TRANSFORMING OUR CAPABILITIES

SINGAPORE DEMOCRATIC PARTY

Transforming Our Capabilities: Shadow Budget 2013

This Shadow Budget was prepared by the SDP Policy Unit

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REPUBLIC OF SINGAPORE

Email: sdp@yoursdp.org

Website: yoursdp.org

Contents

Executive Summary

The pace of economic growth has declined since the aftermath of the global financial crisis. However, the global and regional political and economic conditions indicate **further stormy weather** ahead and a far **less buoyant domestic economy** in the coming period.

Our economy this year has shown that Singapore is far too **vulnerable to the global market**. This is due to the **preponderance of foreign investment** and the **excessive share occupied by multinational corporations** at the expense of the domestic Small and Medium Enterprise Sector. We are also too **dependent on construction and manufacturing** as the key industrial sectors and on **cheap labour as the principal productivity factor**.

Singapore society is also showing considerable **signs of flux and maturation**, giving rise to shifting political allegiances, citizen unhappiness over the policy framework, and a willingness to speak more loudly than hitherto. **Expanded information flows** are facilitating a new socio-political agenda.

The government's approach, as indicated by the key themes of its 2013 Budget Statement, continues to **focus on supply side measures** while increasing the **volume and extent of grants and subsidies** at both the individual/family and industrial levels. It has not sought to begin the process of economic transformation even though our **economic model appears to be approaching saturation**. In the socio-political arena, the government is struggling to catch up with societal developments, showing it to be increasingly **out of touch** with the citizenry.

The key messages emerging from citizen feedback are that our people are struggling with heightened **cost of living** in the context of a **contracting job market** for locals and **depressed wages**; an **exploding population** with which the **infrastructure is struggling** to keep pace; and an economic structure that is stagnant, giving rise to **sluggish productivity, innovation and enterprise**.

The Singapore Democratic Party's third annual Shadow Budget responds to the global and regional economic and socio-political settlement. Entitled *Transforming Our Capabilities*, it **grasps the clear trends and portents** of the moment and offers a framework which will engage our society in five domains:

- **Enhancing the management of our wealth**;
- **Expanding our capabilities**;
- **Recreating the social landscape**;
- **Shaping a new community**; and
- **Safeguarding our internal and external security**.

Through **six Five Year Plans (5YP)** in the policy areas of economic strategising, transport, education, regional security, the environment, and housing, this Shadow Budget statement proposes to **re-energise our economy and society** in order to firmly address the challenges that we are facing. The Shadow Budget statement incorporates proposals made in Healthcare, Housing, Population and Ministerial Salaries **policy papers issued in the last eighteen months**.

The key objectives of this Shadow Budget statement are to **reorientate our industrial structure** by focussing on our **comparative advantages** of knowledge/skill, technology and infrastructure; channel additional resources in order to **energise the domestic SME sector**; encourage the conditions in which **innovation and enterprise can expand**; and promote an integrated approach to social and economic policymaking that builds **coherence across the entire policymaking framework**.

This Shadow Budget proposes as key initiatives a new **Non-Open Market (NOM) scheme** to make public housing affordable again; implement a ***TalentTrack* process** for foreign recruitment; create a **Fair Pay Commission** to work with industry to implement a fairer wage system; a **National Health Investment Fund** to establish a more workable healthcare payment system; set up a **Singapore Enterprise Agency to work with the Economic Development Board and Spring Singapore as a 'Troika'** to rejuvenate the economy; and establish **Invention, Youth Enterprise, and Developmental and Exploratory Funds** to better channel resources towards our home-grown talent in order to revitalise our SME sector as a means of weaning ourselves off the dependence on foreign investment and cheap labour.

It is the ambition of these initiatives to begin the process of enhancing our capabilities in order to transform our economy and our society to better weather the storms of the coming period and, indeed, to **capitalise on the opportunities** that follow in their wake, opportunities that we must begin to explore now if we are not to lock ourselves tighter into the socio-economic structure that is showing increasing signs of becoming outdated and no longer fit for purpose.

