

## **Introduction of Debt Management**

### **Implementation of the Public Debt Act**

According to Article 5 of the Public Debt Act, the outstanding debt at all levels of government with a maturity of one year or more shall not exceed 50% of the average of nominal GDP for the previous three years, of which 40.6% and 9.4% are allocated to the central government and local governments, respectively. The outstanding amount of the short-term debt maturing in less than one year, for the purpose of counterbalancing treasury revenues and expenditures against the sum of general and special budget of total annual expenditures, shall not exceed 15% for the central government and 30% for local governments.

### **Enhanced Control Measures for Local Government Debts**

To enhance debt management measures and supervise changes of local government debts, the “Hierarchical Management Mechanism for Municipality and County (City) Government Debts” was continually implemented. This hierarchical mechanism was based on the percentage of debt ratio to debt ceiling for debt risk early prevention, instant improvement, and immediate actions.

### **Enhancing Debt Management of the Central Government**

In response to the financing needs of the Treasury, the flexible application of debt management tools such as bonds, treasury bills, and short- and long-term loans have been adopted appropriately. To follow market demands accordingly, a bond issuance system will be reviewed in a timely manner. The operation of the Debt Service Fund performs similarly to the operation of debt refinancing and converts high-interest rate debt to low-interest rate debt. It is found that the Debt Service Fund has been of great help in adjusting debt structure as well as reducing the interest burden of the central government, and increasing debt management efficacy.