REPORTS

9. Government shall periodically issue the following Economic policy reports; **Medium Term Debt Strategy and Budget Strategy Paper.**
- (A) Medium Term Debt management Strategy.-

(1) The Finance Department shall publish a 3 (three) years Medium Term Debt management Strategy for managing public debt.

(2) The Medium Term Debt Management Strategy shall follow the Fiscal management objectives in section 5 of the Act.

(3) The medium-Term Debt management Strategy shall include”-

- i. review of macroeconomic framework and domestic market conditions;
- ii. guidelines and targets for debt management and identifying and managing risks in the debt portfolio; and
- iii. any other factors that may impact that debt portfolio.

(B) Budget Strategy Paper: The Budget Strategy Paper presented by the Finance Department shall conform to the provisions of section 4 of Sindh Public Finance Administration Act, 2020 and the Finance Department shall also prepare a medium-Term Fiscal Framework encompassing at least the next three Financial years.

MISCELLANEOUS

10. No suit, prosecution or other legal proceedings shall lie against the Government or any employee of the Government regarding anything which is done or intended to be done in good faith under the Act or the Rules made thereunder. **Indemnity.**

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| 11. | The provisions of the Act shall in addition to and not in derogation of any other law for the time being in force. | Application of other laws not barred. |
| 12. | Government may, by notification in the Official Gazette, make rules for carrying out the purposes of this Act. | Power to make rules. |
| 13. | (1) If any difficulty arises in giving effect to the provisions of the Act, Government may, by an order published in the Official Gazette, make such provisions, not inconsistent with the provisions of the Act, as may appear to be necessary for removing the difficulty. | Removal of difficulties. |

Provided that no order shall be made under this section after the expiry of three years from the date of enactment of the Act.

(2) Every order made under sub-section (1) shall, as soon as possible, be laid before the Provincial Assembly.