REPUBLIC OF SINGAPORE

Securing our Future:
Shadow Budget 2011
Singapore Democratic Party
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Prime Minister’s Office
Organs of State

SECTION F: CONCLUSION
SECTION A: INTRODUCTION

A1. On 17 February 2011, the Singapore Democratic Party offered to the people of Singapore an annual financial policy entitled Empowering the Nation: Shadow Budget 2011. It was the first time an alternative programme was published. The principles that guided the methodology of Empowering the Nation were:

(a) A realistic assessment of the deep-seated challenges facing the nation, and

(b) The promotion of “efficient, productive, people-focussed and creative approaches to the developmental issues of our time.”

A2. Securing our Future: Shadow Budget 2012 is the alternative financial policy for 1 April 2012 to 31 March 2013. It is established upon the same foundational principles with one additional consideration: the anticipation of a more vulnerable global economic situation in the year ahead. Shadow Budget 2012 ensures that the economic framework will remain stable and the wellbeing of the people of Singapore secured without compromises in social wellbeing.

A3. The Singapore economy posted GDP growth of more than 4.8% in 2011. This is far short of the 14.6% of the year before that was significantly attributed to the casinos among other demand side features. However, despite relatively good performance this year, deep-seated concerns remain about the distribution of growth and the fundamentals of the economy as a whole.

A4. The reality of the outcomes generated by the 2011 Budget continue to evidence families struggling to make ends meet with real wages declining amidst rising prices, particularly in terms of accommodation and transport as well as healthcare costs which have become unmanageable for the ordinary citizen.

A5. The Singapore Democratic Party (SDP) presents to the people of Singapore Shadow Budget 2012: Securing our Future. It represents an alternative financial policy that closely examines the real problems deeply inherent in the economy and in government spending and promotes more efficient, productive, people-focussed and creative approaches to the developmental issues we face now and which are positioned to exacerbate in the short-term instability that approaches.

A6. In turning a more honest eye upon the problems we face, Shadow Budget 2012 represents a way out from the hidebound and conventional thinking in which the Cabinet has become trapped as it tries to replicate the conditions of yesteryear and the solutions of its predecessors. Securing our Future is situated in three domains which address the principal elements of the economy and society of Singapore:

- Productivity, sustainability and the market of the future
- Small government, big ideas
- A home in which to live

A7. These domains address the key problems we are facing today and represent a holistic approach to revenue raising and expenditure. Their key principles are outlined below. In Section B, a comprehensive audit of selected social and economic indicators is presented to highlight the problems unanswered by the government’s financial programme of 2011,

and demonstrate how these three domains answer the genuine needs of the people and the nation in their totality.

Productivity, sustainability and the market of the future

A8. To compete in today’s world, a globalised world where capital follows supply-side factor inputs, Singapore must raise its productivity not merely through financial incentives, awards and tax rebates which have been found ineffective, but through:

- An improved education system that enables children to think laterally and creativity;
- A tolerance for exploration and failure because it is from failure that success is reached;
- A workforce equipped with creative thinking skills;
- Programmes designed to free workers to contribute energetically to productivity improvements;
- The enhancement of private enterprise, and
- An energised Small and Medium Enterprise (SME) sector.

A9. Such measures will allow the dynamism and energy of the free market to prevail instead of lethargic, unimaginative structures where bureaucrats answer to other bureaucrats. They will free up state structures and manpower resources and foster tolerance for some level of chaos in the marketplace of ideas. They will facilitate the collision of views and opinions, necessary for creativity and innovation. Productivity must become an attitude of the mind, not government diktat.

A10. Singapore’s over-reliance on the Multinational Corporation (MNC)-led export focus, high-end lifestyle spending, high-yield (thus, risky) government investment, and opportunistic Research and Development (R&D) has not, and cannot, lay down growth fundamentals that will seed and establish Singapore’s comparative advantages relative to our regional competitors. Deep-seated recessions, occurring in all the decades of the last forty years, have given the lie to the sustainability of such an economic model. To exploit our real advantages, and not just the temporary attraction of cheap labour and generous investment rents, we must focus on:

- Developing home-grown industries;
- Channelling resources towards the SME sector;
- Paying attention to market trends in the consumer sector, and
- Capitalising on Singapore brands in the global market.

A11. Furthermore, we must cure ourselves from the addiction to capital inputs as the principal engine of growth. Economist and Nobel laureate, Prof Paul Krugman, has identified that the propulsion of our economy has been almost wholly due to capital inputs than to increased efficiency.

A12. The markets of the future will require us to watch and listen more closely to what people are buying, doing, and wanting. Singapore must develop an open approach to ‘niche markets’, for example, in eco-friendly and organic products, lifestyle pursuits, and even the opening up of our shores to regional and global non-profit organisations, social enterprises, and non-government organisations (NGOs). Such an openness is the result of
enabling and allowing the people - the consumer and the merchant - to dictate where the market should go. Co-opting successful entrepreneurs into state-mandated committees is counter-productive because, governed by the internal logic of the establishment, they become hidebound by the culture of conservatism, hierarchies, and ministerial edict and become reified, unable to identify the trends and patterns of consumer behaviour.

**Small government, big ideas**

A13. Government must learn to let go and view the citizen as the object of administrative activity, not the cash cow that will fatten the coffers of our official reserves. The Government of Singapore Investment Corporation (GIC) must be allowed to mature within a framework of independence. The viability of the corporation, led by bureaucrats answerable to bureaucrats, has already been shown to be dangerous, registering enormous losses in the global investment market.

A14. Do we want an open climate where enlightened and informed shareholders can debate and argue over investment opportunities or do we want secrecy and opacity with undisclosed annual accounts and the ignominy of learning from the foreign media how our own investments are performing? Government must remain in an enabling and supportive capacity in the commercial sphere because not only is its continued involvement in business now shown to be hazardous but, as Southeast Asian expert, Garry Rodan, has argued, the key objective of continued government control has always been political longevity and not commercial success: a perilous conflict of interest.

A15. Secondly, government must not have unbridled power to raise fees and licenses from the citizen without accepting the concomitant responsibility to ensure that citizens are able to afford living costs. Basic monopoly services such as the public utilities should be returned to public ownership rather than subjected to the profit motive.