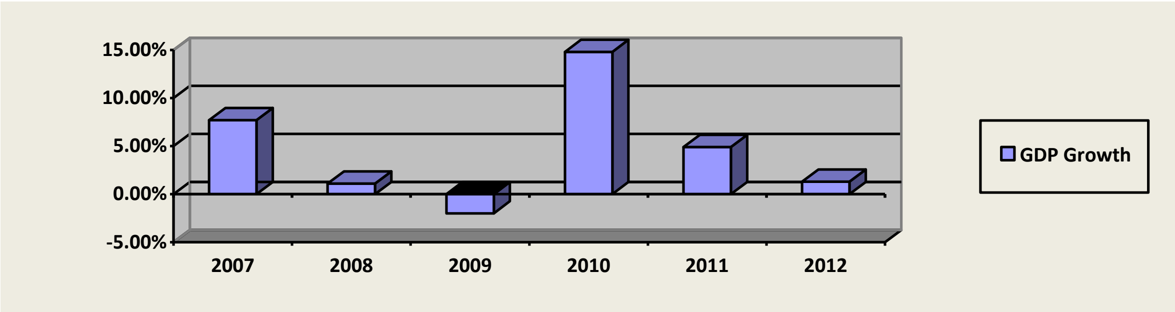
Part A: Introduction

Growth and outlook

A1. Our economy grew by a slower 1.3% in 2012 following growth of 14.8% in 2010 and 5.2% in 2011. The performance trend since 2007 was led by construction which tended to lead growth performance: in 2007, buoyant manufacturing and financial services had a positive impact on growth.[1]

A2. Manufacturing, services and the financial sector showed the best performance in 2010 where high year-on-year GDP growth reflected the poor performance in 2009 when performance in all key sectors of the economy declined. Construction in 2009 was the only sector with significant growth. The bounce-back in 2010 reflected wider global demand with manufacturing leading the way. 2011 returned to more modest growth at 4.9% with biomedical manufacturing showing the healthiest upsurge.[1]

FIGURE 1: GDP GROWTH 2007-2012



A3. Economic performance in 2012 suffered sharp performance weakening, exposing Singapore's vulnerability to external conditions. Manufacturing slowed to 0.1% while services stagnated at 1.2%, pulled down by the wholesale and retail sector which saw negative growth. Only a relatively buoyant real estate management sector kept it from going under. Even the traditional flagship sector, construction, showed atypical performance at 8.2%.[1]

A4. The International Monetary Fund concurs with the general sentiment that external demand exerted a downward pull on the Asian economies in 2012. It also estimates that China's moves to manage a softer landing during the year together with supply issues in India have impacted on Asian growth as a whole.[2]

A5. The global environment revealed deep structural problems which have, as it were, consolidated in 2012. Sovereign debt issues in Portugal, Italy, Ireland, Greece and Spain exerted massive uncertainty on the global economy. High public debt, weak demand, persistently high unemployment, and a fragile financial sector, underpinned by fiscal austerity contributed to melancholy performance in 2012 and a lacklustre outlook in 2013.[3]

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[1] *Economic Survey of Singapore* (various years). (Singapore: Ministry of Trade & Industry).
[2] Singh, A (2012). 'Asia in 2013: Grounds for Optimism, but Challenges Ahead'. *IMF Survey Magazine.* (Washington: International Monetary Fund)
[3] United Nations (2013). *World Economic Situation and Prospects 2013*. (New York: United Nations).

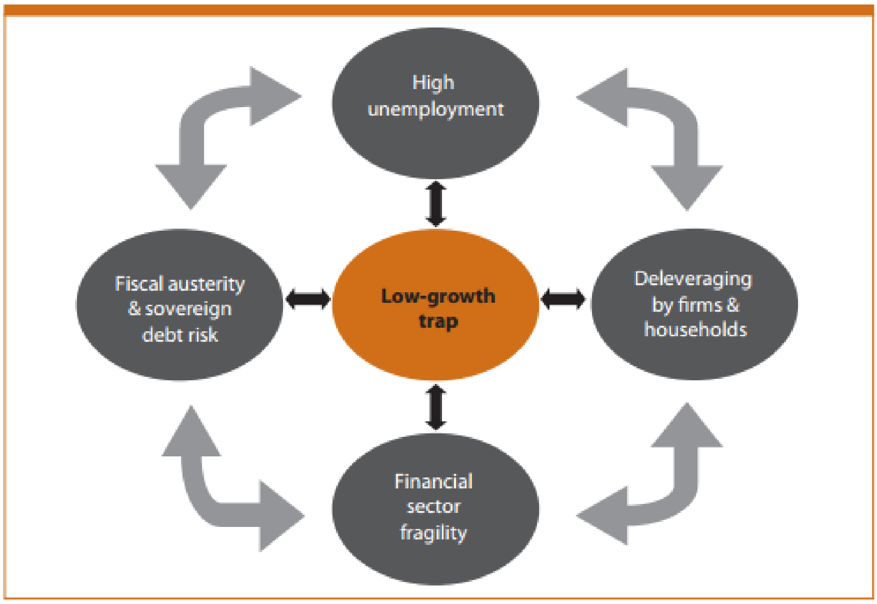
FIGURE 2: SECTORAL GROWTH 2012

Sector	*Growth*
Manufacturing	**0.1%**
Construction	**8.2%**
Services	**1.2%**
Total GDP	**1.3%**

