



# Seventh Tokyo Fiscal Forum

June 22 – 23, 2022

## FISCAL RESPONSIBILITY ACT (FRA)

Enhancing Governance, Accountability & Transparency...

---

**Md Farishzan Ismail**  
Principal Assistant Director  
Fiscal and Economics Division  
Ministry of Finance, Malaysia

# Strengthening fiscal framework towards fiscal sustainability...

## FISCAL SUSTAINABILITY FRAMEWORK

### Fiscal Responsibility Act (FRA)

### Financial Procedure Act 1957 (FPA)

Government  
Funding Act  
1983

Loan  
(Local)  
Act 1959

External  
Loans Act  
1981

Treasury Bills  
(Local) Act  
1946

Loans Guarantee  
(Bodies Corporate)  
Act 1965

Minister of Finance  
(Incorporated) Act  
1957

Other Related  
Acts

LEGISLATIVE  
REFORMS

### REVENUE

### EXPENDITURE

### GOVERNANCE

### REPORTING

- Medium Term Revenue Strategy (MTRS)
- Review of tax incentives
- Modernise tax system
- Asset monetisation

- Public Expenditure Review (PER)
- Pension reform
- Subsidy reform

- Fiscal Policy Committee
- Parliament Select Committees
- Public Accounts Committee
- National Anti Corruption Plan (NACP)
- PERKUKUH
- Independent Fiscal Institution

- Pre-Budget Statement
- Fiscal Risk Statement
- Tax Expenditure
- Mid-Year Economic & Fiscal Update
- Mid-Year Budget Report

FISCAL REFORMS

INSTITUTIONAL REFORMS



# Fiscal Responsibility Act (FRA)

## Overview

The Government committed to continuing fiscal reform initiative to strengthen public finances with the introduction of FRA.

The formulation of FRA aims to further enhance governance, accountability and transparency in fiscal management.

Fiscal Policy Committee endorsed the FRA framework in May 2021.

A public consultation paper was published in September 2021.