A16. A lighter touch should be applied to agencies involved in charitable activity and fundraising, and opportunities should be increased for donors to give and for disbursements to be decided in the public forum. Social services must depart from being characterised as being in the gift of the government and must be returned to direct control by the people as an element of citizenship right.

A17. Government is not entitled to hoard away vast reserves while citizens are living in poverty and penury. Maintaining healthy reserves is an intelligent and sensible fiscal safety net but, while limits and restrictions should continue to exist, the ability to draw down reserves must be subject to public debate, to the assessment of need, and to the conviction that the reserves are reserved for the people of Singapore.

A18. Consumption taxation must be adjusted to take account of the growing proportion of the rich and super-rich in Singapore. A taxation system cannot burden the poor with stagnant income and higher consumption taxes. Those who have extracted more from the Singapore economy and society should help those who have not prospered so well. Therefore, Goods and Services Tax (GST) will be restructured.

**A home in which to live**

A19. The cost of living in Singapore should not be prohibitive because of government propensity to avarice and stockpiling. It must not be growth at all costs.
A20. Measures to restructure the CPF investment and payout framework will be established and monopoly suppliers of public goods restructured to ensure that the profit motive does not override the right of citizens to affordable basic services.

A21. The system of setting high fees and licenses for services and then providing subsidies to manage the high payments is both economically foolish and administratively costly when compared to reducing costs at source. Government benevolence in exchange for continued electoral gain should be removed in favour of an environment of citizenship rights. A programme to reassign subsidies will be provided for.

A22. Public community services and welfare support will be orientated towards enabling all Singaporeans to live a dignified life. The now discredited idea, that welfare disables self-reliance, is rejected in favour of a balanced framework of community support for those who are in need alongside incentives for continued hard work and disincentives to dependency.

A23. Fair wages that reflect hard work and rising prices must be seen as an indispensible part of the economic framework. Poor wages impact on productivity, on access to essential and enhanced human services, on economic demand, and offend against economic justice.

The global situation

A24. As an export-led economy Singapore remains vulnerable to shifts in the global economy. Although there has been some optimism in the markets in recent weeks, the situation is still precarious and no conclusions should be drawn yet. The republic’s financial policy for 2012 should pay close attention to global conditions and prepare for a less optimistic phase.

A25. In the developed economies, recovery is still sluggish following the massive fallout of the 2008 Financial Crisis. There is persistent unemployment, financial vulnerability and unsustainable public debt. China and India are lowering their growth forecasts. In the Eurozone, consumer demand is down and unemployment is high.

A26. There is major financial turbulence in the Eurozone countries. The United States will be in the midst of a presidential election and there are yet deep policy divisions: the Congressional Deficit Reduction Plan has not succeeded.

A27. Greece’s legislature has in the last week approved a series of austerity measures which have met with huge public protests; there is no certainty of its ability to meet the approved measures. Commodity prices continue to rise and global trade and capital flows are still at a low level.

A28. Output growth slowed in 2011 and global unemployment stands at 9%. However, inflation is projected to moderate and oil prices will stabilise. Japan will recover (and indeed is already doing so) from the effects of the Great East Japanese Earthquake and tsunami at Tohoku. The International Monetary Fund projects global growth to be 4.3% in 2011 and 4.5% in 2012. Therefore, while there are signs of optimism in the world, both prudence and innovation should be implicit in our financial policy for the year.

A29. This Shadow Budget has been drafted with these factors in mind. This is a Budget for the people. It is committed to excellence and to community. In the coming period we have small leeway to tolerate customary approaches and as society’s gaps widen, as a nation we will suffer the fallout of an unstable community if we do not ensure that the less fortunate are protected and enabled rather than penalised.
**SECTION B: STATE OF THE NATION–AN AUDIT**

*Human development and inequality*

B1. Singapore retained its ranking of 26 in the United Nations’ Human Development Report 2011. The basic ranking is measured according to the factors of life expectancy, availability of schooling and Gross National Income (GNI). She compares favourably to neighbouring ASEAN states and is ranked among the world’s highly productive and equitable societies (See Table 1). This is to be welcomed.

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<th>State</th>
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<td>Australia</td>
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<td>United States</td>
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<td>New Zealand</td>
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<td>Canada</td>
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<td>Luxembourg</td>
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<td>Singapore</td>
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<td>Czech Republic</td>
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<td>Malaysia</td>
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<td>Thailand</td>
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<td>Philippines</td>
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<td>Niger</td>
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<td>Congo</td>
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B2. When considered in terms of real income inequality, Singapore fares more poorly. According to Emeritus Prof Richard Wilkinson, Honorary Professor, University College London and Visiting Professor, University of York, among highly-developed countries, its 20% of top earners are almost ten times richer than the bottom 20% (See Figure 1). The ratio of incomes between these two groups has doubled in the last 20 years.
B3. Singapore’s ranking in the GINI Index, a measure of income inequality puts it at around 48 (with 0 being perfect equality and 100 perfect inequality: developed nations with the exception of the United States all hover at 25-34 points).

B4. Speaking at the World Economic Forum at Davos, Switzerland in January, Prime Minister Lee said that the government’s four pronged approaches to tackling inequality are making education, healthcare and public housing more accessible while using the Workfare Income Supplement to improve wages. However, a study of selected indicators reveal that prices of public goods and services have increased over the year and Workfare has not improved income challenges faced by Singaporeans. The evidence of the past year in the context of the past decade reveal sharply mounting inequality with no sign of statistical abatement.

Employment, income and productivity

B5. Employment of residents grew by 36,600 but for foreign workers by 85,000. (There are currently 3.23 million participants in the workforce.) Typically unstable, contract work as a proportion of total jobs rose by 1.1%. While unemployment is hovering at around 2.3%, unemployment rates for the over-50s stands at 3.4%. One in three workers works more than 48 hours per week. Participation in on-the-job training declined by 2% between 2010 and 2011.

B6. Average incomes have declined in all the quarters of 2011. In the decade to 2011, real income growth was 1.1% and this was repeated in 2011 itself. At the 20th percentile it was 0.2%.

