

# Major Policies

## 1. Promulgated the amendment of “Government Treasury Act”

For a sound public treasury system in all levels of government and to improve government revenue and expenditure management, the Ministry of Finance (MOF) drafted the amendment of “Government Treasury Act.” The amendment was promulgated by the President on May 6, 2009.

The major changes and benefits in the amended Government Treasury Act are as follows:

### (1)The Government Treasury Act will become the foundation regulating treasury management in all levels of government

To amend this Act, the MOF reviewed the original Government Treasury Act/its enforcement rules and the current National Treasury Act/its enforcement rules. This amendment of Government Treasury Act includes the principles in the above mentioned laws and is the foundation for central and local government treasury affairs.

### (2)Changes in Monitoring the Local Treasury Affairs

To advance autonomy, the contract which is commissioned by the competent authority of the special municipality, county/city, or township/city treasury to the commissioned bank will adopt an ex-post recordation mechanism (ex-ante approvals were requested in the past). This will simplify the supervision and enhance administration of local treasury.

### (3)Expanding the National (Government) Treasury Service

To facilitate public tax payments and government agencies control revenue/expenditure and financial management, the amendment added a provision for the commissioned bank of the government treasury may

re-commission payment collections agency or centralized securities to take charge of the government treasury activities, for example, convenience stores, Taiwan Depository and Clearing Corporation, etc.

#### (4) Financing Public Treasury with Deposits in the Government Agency Accounts

To advance government capital management, besides loans less than one year made pursuant to the Public Debt Act, the amendment allows deposits in the government agency accounts to be used finance public treasury.

#### (5) Relaxing regulations on Treasury Checks and the Government Agency Account Checks, Applying *mutatis mutandis* the Negotiable Instruments Act Concerning Checks

As checks are common and convenient for the public, and in order to unify operations by banks acting on behalf of the public treasury, the amendment relaxes regulations on treasury checks and the government agency account checks.

### 2. Promoting the “Program for Improving the Efficiency of Government Finance”

The MOF stipulated and proposed to the Executive Yuan on February 19, 2009 the “Program for Improving the Efficiency of Government Finance” to reduce uneconomic expenditure, manage financial resources efficiently, and increase revenues. Premier Liu pointed out that, with limited financial resources, every department shall improve revenue and expenditure management, business plan, and resource allocation. In order to improve financial efficiency, this Program can help every department to strengthen cost and benefit analysis, improve financial management, reduce uneconomic expenditure, and increase to use financial resources

efficiently; the departments shall coordinate and supervise subordinate divisions to comply with the Program.

The three major objectives of the Program are to “save money, find money, and make money.” We stipulated the following 4 directions and major tasks:

- (1)Revenue and expenditure management: strengthening the implementation of the budget and flexible utilization of funds.
- (2)Efficiency management: strengthening the financial evaluation mechanism and improve performance in implementation.
- (3)Strategy management: adjustment of the strategy for business implementation and reduction of the fiscal burden.
- (4)Institution management: improvement in the financial management institution and increase in fiscal revenues.

The MOF designed the index for measuring institutional performance under the Program approved by the Executive Yuan. In addition, to strengthen the concept of financial efficiency, the MOF also share experiences regarding the Program. On May 12, 19, and 26, 2009 the MOF invited relevant executive officers representing subordinate departments under the Executive Yuan to the workshop at the Training Institute, Ministry of Finance. The workshops were divided into 3 terms, with a total of 265 participants.

National construction is the whole and it cannot be separated from finance. It is always the government’s responsibility to increase revenues and cut expenditures, and all department shall work together to achieve the goal. Thus, the MOF will coordinate with relevant departments in promoting this Program. We hope that the Program will increase government revenue, improve government financial efficiency, and

achieve the vision of “to support construction with public finance and to raise public finance with construction.”

### 3.Management of Government-Owned Shares

In order to better manage government-owned shares and promote financial efficacy, the MOF emphasizes “justifiable in procedure and legitimate in all aspects” in its management of government-owned shares. The MOF held a meeting with representatives of the government-affiliated institutions and made a resolution with respect to the following eight principles:

- (1)Government- affiliated enterprises shall set specific targets for revenue growth as a reference in the evaluation of representatives of the government- affiliated institutions.
- (2)The MOF shall regularly evaluate the goals and policy achievements of the presidents and the general managers of government- affiliated enterprises.
- (3)Government- affiliated enterprises shall conduct risk management to ensure robust operation.
- (4)Government- affiliated enterprises shall support energy conservation and carbon reduction with the goal of saving more than 2% of current expenditure on water, electricity, and fuel.
- (5)Government- affiliated enterprises shall supervise the performance of reinvested enterprises and the integration of subordinate enterprises to improve operational synergy.
- (6)Government- affiliated enterprises shall design training programs for managers or personnel of a higher rank.
- (7)Government- affiliated banks shall convene meetings at regular times regarding project loans to monitor the performance and progress of

such loans.