A6. The United Nations argues in its annual *Situation and Prospects* for 2013 that these factors in the developed economies raise the prospect of a "low growth trap" against which the following currently-accepted policy options may have limited impact:

- Quantitative easing
- Fiscal austerity
- Debt management
- European Central Bank Outright Monetary Transactions[3]

FIGURE 3: 'LOW GROWTH TRAP'



Source: United Nations (2013)[3]

A7. Politically, 2013 will see continued uncertainties. The situation in the United States requires consolidation as the second Obama administration rolls out its programme. Europe is far from financial stability and there is lingering doubt that the fiscal measures enacted by its member states in 2012 have bedded down. Additionally, massive public sector cuts across the European nations will contribute to contraction in global demand.

FIGURE 4: POLITICAL-ECONOMIC CONTEXT

	GLOBAL	DOMESTIC
ECONOMY	Europe, USA, Japan volatility Structural problems in the established economies Regional politico-economic uncertainties Economies of China & India	Dependence on manufacturing and construction Exposure to the global market Cheap labour as factor input Preponderance of MNC SMC low market share Rentier share of output Supply side focus
POLITY	East Asia territorial issues Fundamentalisms China expansionist sensibilities Weakening of post-war political/ economic consensus Neo-conservatism & market fundamentalism	Maturing political sensibility Shifting political allegiances Expansion of information flows Widening of civil society and citizen activism Government innovation deficit

A8. The new President of China will face slowing economic growth amidst sluggish reform of the economy and polity. The leadership will need to hold the 12^{th} five year plan steady until it expires in 2015.[4] India may well face a general election although the signs are that the Prime Minister will baulk at an early return to the polls before the term of office officially ends in May 2014. However, India's 2012 economic performance has also been bedevilled by listless growth together with a weakening rupee. India's March budget may also put pressure on public finances if goodies are dished out.[5] Unstable conditions in the Middle Eastern world also remain.

A9. Closer to home, Malaysia goes to the polls before the year's midpoint and polls report widely divergent estimates at to the outcome.[6] A new (and inexperienced) leader in North Korea, new governments in South Korea and Japan, an expanding Myanmar, and elections to be held in Australia later this year may impact upon the regional economy. Territorial issues in the East Asia region also contribute to the overall climate of instability.

A10. The general framework of political and economic trends over the year place specific challenges on Singapore, particularly in relation to external demand. There was a slight improvement in performance in the last quarter of 2012 due to a better outlook in China and the United States. We continue to watch the situation in those countries as well as the European Union where a flare up in the debt crisis may have a significant impact on us. The Monetary Authority of Singapore's (MAS) policy of currency appreciation struggles to have a significant impact on inflation as COE levels have kept vehicle costs extremely high and property cooling measures over the last three years have had limited impact. Further measures taking effect in January 2013 are aimed at dampening demand rather than moderating prices across

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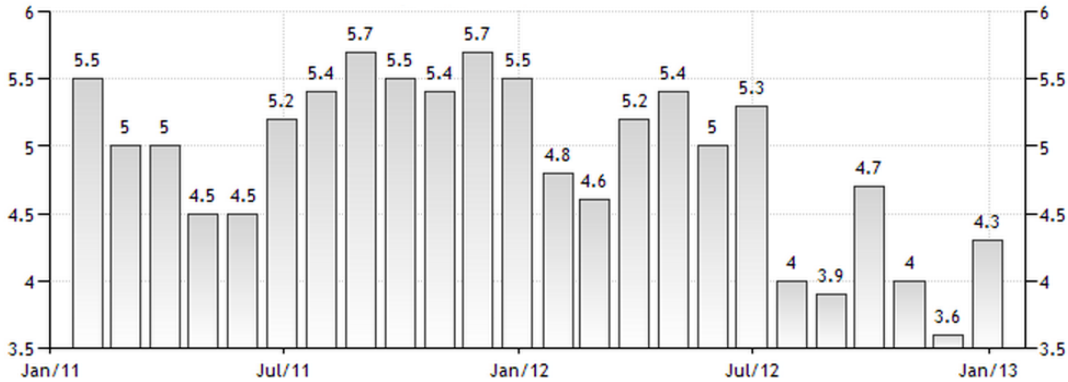
[4] Miles, J (2012). 'Over to You, Mr Xi'. *The World In 2013.* (London: The Economist).
[5] Roberts, A (2012). 'Wrestling Giants'. *The World In 2013.* (London: The Economist).
[6] Jahabar Sadiq (2013). 'Pakatan Sure of Winning Nearly 140 Federal Seats, Say Sources'. *The Malaysian Insider*. 22 February 2013. (http://www.themalaysianinsider.com/malaysia/article/pakatan-sure-of-winning-nearly-140-federal-seats-say-sources).