B7. The median monthly salary (not including employer CPF contribution) for full-time workers is S$2,925 (or S$2340 after employee CPF contribution). This figure does not include part-time workers. Wages of waiters have declined from S$930 to S$800 in 2010-2011. Salaries for cleaners, labourers and other similar work stands at S$522 per month while that for bus drivers is S$1250. 350,000 workers earn less than S$1,700 per month.
B8. With the coming into force this year of the Retirement and Re-employment Act which allows employers to rehire older workers while reducing their wage, real wage growth as well as income inequality is likely to rise further.

B9. Productivity saw no improvement in 2011 and business expectations have dropped in Q3 and Q4. Unit labour costs have declined although there has been increase in labour force participation while services and government fees increased as a proportion of business costs.

**Inflation**

B10. Core inflation (not factoring in accommodation or private transport) stood at around 2%. Headline inflation, that is, the Consumer Price Index, which includes accommodation and private transport (principally modulated by the COE), rose to 5% (5.5% in December 2011). Hence, a key propellant of inflation was housing and car ownership.

B11. Food prices have risen by 2.7% from Q1 to Q3 2011, indicating that food prices have risen more significantly than the Core inflation average.

**Housing**

B12. Following the General Elections, the National Development Ministry announced the building of 50,200 Build to Order (BTO) flats in 2011 and 2012. However, the resident population increased by 107,000 in 2010-2011.

B13. Resale flat prices continue to rise and have almost doubled in cost in the last twelve years. The median price of a resale three-room flat in the lowest-priced area, Jurong West, now stands at $300,000 (128 months of disposable median monthly wage, ie after CPF employee contribution) with a Cash over Valuation (COV) of around $24,000 (ten months of disposable median monthly wage). Median rent in the same area is $1,700 (76% of disposable median monthly wage).

**Healthcare**

B14. While the completion of the new 550-bed Khoo Teck Puat Hospital has relieved hospital overcrowding to some extent, occupancy rates continue to be high at around 85%. (Private hospitals tend to work to rates of 70% and below for patient safety and to ensure surge capacity.

B15. Currently, there are 21 hospital beds per 10,000 resident population, less than half the average of 58 for high income countries (HIC). There are 17 doctors per 10,000 (30 in HICs) and 54 nurses and midwives (100 in HICs). There has been a zero increase in hospitals beds in the last decade.

B16. Average public hospitalisation bills have almost doubled in the last four years. About 21% of Singaporeans who sought financial counselling from Credit Counselling Singapore did so sue to medical costs. 750,000 people have no form of medical insurance.

B17. Measures instituted since the General Elections 2011 include extension of the Primary Care Partnership Scheme, higher Medisave withdrawal limits, expansion of palliative care, drug subsidy increases, leasing of bed space from private hospitals, improvement of nursing homes, and increasing community health centres. However, these measures do
not measure the fundamental weakness in the healthcare system which is the spiralling of healthcare costs.

**Poverty**

B18. At August 2011, poverty, measured by the number of homeless families and individuals apprehended by the Ministry of Community Development, Youth and Sports, stood at its highest in four years.

B19. 209,000 individuals who were disabled, elderly or in poor health were not economically active although only 3,034 were on the Public Assistance Scheme, a percentage of 1.45%. Note that there are 438,000 persons over 65 years of age in Singapore. Of the 200,000 families in the bottom fifth of incomes, only one in ten obtained relief under ComCare schemes.

**Appraisal of 2011 outcomes**

B20. The past year has been characterised by steeply rising personal and business costs with rental and private transportation leading the way. After the surge in pharmaceutical demand in 2010 and the opening of the casinos, GDP growth faltered in the first half of the year and what gains have been made have not benefited those at the lower ends of the wage spectrum. People continue to struggle as wages have not kept pace with inflation, which increased again in December to 5.5%.

B21. The generous Growth and Share Package distributed largely in the form of cash payouts one week before the General Elections did little to alleviate the deep structural poverty of an enlarging section of the population and represented a blip in the continuing struggle of middle-income wage earners to balance their household expenditure.

B22. Very shortly after the elections, public transport, and later taxi, fares were increased. Medifund registered a surplus of S$86,000,000 which was not released to assist poor residents with Polyclinic costs but transferred to government reserves. (The government continues to keep Medifund application success rates confidential and there is widespread anecdotal evidence of the Healthcare Groups sending threatening debt collection letters to those struggling to meet healthcare costs.)

B23. ComCare and Workfare Income Supplement Schemes have made little headway in alleviating wage poverty.

B24. Last year’s government Budget was built on two objectives:

(a) Growing incomes for all Singaporeans, and

(b) Strengthening society through an inclusive society whereby all might share in progress.

The real outcomes of 2011 demonstrate that the Budget did not meet its objectives. Additionally, productivity measures did not bear fruit: no productivity gains were made last year and business expectations remain weak. A progressive and far-seeing Budget must aim to address the deep-seated limitations in the economy and in society if, as a nation, we wish to ensure that there is no further deepening of our fundamental weaknesses.
SECTION C: PROGRAMMES

Guiding principles

C1. Shadow Budget 2012 is guided by several headline principles that aim to restore security and wellbeing to the people of Singapore and begin the process of transforming the economy in the face of global change. As we begin to bid farewell to the Old Guard and the presumptions and global, regional and domestic conditions that guided their thinking, equally we find ourselves in the midst of a new environment. It is an environment where economic growth is slowing down to developed nation levels. The effects of rapid development over the last half century have given rise to increased social needs. The traditional exchange between economic development versus social justice has lost its strength. High income disparity and low indicators for a rapidly age ing population also give rise to additional challenges. All of these factors must be taken into account in future economic and social policy planning.

C2. The traditional insecurities and suspicions among the nations of our region are dissipating as we come to realise that much of our attitudes of the past were imagined. High defence spending in the context of distrustful and apprehensive relationships with our neighbours must give way to the building of ties based on friendship and a shared desire for progress. Defence spending must be significantly reduced and our traditional bellicose approach to foreign relations should be surrendered to friendship and brotherhood.

C3. The securing of good living standards for all our people should play a central role in policymaking. A basic, minimum living standard should not be determined by one’s earning capacity, particularly as economic growth slows and the global economic outlook becomes more uncertain.