(8)“The Standard Procedures for Government-affiliated Financial Institutions under the MOF in Dealing with Mergers” (see Attachment 1) were stipulated in order to assist government-affiliated financial institutions in relevant affairs.

In the future, the MOF will continue to monitor corporate governance and risk management in government-affiliated enterprises in order to protect the rights and interests of stockholders, customers, and employees. Moreover, the MOF will devote itself to advancing overall market competitiveness, strengthening national asset management, and safeguarding the national treasury.

#### 4.Drafted the Amendment of Public Debt Act

In order to cope with the adjustment of administrative division, the Ministry of Finance submitted the drafted amendment of the Public Debt Act to the Executive Yuan on April 3, 2009. The key amendments are as follows:

- (1)To have robust finance, the statutory debt limits of central government remain the same.
- (2)Adjusting the debt framework of local governments and debt limit formula.
- (3)For control and enforcement, deregulating total debt ceiling for county/city and township.
- (4)Reinforcing the mechanism of public debt reduction and revising the article of debt disclosure.

#### 5.Promoting Regular Moderate Issuance of Government Bonds and Treasury Bills

To effectively construct the government bond yield curve and promote a

regular issuance of government bonds, the government bonds will be issued regularly with moderate amounts in 2009, and a “two-staged announcement” will be adopted, too. After surveying relevant institutions and central government bond dealers; “The 2009 Conference for Government Bond Issuance” was held on December 8, 2008. To regularize the terms of government bonds, carry out consensus in the conference, and construct a complete government bond yield curve, as to the terms of the 2009 government bonds, besides the original or re-opened issuance 5-year/ 10-year/ 20-year each quarter, we will issue a 2-year bond in October (see Attachment 2); as a result, there will be a total of 13 issuances in 2009. Until May, 2009, the total amount of government bond issued is NT\$ 180 billion, including 3 new issuances and 2 reopens. To build the short term yield curve, the treasury bills will be issued regularly with moderate amounts in 2009 (see Attachment 3), it also adopts the “two-staged announcement” as the same as government bonds. Until May 2009, a total amount of NT\$ 215 billion is issued in 9 terms.

#### 6. Drafted the Amendments to the Act Governing the Allocation of Government Revenues and Expenditures

To improve local finance and accompany the developing trend of local governments to upgrade their status as municipalities, the MOF has reported to the draft amendment of the Act Governing the Allocation of Government Revenues and Expenditures to the Executive Yuan. The principles for this amendment include “increasing local government financial resources in real term,” “increasing local government financial resources rather than decrease,” “unifying allocation standards for municipals and counties(cities),” “substituting percentile with formula,” “strengthening the financial incentive mechanism,” “building fiscal

discipline.” In addition, to accompany the reform of local governments to upgrade their status, we also designed relevant measures. If the MOF’s draft amendment can be approved, it may effectively improve local finance and correspond to reforms in the local governments.

## 7.Assistance to Local Finance

To improve local finance and response to reform the reform of local governments to upgrade their status, the MOF proposed the draft amendments of the Act Governing the Allocation of Government Revenues and Expenditures to the Executive Yuan. Since the government faces a limited financial resource, reallocating the financial resource cannot solve the deficits in local governments. Thus, the MOF issued the “Guidance to Assist Local Finance” in March, 2009. It regulated the performance index for major local financial operations; the financial management will be improved through the training programs, supervisory/guidance, and experience sharing (see Attachment 4).

## 8. Drafted the Amendment of the Tobacco and Alcohol Administration Act

To enhance tobacco and alcohol administration, the MOF drafted the amendment of the Tobacco and Alcohol Administration Act and submitted it to the Executive Yuan on April 10, 2009. The amendment aims to strengthen the administration of the use of ethyl alcohol by enforcing criminal penalties against those who produce disqualified alcohol products with ethyl alcohol which is other than edible. In addition, it reinforces the administration of the labeling and of the manufacturers of tobacco and alcohol products to build a sound market and protect the safety of consumers.

## 9.Seizure on Unlawful Tobacco and Alcohol

The Tobacco and Alcohol Administration Act has been promulgated for more than 7 years. In order to sustain the production and sales order in the alcohol and cigarette market, lower the impacts of unlawful tobacco and alcohol on tax revenue and the market, and protect legal enterprises and consumer rights, we have established the mechanism and measure seizing unlawful tobacco and alcohol. However, recently the Legislative Yuan and relevant scholars are concerned and suggested some improvements in seizures. As a result, we cooperate with central and local authorities to carry out the Project on Seizing Unlawful Tobacco and Alcohol (see Attachment 5).