## Feedback from public consultation paper



Implement accrual accounting



Ensure predictable and stable tax rates



Improve the management of government assets



Review the FPC membership



Establish an independent fiscal institution



Review the role of Minister of Finance (Incorporated) companies



Enhance the management of government guarantees



Review the pension scheme from defined benefit to defined contribution



Increase public investment spending



Widen the revenue base



# Proposed FRA framework

1

## Introduction

- Title and commencement
- Objective
- Interpretation / Definition
- Coverage



2

## Mandate for Fiscal Policy

- Key principles
- Charter/Schedule
- Escape clauses



3

## Key Components

- Revenue
- Expenditure
- Debt
- Fiscal Risk



4

## Reporting

- Pre-Budget document
- Post-Budget document
- Other reports



5

## Fiscal Policy Committee

- Members
- Roles
- Power



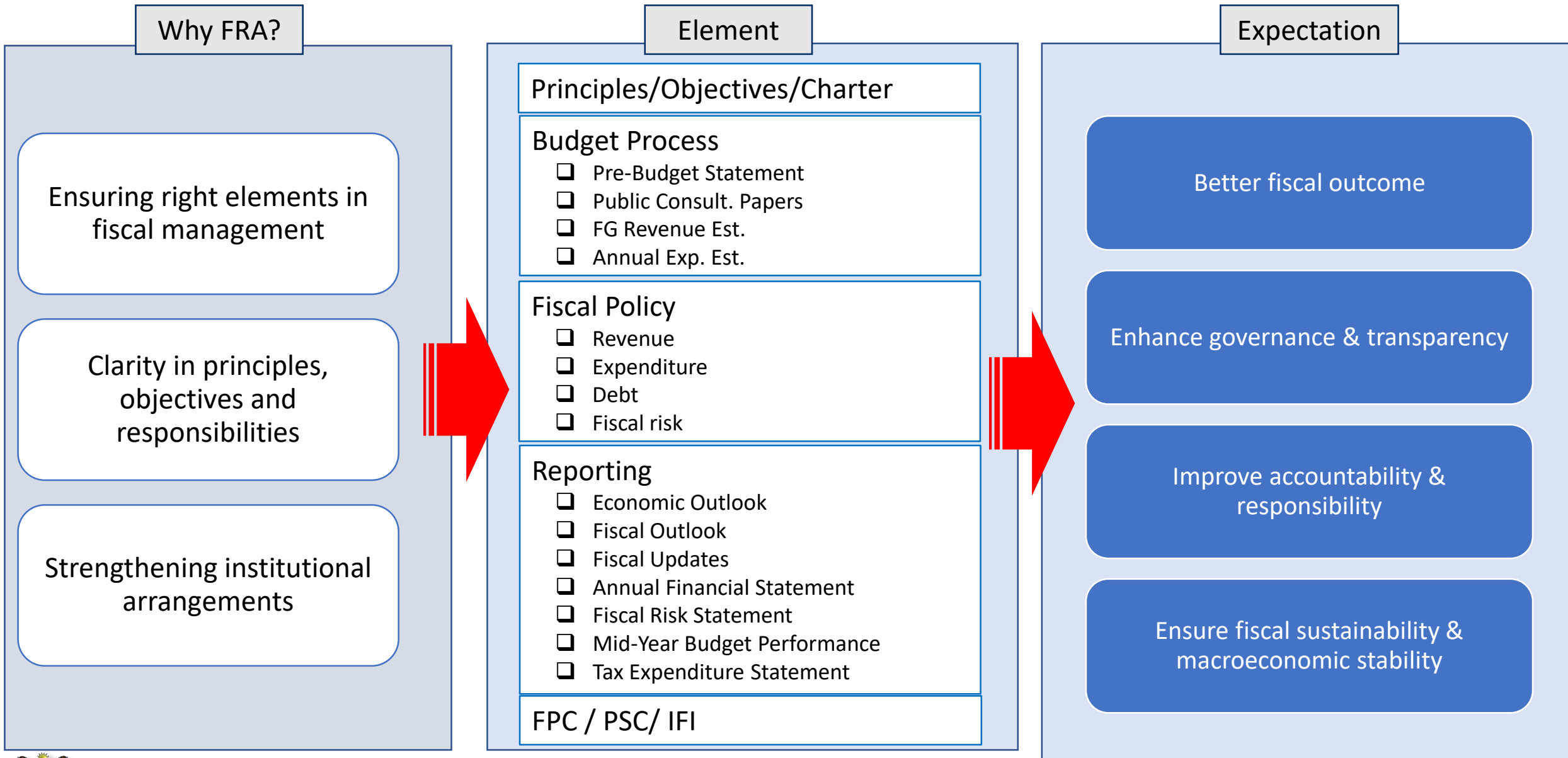
6

## Others

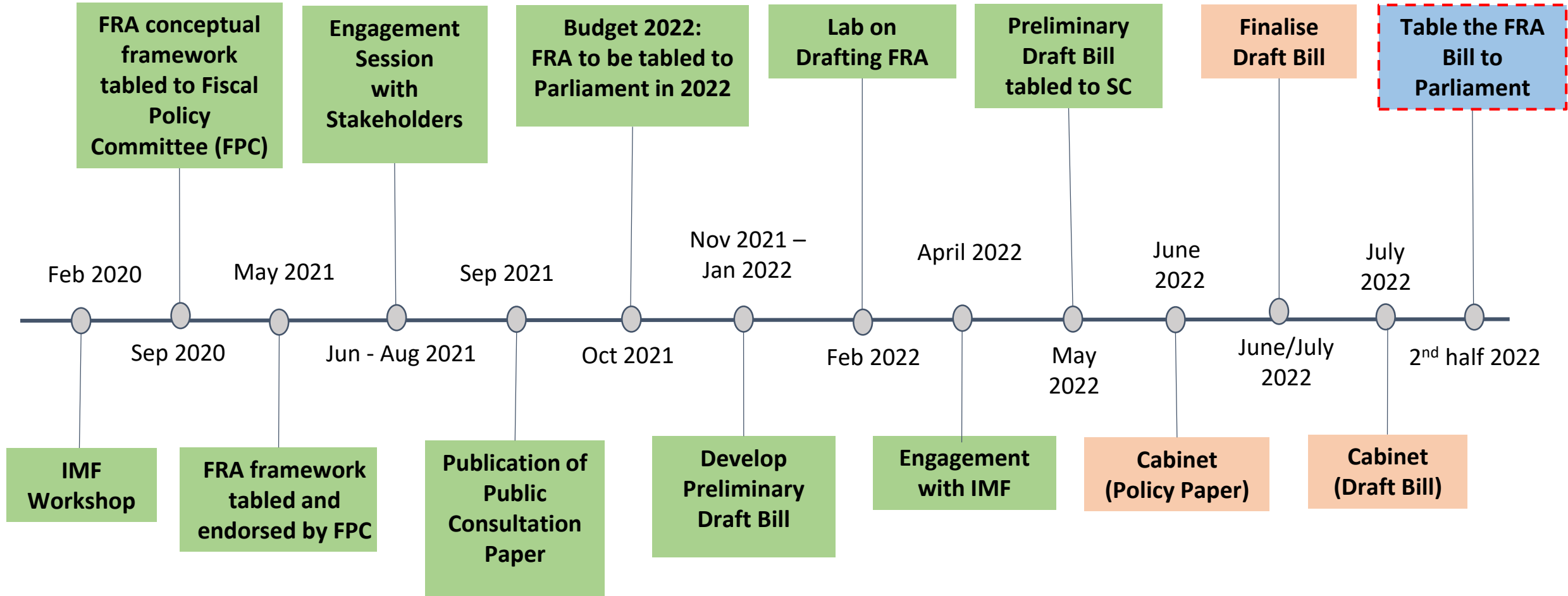
- Sanctions
- Transitional provisions
- Role of the Ministry of Finance, Malaysia



# The importance of FRA in fiscal management



# FRA Timeline







KEMENTERIAN KEWANGAN  
MALAYSIA

TERIMA KASIH  
THANK YOU