C4. Greater focus and impetus should be afforded to our domestic Small and Medium-sized Enterprise Sector (SME) which will be the engine of growth in the coming period, particularly as neighbouring countries begin to offer some of our traditional comparative advantages. The opening up of Myanmar is particularly relevant in this regard. In this context, policy should aim to grow the Research and Development (R&D) capacity of the domestic SME sector.

C5. A higher proportion of our GDP should be spent on programmes aimed at growing the domestic sector as well as making life more pleasant and meaningful for all our citizens. Inordinately high national savings can result in diminishing returns. State reserves should not only be viewed as a hedge against future challenges but as a resource base from which to grow the conditions that would mitigate those challenges.

C6. Government must desist from the temptation to play politics with our wealth. Cash gifts offered in return for electoral faithfulness should no longer be a part of budgeting, whether coming from the reserves or operating revenue surpluses. It is dishonest and ultimately unproductive as resources are not directed to where they are needed but to appeal to a population that has been made to struggle under rapidly growing cost of living. In this context, raising prices, fees and rents to unmanageable levels and then offering subsidies is an efficient way of running a society. Furthermore, the trend of refocusing taxation away from income towards expenditure should be mitigated, particularly in relation to essential goods and services as expenditure taxation hits the lower income earners much more than higher income earners.
C7. Government must continue to find ways to make efficiency savings in the running of the administration. A sense of urgency, founded upon the sacred trust vested by the people in the government, should guide all government spending.

C8. And finally, government should work towards divesting its share in the economy to enable the private sector, endowed as it is with talent, derring-do, imagination and creativity, to develop and flourish. Extensive government participation in the economy is confronted by several challenges including the settled bureaucratic framework that leaves limited room for innovation and the conflict between profit and political longevity.

Transforming the economy

C9. The global and regional economies are shifting so rapidly that our domestic industrial structure should be reoriented towards the SME sector and to unconventional policy options that capitalise on new consumption patterns, innovative products and services.

C10. The Economic Development Board will be joined by a new agency called Singapore Enterprise Agency with responsibility for research, development, consultancy, capacity building and fundraising in these new areas of productive capacity. A third agency called Spring Singapore will be set up to address productivity. Both the new agencies will comprise representatives of global and local industry and academia, labour and consumers, SMEs and Multinational Corporations (MNCs), and members of the community. The Chair will always be held by an industry participant. This is to ensure independent analysis and decision-making process.

C11. The purpose of this Troika will be to examine and continually propose new approaches and programmes for the economy as well as to review and audit the functioning of the economy and productivity throughout each year. It will also take over the Economic Strategies Committee’s role of advising the Minister for Finance during the Budget process. An additional role of Spring Singapore will be to study market trends and consumer preferences with a view to advising on niche markets that can be exploited.

C12. An Invention Fund and Youth Enterprise Fund will be set up under Spring Singapore to assist inventors and young entrepreneurs to develop and take their goods and services to market.

C13. This Shadow Budget will make available a Developmental and Exploratory Fund (DEF) to enable SMEs to make productivity and technology improvements as well as individuals who wish to set up new companies. Grants may be used for start-up, productivity R&D and training costs.

C14. The Troika will be charged with focussing on the development of the following industrial sectors:

(a) Organic foods, environmentally-friendly & eco-friendly products and eco-tourism;
(b) Renewable energy and biofuel refinery;
(c) International media;
(d) Conferences, events & conventions;
(e) Commercial advertising on socio-political blogs and other online advertising;
(f) Publishing and e-books;
(g) Expansion of the Social Services Training Institute into the region;
(h) The development of an EDB Consultancy Service to market EDB expertise to developing economies;

(i) A Centre for the Study of Disaster Management to bring together expertise and rapid response capability that can be provided to communities beset with natural disasters;

(j) Senior Care Centres, Educational institutes for disabled people, enrichment and tuition centres for children, as well as the possibility of Family Centre providing a range of care and development services under one roof;

(k) Marketing of local pottery, art and other craft products abroad; and

(l) Tourism, particularly tapping into the China market that is projected to expand rapidly.

C15. A five-year Economic Strategies Plan (ESSYP) will be produced by the Troika to frame the development of the areas of innovation. The Troika will work with the DEF to bring new products and services to market.

C16. The Political Donation Act will be repealed to encourage the local Non-Governmental Organisation sector to flourish and to attract others to relocate here. The responsibility for ensuring that overseas funds are not used for partisan political purposes will be placed upon the Auditor-General.

Managing our wealth

C17. Various fundraising measures are being introduced so as to ensure that the burden of meeting the costs of these programmes is not placed inordinately on the heads of individuals and families. Additionally, a range of schemes will be rolled out by DEF to enhance the capability of SMEs.

C18. Only 50% of Net Investment Returns (NIR) from government investment of CPF monies will be returned to government. Of the remaining 50%, half will be channelled back into employees’ CPF accounts to invest in old age insurance pensions while the other half will be scheduled to the Ministry of Health for the enhanced healthcare cover that this Budget proposes.2

C19. A graduated Goods and Services Tax will be introduced. It will range from zero-rated basic goods and services (food, medical care and products, and educational products and services) to a maximum of 10% for luxury goods (i.e. non-essential goods costing over S$5,000 each.

C20. A Property Sales Tax levied on non-resident foreign purchasers of local properties will be introduced.

C21. An Inter-Ministerial Committee will be set up to study the Norwegian Pension Fund model with a view to autonomising the Government Investment Corporation (GIC).3 While the government will continue to remain responsible for the management and activity of the GIC, the investment philosophy and framework will be liberalised to ensure that the GIC

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2 The Singapore Democratic Party will publish a National Healthcare Plan shortly. The Plan will address the healthcare policy and budget in detail.

3 The Government Pension Fund-Global and the Government Pension Fund-Norway are the entities through which the Norwegian government manages its oil income for the benefit of the people as a pension fund. It is a highly successful model and one of the wealthiest pension funds in the world. It is managed on behalf of the Norwegian government by a subsidiary of the Norway Central Bank and has a diverse investment portfolio.
takes advantage of private sector expertise as well as functions for the benefit of the Singaporean people.

