

## **Preparation and Explanation of Debt Improvement Plan**

### **A. Legal basis**

In accordance with Article 6 of the Public Debt Act, when the forecasted amount of outstanding public debt with a maturity of 1 year or more incurred by a special municipality, a county (or county-level city), or a township (or township-level city) reaches 90 percent of the loan cap set in paragraphs 3 and 4, respectively, of Article 5 of the same Act, it shall draw up a debt improvement plan and an implementation schedule for that plan and submit them to the Public Debt Administration Committee for deliberation and approval, and then to the supervisory authority for public debt for review. In the debt improvement plan and implementation schedule proposed by a special municipality, county (or county-level city), and township (or township-level city), newly incurred public debt taken on by the government may not exceed the loan cap for the previous fiscal year without prior approval from the supervisory authority for public debt.

### **B. Deliberations of debt improvement plan and implementation schedule**

- a. Process follows the “Organic Regulations of the Public Debt Administration Committee” and the “Regulations Governing the Deliberation Procedures of the Public Debt Administration Committee” issued by the MOF Order No. 10303649360 dated April 15, 2014.
- b. The authorities for public debt administration of the central government, municipalities, and counties (and county-level cities) shall respectively establish their own Public Debt Administration Committee. Review of the public debt of townships (and township-

level cities) shall be approved by the county's Public Debt Administration Committee.

- c. When the forecasted amount of outstanding public debt with a maturity of 1 year or more incurred by a local government reaches 90 percent of the loan cap set in paragraphs 3 and 4, respectively, of Article 5 of the Public Debt Act, the local government shall draw up a debt improvement plan and an implementation schedule for that plan and submit them to the Public Debt Administration Committee for deliberation.
- d. When a local government draws up a debt improvement plan and an implementation schedule, it shall prepare related documents of an analysis of the current situation of revenue and expenditure, an analysis of the reasons for reaching 90% of the debt limit, the specific items, schedule, and amount of cost-saving measures as well as source-broadening measures, and the debt improvement schedule.
- e. The debt improvement plan and implementation schedule shall improve the debt to less than 90% of the debt limit stipulated in paragraphs 3 and 4, respectively, of Article 5 of the Public Debt Act within three years; with the exception of special reasons which are explained to and approved by the Public Debt Administration Committee.
- f. A local government shall submit the implementation of its debt improvement plan to the Public Debt Administration Committee for review each year before the debt is improved to less than 90% of the debt limit.

## **C. Preparation and explanation of debt improvement plan and implementation schedule**

- a. Background
  - (a) Overview of revenues and expenditures structure
  - (b) Tables of structure of revenues and expenditures: analysis of the structure of annual revenues and expenditures in the past 5 years
  - (c) Analysis of the reasons for deficit
- b. Analysis of the reasons for reaching 90% of the debt limit
  - (a) Table of long-term debt: Analysis of the long-term debt for the last 5 years
  - (b) Analysis of raising debt ratio
- c. Debt improvement Measures
  - (a) Source-broadening Measures
    - i. Specific items, schedule, and amount: itemized and quantified source-broadening measures
    - ii. Analysis
  - (b) Cost-saving Measures
    - i. Specific items, schedule, and amount: itemized and quantified cost-saving measures
    - ii. Analysis
- d. Debt improvement schedule
  - (a) Implementation schedule for debt improvement plan
  - (b) List the long-term debt for each month of the past three years (including forecasted amount, actual amount, and debt ratio) and long-term debt repayment amounts.