

REGISTERED No. $\frac{M - 302}{L - 7646}$

The Gazette  **of Pakistan**

**EXTRAORDINARY
PUBLISHED BY AUTHORITY**

ISLAMABAD, SATURDAY, DECEMBER 31, 2022

PART III

Other Notifications, Orders, etc.

GOVERNMENT OF PAKISTAN
FINANCE DIVISION

NOTIFICATION

Islamabad, the 16th August, 2022

No. F. 1(15)-HR-IV/2019.—In order to ensure smooth and effective performance, the Finance Secretary has been pleased to approve Terms of Reference (ToRs) of the Macro Fiscal Policy Unit (MFPU) (**Annex-I**).

MUHAMMAD HAYAT,
Section Officer (HR-IV).

(3919)

Price : Rs. 6.00

[14172 (2022)/Ex. Gaz.]

Annex-I**Government of Pakistan | Finance Division***Macro-Fiscal Policy Unit (MFPU)****Mission***

The Macro-Fiscal Policy Unit (MFPU) of the Ministry of Finance is the government's key department for performing macro-fiscal functions, elaborating sustainable medium-term fiscal objectives and policy orientations, and for assessing fiscal risks. The Unit also ensures consistency between macro-economic developments and projected revenues and expenditures.

Functions

Four components of the macro-fiscal function can be identified:

- (i) **Medium-Term Macro-economic Framework (MTMF)**
 - Developing and maintaining a consistent model that produces medium-term fiscal projections, including those for GDP (and its components) and inflation. Understanding the current state of the local and international economy, assessing the domestic economy's trajectory, setting desirable macro-economic objectives, and formulating policy changes to achieve those macro-fiscal objectives.
 - Establishing the links between key macro-economic variables and the budget forecasts.
- (ii) **National Medium-Term Fiscal Framework (MTFF) and Automatic Safeguards in the Event of Breach of Ceilings as Per the FRDLA 2022**
 - Prepare a Medium-Term Fiscal Framework, covering aggregate fiscal projections including revenues, expenditures, and primary balances of the upcoming fiscal year and the two outer years, with respect to the Federal Government, Provincial Governments, and other areas of Pakistan, which shall be presented no later than the 15th day of April of the ongoing fiscal year to the National Finance Commission (NFC) Monitoring Committee.
 - Preparing baseline projections. ("no policy change" scenario) from which the annual fiscal budget is derived, including

forecasts of revenue (and its components), expenditure (and its components), financing and debt.

- Ensuring publication of the National MTFP in the Annual Budget Strategy Paper (BSP) and consistent with the Fiscal Responsibility and Debt Limitation Act (FRDLA Amended 2022).

(iii) **Debt Sustainability Analysis (DSA) and Fiscal Sustainability Analysis (FSA)**

- Analyzing and publishing the dynamics of fiscal deficits and debt sustainability projections under various assumptions taking into account fiscal policy decisions.
- Collaborating with the Debt Management Office (DMO) for the medium-term debt management strategy to ensure consistency with the MTFP.
- Ensuring annual publication of the Pakistan Debt Sustainability Analysis as per the updated International Monetary Fund (IMF) framework for Debt Sustainability Analysis for Market-Access Countries.

(iv) **Fiscal risks**

- Analyzing the possibility of short- to medium-term deviations in fiscal variables as compared to what was projected in the Medium-Term Fiscal Framework or annual budget, identifying the differences between expected and actual fiscal outcomes for key fiscal aggregates.
- Monitoring the materialization of budget assumptions, external shocks, off budget or off-balance sheet fiscal operations and government guarantees, and other contingent liabilities.
- Publishing an annual fiscal risk statement illustrating alternative macro-economic scenarios and following global best practices for fiscal risk disclosure.