C22. DEF subsidies will also be made available for premises rental. ERP for business registered vehicles will be removed and a Corporate EZlink Card will be introduced to reduce business-related transportation costs.

C23. The Workfare Income Supplement Scheme will be phased out as the Minimum Wage and Family Credit are phased in.

C24. The foreign worker levy payable will be rescheduled to allow a sliding scale for reductions in the numbers of foreign workers hired and for productivity improvements.

**Enhancing the community**

C25. This Shadow Budget aims to enhance the capabilities of the community both to prepare our young for the challenges of the future economy as well as to ensure that citizens have access to affordable and effective public services.

C26. A Singaporeans First employment policy will be developed to reward companies which hire Singaporeans and make it less easy to recruit from abroad.

C27. An Education Five Year Plan (ESYP) will be rolled out. This will address capability issues in the education system as well as measures to enhance the quality of education for all children.

C28. A Housing Five Year Plan (H5YP) will be developed to address estate upgrading, building of sufficient numbers and types of flats, and exploring other ownership options.

C29. A Transport Five year Plan (T5YP) will address the quality and frequency of bus services and implement an increase in dedicated bus lanes. A full diagnostic study of the train system will also be carried out.

**Ensuring wellbeing**

C30. A range of income protection and stabilisation measures will be introduced to take account of the unstable economic outlook. A medium-term Retrenchment Entitlement up to a maximum of 18 month will be established.

C31. Together with this, the government will work with industry to implement a Minimum Wage policy. A Fair Pay Commission, consisting of representatives from the government, business community, and labour unions will be convened to implement the policy. The Commission will study ways to ensure that the policy does not disadvantage employers or stifle investment. It will explore the feasibility of varied rates for categories of the workforce such as younger workers, older workers with fully paid-up mortgages, foreign low-waged workers, and other sectors of the workforce. However, the general philosophy of the policy will be to ensure that no worker is paid a less than living wage. The Commission will be funded through the Manpower developmental allocation.

C32. Family Credit will be phased out as the Minimum Wage is rolled out across the whole of the workforce.

C33. Our National Servicemen should not be excluded from the Minimum Wage policy. They should not be seen as a source of cheap labour in the defence, fire fighting and policing fields. We will impose minimum wage on all National Service personnel.

C34. The current level of Public Assistance creates extreme hardship among recipients. We do not subscribe to the view that non-economically productive members of the community should be forced to live in degrading conditions. Therefore, this Budget will raise Public Assistance to half the median wage.
To encourage giving to charitable causes, the current tax exemption of 250% for Institutions of a Public Character will be extended to all charities. In addition, the Community Chest will be allowed to invest its net charity income. A Community Wellbeing Council will be brought into being to administer the investments and disbursements of the Community Chest.

A Central Healthcare Fund will be created to help fund citizens’ healthcare costs. Funding to the Fund will be at a citizen to government proportion of 1:5. The Fund will be used to operate both public and private (in part) health care institutions as well as pay for all health care services. Additionally, compulsory nationwide basic health, accident and pregnancy (for women) coverage for all citizens and permanent residents residing here for more than three months and low income migrant workers will be legislated.

Serving the nation, building ties and keeping us safe

Shadow Budget 2012 will ensure that the administration of the nation will be based upon the principles outlined in the Introduction above. Strong community safety in the context of frugal government together with the building of relationships with our neighbours in the region will be the key aims that this Budget intends to initiate as the guiding policy objectives for the future.

Our defence capacity in 2010 had prepared us more than adequately for our external defence. The need for last year’s S$1.5 billion increase in our defence capacity was not clearly spelled out in the government’s Budget. Singapore has the highest military spending after Israel, which is a nation with an aggressive territorial programme and a heavily militarised foreign policy, while Singapore abides in a peaceful region backed up by the military capability to the United States. A further increase in 2011 and additional increase in 2012 are not required for the proper defence of our nation. Furthermore, the building of a defence capacity while at the same time antagonising our neighbours is not a sensible programme.

This budget will allocate funding for a five-year Singapore Plan (FASYP) that will build relationships of trust, brotherhood and neighbourliness through cultural and sporting sharing, technology and IT collaboration, scholarships and other capacity building, and social networking.

The Chief of Defence Force will be tasked to mount a study to examine how to reduce National Service to one year’s duration.

Ministerial salaries will be reduced according to the recommendations of the Policy Unit’s paper, Ethical Salaries for a Public Service Centred Government, published in November 2011. This Budget welcomes the reduction of ministers in the Prime Minister’s Office (PMOs) and the cross-appointments of the Deputy Prime Ministers. The post of Emeritus Senior Minister will be deleted.

The Ministry of the Environment and Water Resources will carry out an in-depth, broad-ranging study of flooding and propose an Environmental five year plan (ENV5YP) so as to fully resolve this environmental vulnerability.

The function of information in the Ministry of Information, Communications and the Arts will be deleted as it serves no purpose in a sophisticated knowledge economy. The communications portfolio will be transferred to a new Ministry of Communications and Transport while the Arts portfolio will transfer to a newly-formed Ministry of Community and the Arts which will also incorporate the functions of social welfare, sports and

community building. As such, the Ministry of Community Development, Youth and Sports will be deleted.
**SECTION D: EXPENDITURE ESTIMATES**

*Summary of budget initiatives*

D1. Expenditure estimates are set out in Table 2 below. The Operating Expenditure component of the Shadow Budget is $31.703 billion and the Developmental Expenditure component is $23.067 billion. Overall expenditure is $54.770 billion which represents an increase of 16.31% from the government’s Budget of 2011.

D2. A notable surge in Developmental Expenditure (106.1%) has been made. An increase in developmental spending is required to grow and improve our infrastructure as well as protect our weakest citizens from further distress caused by welfare parsimony and rising costs in recent years. The increase has been offset against a savings of 11.68% in the Operating Expenditure.

D3. The increase aims to achieve the following:

(a) Securing and stabilising rather than just expanding industrial fundamentals;

(b) Enhancing rather than just increasing economic output;

(c) Raising the capabilities rather than just the size of the population;

(d) Holistically improving rather than just making efficient the service delivery systems; and

(e) Building a community rather than maintaining a collection of individuals.

