

S.I. 2021 No.

Public Finance Management Act, 2019
(Act 2019–1)

**PUBLIC FINANCE MANAGEMENT
(PROCEDURAL FISCAL) RULES, 2021**

The Cabinet, in exercise of the powers conferred on it by section 129(1) of the *Public Finance Management Act, 2019*, makes the following Rules:

1. These Rules may be cited as the *Public Finance Management (Procedural Fiscal) Rules, 2021*.

2. In these Rules,

“accounting basis” means the body of accounting principles that determine when transactions or events should be recognised for financial reporting purposes and include

(a) the 2 basic reference points of cash and accrual; and

(b) the 2 variations of modified cash and modified accrual;

“accrual accounting” means accounting systems that recognise transactions or events at the time economic value is created, transferred, exchanged or extinguished and includes cash and all other recorded economic flows;

“cash accounting” means an accounting system that recognises transactions and events when cash is received or disbursed;

“correction mechanisms” means the procedures to be followed by the Government to correct any deviations between the procedural fiscal rule and out-turn values for debt or the primary balance or on both;

“debt anchor” means a rule that sets targets for the level of debt that the Government seeks to achieve as a percentage of Gross Domestic Product over the medium term and long term;

“expenditure arrears” means the amounts that are both unpaid and past the due date for payment representing the stock of invoices that have not been paid by the date specified in a contract between a supplier and the Government, within a normal commercial period for similar transactions or as specified in an enactment;

“fiscal risks” means potential shocks to Government revenues, expenditures, assets and liabilities that may cause fiscal outcomes to depart from expectations or forecasts;

“key fiscal aggregates” includes the primary balance and other fiscal aggregates;

“modified accrual accounting” means an accounting basis in which elements of cash accounting are combined with accrual accounting;

“primary balance” means the overall budget balance of revenue and grants received, less expenditure but does not include interest due and payable;

“procedural fiscal rule” means a rule that sets the hierarchical medium-term fiscal policy objectives or targets for key fiscal aggregates that commit the Government to report fiscal out-turns against those objectives.

3.(1) The Government, in setting measurable fiscal objectives pursuant to section 5(2) of the Act, shall establish a procedural fiscal rule which shall comprise

(a) a debt anchor which would require Government debt to decline to a numerical level by a date to be specified in the Fiscal Framework; and

(b) a primary balance path consistent with the debt anchor.

(2) For the purposes of paragraph (1)(b), the primary balance path refers to the future annual primary balances.

(3) The primary balance of the procedural fiscal rule referred to in paragraph (1) shall be expressed as a percentage of the Gross Domestic Product.

(4) Where there is a conflict between the debt anchor and the primary balance of the procedural fiscal rule referred to in paragraph (1), the debt anchor shall take precedence over the primary balance.

4.(1) The Ministry responsible for Finance, in measuring the Government debt and the primary balance, shall include Central Government, that is to say, all Ministries and Departments of Government in that measurement.

(2) The Ministry responsible for Finance, in measuring the primary balance, shall use cash accounting.

(3) The Ministry responsible for Finance, in measuring the Government debt shall use modified accrual accounting, that is to say, by adding the expenditure arrears to the cash estimates.

(4) In assessing the fiscal risks of the Government, the Fiscal Framework shall include fiscal risks associated with the following:

(a) State-Owned Enterprises and Commercial State-Owned Enterprises; and

(b) any public private partnership contracts.

(5) The assessment referred to in paragraph (4) shall take into account the performance of the entities referred to in that paragraph for a period of at least 5 years, that is to say,

(a) the current year;

(b) at least the 2 years immediately preceding the current year; and

(c) the 2 years immediately succeeding the current year.

5.(1) The Ministry responsible for Finance shall monitor the day-to-day execution of the measurable fiscal objectives referred to in section 5(2) of the

Act and shall, in the annual Fiscal Framework and the Mid-Year Review Report, document clearly, compliance with those objectives.

(2) The Ministry responsible for Finance shall invite the Parliamentary Standing Committee on Finance to comment on Government's compliance with its fiscal targets.

(3) The Auditor-General shall review the calculations of debt and the primary balance to ensure that they were performed correctly and in compliance with these Rules.

(4) The comments of the Auditor-General pursuant to his review in paragraph (3) shall be included in the report of his annual audit of the Government's financial statements.

6. Where, in any year, the Government deviates from its fiscal objectives, it shall in the next Fiscal Framework set out in detail

(a) the measures it will implement to address the deviation and the expected time to achieve it; or

(b) the reasons why it will not implement measures to address the deviation in accordance with paragraph 2 (d)(ii) of the *Third Schedule* to the Act.

7. These Rules shall come into operation on the 1st day of April, 2022.

Made by the Cabinet this 17th day of December, 2021.



Secretary to the Cabinet (Ag.)

