MEDIUM TERM FISCAL STRATEGY AND DEBT MANAGEMENT STRATEGY

The Fiscal Strategy

The fiscal strategy of Government aims at enforcing **greater fiscal discipline and financial prudence**, particularly in view of the recent rising trend in public debt. Furthermore, the Strategy will strengthen debt-related parameters such as affordability, solvency and liquidity which are already at a reasonable level.

2. The key focus of the Strategy is, therefore, to:

(i) enhance buoyancy of the tax system and improve revenue collection;

(ii) contain rising trend in recurrent spending and rationalise subsidies and social transfer programmes;

(iii) modernise the Public Investment Management Framework for higher value for money; and

(iv) raise public sector efficiency, including in parastatal bodies and public enterprises.

3. Revenue: The tax base will be consolidated and adjusted to priorties. Where appropriate, specific rates will be adjusted in line with inflation and revenue-raising measures taken, especially on consumption taxes. Tax administration will be improved further, with focus on better collection of revenue arrears and more efficient tax dispute settlement mechanism. Government will enforce better returns on public enterprises, including dividends and disposal of excess and underemployed assets. Also, exceptional one-off revenues, like external grants, will be channelled into growth-enhancing investments and long-term returns.

4. Recurrent Expenditure: Measures will be taken to modernise the public financial management system, reinforce the performance monitoring and evaluation function, and conduct sector policy and expenditure reviews. These include:

(a) setting up of a high level Committee on the ageing population and the sustainability/equity issues of the pension system;

(b) carrying out financial management and system reviews in Ministries/Departments to reduce wasteful expenditure and ensure cost-efficient public service delivery;

(c) leveraging on the e-budget system to set up Performance Dashboard for an Accounting Officer to monitor the financial as well as the non-financial progress of his/her Ministry/Department at any particular point in time in relation to the set targets; and

(d) assessing and monitoring fiscal risks and contingent liabilities arising from implementation of infrastructure projects, legal claims, pension liabilities and Government guarantees. The Public Private Partnership Fiscal Risk Assessment Model (P-FRAM) will be used to assess the potential fiscal risks associated with projects and eventually develop the Fiscal Risk Assessment Matrix.

5. Public Investment Management Framework: Project Implementation Units (PIUs) will be set up/strengthened in 5 large Ministries/Departments to undertake project planning and preparation, project management including risk management, procurement and contract management. The Project Plan Committee will be reformed for more rigorous project formulation and design. Moreover, a number of major projects will be implemented with the participation of the private sector under the Build Operate Transfer (BOT) Act that was passed recently.

6. Parastatals and public enterprises: Their financial performance will be closely monitored and appropriate actions taken to improve their financial soundness:

(a) the Public Enterprise Information Management System (PIMS) will be upgraded into a dynamic database of financial and non-financial information on public enterprises;