D4. Key social wellbeing items have caused an increase in spending of S$4.6 billion:

- Education: S$1 billion
- Health: S$1.8 billion
- Community and the Arts: S$1.8 billion

These increases are crucial for the improvements in educational and healthcare outcomes as well as the protection of the vulnerable. The Community and the Arts portfolio has been further expanded by absorbing the Arts function of the former Ministry of Information, Communications and the Arts.

D5. The Trade and Industry budget has also been increased by S$2.5 billion. Shadow Budget 2012 is deeply characterised by the measures to develop and expand a wider industrial and commercial base, including generous funding for start-ups and SMEs. This is an important measure if Singapore is to weather the coming economic storm as well as to move confidently into a future typified by a shift in economic direction designed to enhance our economic output.

D6. In total, the social and economic items will cost S$7.1 billion. This is offset against key savings of S$2.962 billion in Defence as well as the Prime Minister’s office. Other savings have been made in Education operating expenditure and the operating and developmental budgets of Home Affairs, Finance and the organs of State.
### Table 2: Total Expenditure for 2012 by Sector and Ministry

<table>
<thead>
<tr>
<th></th>
<th>Operating Budget ($ Billion)</th>
<th>Developmental Budget ($ Billion)</th>
<th>Total ($ Billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Govt 2011</td>
<td>SDP 2012</td>
<td>% Change</td>
</tr>
<tr>
<td>SOCIAL DEVELOPMENT</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education</td>
<td>9.767</td>
<td>8.987</td>
<td>-7.99%</td>
</tr>
<tr>
<td>Health</td>
<td>3.580</td>
<td>3.696</td>
<td>+3.24%</td>
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<tr>
<td>National Development</td>
<td>1.031</td>
<td>1.111</td>
<td>+7.75%</td>
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<td>Community &amp; the Arts</td>
<td>1.775 (MCYS)</td>
<td>1.914</td>
<td>+7.83%</td>
</tr>
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<td>Environment &amp; Water</td>
<td>0.727</td>
<td>0.847</td>
<td>+16.50%</td>
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<tr>
<td>Resources</td>
<td>0.653</td>
<td>NIL</td>
<td>NIL</td>
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<td>SECURITY &amp; EXTERNAL RELATIONS</td>
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<tr>
<td>Defence</td>
<td>11.595</td>
<td>8.250</td>
<td>-28.84%</td>
</tr>
<tr>
<td>Home Affairs</td>
<td>3.029</td>
<td>2.948</td>
<td>-8.1%</td>
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<tr>
<td>Foreign Affairs</td>
<td>0.361</td>
<td>0.409</td>
<td>+13.29%</td>
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<td>ECONOMIC DEVELOPMENT</td>
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<tr>
<td>Communications &amp; Transport</td>
<td>0.475 (MOT)</td>
<td>0.719</td>
<td>+51.36%</td>
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<td>Trade &amp; Industry</td>
<td>0.655</td>
<td>0.683</td>
<td>+4.27%</td>
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<td>Manpower</td>
<td>0.853</td>
<td>0.999</td>
<td>+17.11%</td>
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<td>GOVERNMENT ADMINISTRATION</td>
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<tr>
<td>Finance</td>
<td>0.612</td>
<td>0.582</td>
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<td>Organs of State</td>
<td>0.335</td>
<td>0.307</td>
<td>-8.35%</td>
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<tr>
<td>Prime Minister’s Office</td>
<td>0.312</td>
<td>0.110</td>
<td>-64.74%</td>
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<tr>
<td>Law</td>
<td>0.137</td>
<td>0.141</td>
<td>+2.91%</td>
</tr>
<tr>
<td>TOTAL:</td>
<td>35.897</td>
<td>31.703</td>
<td>-11.68%</td>
</tr>
</tbody>
</table>

**Fiscal position**

D7. GDP growth in 2011 is projected to be 4.8%. The revenue yield for 2011 is likely to be in the region of S$52 billion. Therefore, according to the budget projection, there will be a deficit of around S$2.77 billion. It could be said that this funds the entire Trade and Industry increase which is designed to reposition our economic fundamentals for the medium term ahead.

D8. This deficit will be funded through a draw-down from the foreign reserves. At January 2012, the total foreign reserves stood at S$308,403,200,000. Thus, the draw-down amounts to 0.89817% of the current foreign reserves.
SECTION E: BUDGET BY MINISTRY

Ministry of Trade and Industry

E1. S$5.683 billion is allocated to the Ministry of Trade and Industry (MTI). MTI will set up a Singapore Enterprise Agency (SEA) to work alongside the Economic Development Board (EDB) on research, development, consultancy, capacity building and fundraising for new enterprises. It will be supported by Spring Singapore, a third agency whose responsibility will be to address the improvement of productivity. These agencies will be funded from the Developmental Budget of the Ministry.

E2. Spring Singapore will administer three Funds:
   (a) Invention Fund;
   (b) Youth Enterprise Fund; and
   (c) Developmental and Exploratory Fund (DEF).

The Invention and Youth Enterprise Funds will provide grants for inventions to be taken to market and for youth-led projects to receive start-up funding to set up companies.

E3. The DEF will be responsible for providing capacity for SMEs to improve technological input and productivity as well as provide subsidies for the following:
   (a) Payment of ERP for corporate-related travel (as a prelude to full removal of ERP for corporate travel within the life of the ESSYP);
   (b) Corporate Ezlink Cards for public business travel;
   (c) Premises rental rebates on a sliding scale of up to 50% for premises that account for more than 25% of business costs.

Ministry of Manpower

E4. The Ministry of Manpower (MOM) is allocated S$1.11 billion. MOM will work through the Workforce Development Agency to provide Retraining Grants for those who have been retrenched.

E5. MOM will constitute a Fair Pay Commission to study the launch of a minimum wage for all employees including National Servicemen. National Servicemen will benefit from a minimum wage of S$1,200 to be implemented from April 2012. The developmental budget of the Ministry of Defence has been increased by double to fund this. This budget departs from the conventional view that National Servicemen do not deserve a fair wage for the important work that they do.

E6. The Fair Pay Commission will also study the implementation of a Singapore First Manpower Policy. Utilising the framework of the schemes found in the United Kingdom, Australia and elsewhere we will implement a scheme to require employers to demonstrate that the talent they are seeking cannot be found among Singaporean workers before they are allowed to hire a foreign worker.

Ministry of Finance
E7. The Ministry of Finance (MOF) is allocated S$722 million, mainly to fund the implementation of schemes designed to rebalance the taxation burden. It will implement a framework whereby 25% of Net Investment Returns from CPF investment are returned to individual CPF accounts to invest in old age insurance pensions while the other half will be scheduled to the Ministry of Health for the enhanced healthcare cover that this Budget proposes.

E8. A graduated Goods and Services tax (GST) will be instituted. It will range from zero-rated basic goods and services (food, medical care and products, and educational products and services) to a maximum of 10% for luxury goods (i.e. non-essential goods costing over S$2,000 each).

E9. A property sales tax of 1% of the sale price will be implemented for non-resident foreign buyers of property.

E10. MOF will also study the implementation of returning Inheritance tax to the taxation structure.

Ministry of Education

E11. The Ministry of Education (MOE) is allocated S$11.803 billion. As part of the E5YP, MOE will begin the programme designed to achieve sufficient schools and teachers to support a teacher:pupil ratio of 1:20.

E12. E5YP will also initiate a programme to eventually equip every school with a trained school counsellor and a Special Educational Service for children with a disability.

E13. A Creativity Commission will be convened. The commission will study ways of improving creativity and as a first step, it will set up an Institute of Creative Thinking to train teachers in creativity pedagogies. Additionally, the Commission will study the feasibility of expanding independent schools using the Steiner System of learning.

E14. Additional funding of $50 per pupil will be allocated to every Singaporean child in a neighbourhood school for use by the school to fund improvements to equipment and/or pedagogy. This will amount to more than S$30 million and will be funded through MOE’s developmental budget. Other grants will remain in place.

E15. Tuition grants for overseas tertiary students will be removed for all new entrants from January 2013.

Ministry of National Development

E16. The Ministry of National Development (MND) is allocated S$3.311 billion, an increase of almost 29%. It will additionally build 5,000 flats and convert other premises to another 5,000 flats for rental use by low income Singaporeans whose household income is lower than half average wage.

E17. The HSYP will ensure the building of sufficient flats for all Singaporeans and expand the availability of flats for non-traditional households as well as innovative ownership plans such as shared ownership schemes for a group of non-related individuals and shared mortgages with the HDB.

E18. New flats for first time traditional family purchasers will be pegged at a maximum of four times the shared annual wage of the purchasing couple up to a maximum wage of
E19. The Plan will also fund the upgrading of all estates in Singapore.

**Ministry of Information, Communications and the Arts**

E20. The Ministry of Information, Communications and the Arts will abolished. The information portfolio will be deleted while the Communications portfolio will be transferred to a new Ministry of Communications and Transport while the Arts portfolio to a new Ministry of Community and the Arts.

**Ministry of Transport**

E21. The new Ministry of Communications and Transport (MCT) will be responsible for all transportation and communications matters. It has been allocated S$5.873 billion.

E22. It will initiate a T5YP which will be tasked to increase the network and frequency of bus services including feeder services to HDB and private estates. Additionally, the plan will roll out more comfortable bus stops to protect commuters from the elements. The Plan will also initiate the conversion of feasible roads so that as many bus lane are provided as possible.

E23. Senior citizens over 65 years of age will enjoy free off-peak bus and MRT rides and 50% concessions during peak periods. A tendered Mobility Taxi Service will be launched which will provide free call-out bus services to very elderly (over 80 years old) and physically disabled persons for the purposes of travel to essential medical appointments only.

E24. A full Diagnostics Commission will be convened to study the current problems on the MRT network and make proposals for improvement.

**Ministry of Community Development, Youth and Sports**

E25. The Ministry of Community Development, Youth and Sports will be reconstituted as the Ministry of Community and the Arts (MCA). It will receive a budget allocation of S$3.674 billion.

E26. MCA will allocate funds from the Operating budget and the Developmental budget to create a temporary Family Credit Fund. This will be used to top up to S$2,300 the income of all households of two persons that have at least one member of the household working full-time and whose monthly disposable income falls below S$2,000. A qualifying income sliding scale will be applied. The initiative will replace all subsidies and credits currently dispensed by the government and will form part of the entitlement of citizens rather than a privilege to be dispensed at the government’s pleasure. It is envisaged that the Fund will be phased out as the Minimum Wage is rolled out across the workforce.

E27. ComCare schemes will remain in place but will gradually be phased out as the Minimum Wage is rolled out.

E28. The Public Assistance scheme will be increased for all qualifying persons to S$1,150 per household.

E29. Workers who have been retrenched will be eligible for a Retrenchment Entitlement. This will be calculated at 75% of the last drawn salary for first six months, 50% for next six months and 25% for final six months. The Entitlement will be stopped as soon as the
worker is reemployed. Recipients may not turn down more than three job offers during the 18-month period s/he is receiving the benefit. The Entitlement will only run for 18 months per worker in total.

E30. Rehabilitation Services for offenders will be improved through a subvention of S$25 million to improve the rehabilitation and re-employability of all released offenders and juvenile delinquents.

E31. Eldercare Services will be improved to cater for all older persons in need of day care and other practical and emotional support. Family Centres, encompassing joint eldercare and childcare facilities, will be trialled across the island. By doing so, this Budget hopes to involve grandparents in the day care of their grandchildren while themselves receiving support.

E32. The Community Chest will be enabled to invest its donation receipts to enhance its donor capacity. The tax exemption of 250% for donations to Institutions of a Public Character (IPC) will be made available to all registered charities so as to enhance and encourage charitable giving. A Community Wellbeing Council will be instituted to oversee Community Chest investments and grants. It will work alongside the Charity Unit and the National Council of Social Service.

**Ministry of Health**

E33. The Ministry of Health (MOH) will be allocated S$5.907 billions. A National Healthcare Fund will be established. This will be used to operate public and (eventually, and in part) healthcare institutions as well as pay for all healthcare services. The funding of the Fund will eventually reach a proportion of 83:17 co-payment between Fund and individual patient.

E34. The outlay for this scheme will eventually reach S$12 billion which will be funded through general taxation and an average annual S$500 CPF deduction per CPF member. Singaporeans and Permanent Residents’ contributions to the Fund will be deducted annually from every resident’s CPF account. For those who cannot afford to pay, government will subsidise the payment along a sliding CPF contribution scale, the details of which will be published.

E35. Compulsory nationwide basic health, accident and pregnancy (for women) coverage for all citizens, permanent residents residing here for more than 3 months and low-income migrant workers will be legislated within 3 years.

**Ministry of the Environment and Water Resources**

E36. The Ministry of the Environment and Water Resources (MEWR) is allocated S$1.75 billion. A Flood Alleviation Plan (ENV5YP) will be developed by the MEWR to study and alleviate the current flooding challenge faced by the Republic. S$500 million is allocated to fund the plan.

**Ministry of Home Affairs**

E37. The Ministry of Home Affairs will continue its policy of strong community policing. It is allocated S$3.334 billion. A National Democracy and Human Rights Commission will be established to safeguard the political rights and civil liberties of Singaporeans and
investigate human rights violations committed by the state and other entities. The body will work with the United Nations, ASEAN and the Commonwealth to implement human rights agreements and mechanisms and ratify the key international conventions.

E38. The Internal Security Act will be repealed and the Internal Security Department will be abolished. The expenditure allocated for the ISD will be used to set up Anti-Terrorism Unit which will operate under an Anti-Terrorism Act to be enacted. It will function within the Singapore Police Force.

E39. The Public Order Act will be repealed and funds will be allocated to provide auxiliary law enforcement personnel to perform crowd control duties during public assemblies. Other legislation will be amended to facilitate a vibrant homegrown civil society that is able to contribute to policy determination.

Ministry of Foreign Affairs

E40. The Ministry of Foreign Affairs (MFA) is allocated S$1.509 billion. It will develop a Singapore Plan aimed at improving international relations through diplomacy and friendship. A more proactive approach to world affairs should be substituted for the climate of tension and mistrust that now characterises our foreign policy. Allocations to the Ministry of Foreign Affairs will expand our international outreach and build stronger ties in the community of nations.

E41. MFA will:

- Improve relations with our ASEAN neighbours by taking the lead to organize conferences, summits, workshops and other related activities to promote democratic cooperation among member states;
- Invest wisely in development organisations in ASEAN countries through the establishment of new regional development initiatives or through expanding the Initiative for ASEAN Integration (INI). By undertaking such work, Singapore will play an active part in facilitating economic and social development in the region;
- Take the lead in advocating for, and implementing, a vigorous ASEAN Human Rights Commission. By doing so, Singapore will play a crucial role in enhancing stability across ASEAN;
- Increase our participation at the United Nations level. A proportion of the operational budget will be allocated for capacity increase in our United Nations delegation at its headquarters and across the UN network;
- Consult with Singapore-based human rights, development and international affairs NGOs and think-tanks in order to expand civil society’s role in foreign policy-making.

Ministry of Law

E42. The Ministry of Law will continue on its mission to entrench the sound and efficient disposal of all court matters without compromising justice and equity. It has been allocated S$311 million.
E43. Defence spending will be frozen at the Shadow Budget 2011 level with an increase allowing for inflation. Its allocation has been set at S$9.35 billion in the recognition that military installations, hardware and salaries cannot be rapidly diminished, even though the Singapore Plan objective is to reduce rather than increase tensions in the region. Additionally, National Servicemen’s salaries will be raised to S$1,200 per month.

E44. The Chief of Defence Force will be tasked to study ways to reduce National Service to one year.

**Prime Minister’s Office**

E45. The Prime Minister’s Office (PMO) is allocated S$110 million. Cabinet minister salaries will be reduced to three times the MP allowance (See below).

E46. The Prime Minister’s salary will be four times the cabinet minister’s salary. Ministerial salary levels will be inclusive of the ministers’ MP allowance.

E47. The Prime Minister and Ministers will be allowed to make claims for expenses incurred while performing their official duties. The claims will be governed by a schedule similar to civil service regulations and published in the Gazette.

E48. The post of Emeritus Senior Minister will be deleted and no Ministers without Portfolio will be re-appointed.

**Organs of State**

E49. Member of Parliament (MP) allowance will be pegged at 10 times of S$1,400 (the mean wage of the bottom 20th percentile based on the assumption of a minimum wage in place).
SECTION F: CONCLUSION

F1. The nation’s annual Budget Statement represents not only the financial policy for the year ahead. It evidences the most important values that we as a nation hold to be true. It showcases the approach of government and imagines the future we envisage for our nation.

F2. Shadow Budget 2012 is founded upon an inclusive society creating opportunities for those who are able to, and therefore must, participate in the economy but at the same time safeguarding the vulnerable and the weak through a gentle and inclusive approach to human weakness and debility.

F3. A community approach that ensures a good living standard to every Singaporean should be at the forefront of budgetary planning. No longer can we justify an approach that leaves the individual and their family to the vagaries of the market without acknowledging its instability and propensity to create need while at the same time creating wealth. Those who have benefited from the market should be encouraged and supported to continue while those who have not, through one reason or another, should be assisted to ensure that the dignity that comes from a secure living are not ignored by the government.

F4. Fourthly, this Shadow Budget has crafted an approach to economic planning that is optimistic of the domestic SME Sector to take the lead in industrial advancement in the medium and long term. It aims to free our people from hidebound and traditional ways of thinking to dream the undreamable and think the unthinkable so as to venture into new realms of innovative industrial activity supported and encouraged by government support, expertise and know-how.

F5. This is a budget of the future. It contains proposals to ensure that the Republic will weather the storms of the coming period, harnessing our resources saved in the good times to shore us up in the leaner ones to come. It is a people-centred budget that wants everyone to benefit from the Singapore pie, while continuing to work hard and contribute generously to the wellbeing of our nation as a whole.

F6. We commend it to the people of Singapore.