the board. CPI inflation is not expected to settle far from 4% in 2013 while core inflation will be around 2.1%.[7]

FIGURE 5: INFLATION RATE



Source: tradingeconomics.com[8]

Comparative advantage

A11. Singapore's economy is an extremely open one. This policy of openness is based on our limited domestic market and has been credited with drawing vast and rapid economic growth to the island, as well as allowing us to tap on skills, knowledge and technology transfers. However, continued exposure to the global market has its downsides, not least our vulnerability to national conditions in our trading partner countries and the economic performance of the larger economies.

A12. In the coming period, high (and volatile) business costs (especially rental and transportation), the tightening labour market with new curbs on foreign labour, and the strong Singapore Dollar which may be further revised upwards at the April meeting of the MAS requires us to revisit our economic (and administrative) fundamentals.

A13. Growth forecasts for 2013 have been readjusted to around 1-3% due to the reasons identified above.[9] The relatively large growth margin is testament to the uncertainty of conditions globally and reflects Singapore's vulnerable openness to the global economy. A survey in December 2012 indicated that the small business sector (mainly retail, information, media and telecommunications) remains optimistic about growth as a while but is less sanguine about their own business prospects.[10]

A14. The discrepancy in the above survey between small business owners' views about the economy as a whole vis-à-vis their own business may indicate that the Small and Medium Enterprise (SME) owners face challenges in their enterprises for which they feel relatively insufficient government help is forthcoming. Our volatile company formation and cessation figures indicate that the SME sector has not reached a point

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[7] Economic Policy Group (2012). *Survey of Professional Forecasters.* (Singapore: Monetary Authority of Singapore). Core inflation excludes transport and accommodation.

[8] http://www.tradingeconomics.com/singapore/inflation-cpi

[9] Ministry of Trade & Industry (2013). 'MTI Maintains its 2013 GDP Growth Forecast at 1.0 to 3.0 Per Cent'. *Press Release*, 22/2/2013.

[10] CPA Australia (2012). *The CPA Australia Asia-Pacific Small Business Survey 2012*. (Victoria: CPA Australia).

of stable presence in the economy: In 2012, about 34,500 new companies were formed while 22,400 ceased operation (65%).[11]

A15. Over the years, the Singaporean people have built enduring capacity in infrastructure, skill/literacy, research and higher education, and the service sector to which we added the commercial verve, derring-do and hard work of our forefathers. However, in the period 1965 to 1990, we became too dependent on foreign direct investment (FDI) as the principal economic propellant. This has had the effect of stifling and restraining our home-grown business sector such that, according to Spring Singapore, while the SME share of GDP is around 50%, it constitutes about 99% of all businesses in Singapore and employs about 70% of workers. Clearly, the FDI and Multinational Corporation (MNC) share of output is excessively large, given the idiosyncrasies of the global economy identified above.

A16. The Singapore Democratic Party has, since 2010[12], advocated a realignment of economic activities such that the SME sector can grow and flourish and gradually produce a much larger share of output. This Shadow Budget 2013 presents a framework of programmes to enhance the viability of the SME sector and the supports available to small business owners to ensure viability and growth.

Integrated approach to governance

A17. In a small, highly developed nation, an integrated approach to governance is essential to ensure that individual policy items conform to a broad direction of policy based on coherent fundamentals. As the government's White Paper on population identified, infrastructure development did not progress at a rate sufficient to cope with the rising population. Poor coordination across Ministries must be avoided in the coming period. This Shadow Budget makes proposals for better government coordination to achieve three objectives:

- Coherence across a holistic policy framework
- A robust relationship between economic and social policy
- Limiting sector-specific policymaking

Proposals will enhance planning across government departments in order to ensure that unintended social and welfare effects of economic and manpower policies are mitigated and where unforeseen, can be more rapidly addressed. This approach follows a general trend in development economics encapsulated by Nobel economics laureate, Prof Amartya Sen:

> *Human development, as an approach, is concerned with what I take to be the basic development idea: namely, advancing the richness of human life, rather than the richness of the economy in which human beings live, which is only a part of it.*

Five principles for progress

A18. It is entirely appropriate at the present time to examine our policy fundamentals. As the Singapore economy (and society) has matured, our policy approaches must take

[11] Department of Statistics (2013). *Monthly Digest of Statistics, January 2013*. (Singapore: Ministry of Trade & Industry).
[12] Singapore Democratic Party (2010). *It's About You: Prosperity and Progress for Every Singaporean. SDP's Alternative Economic Programme.* (Singapore: SDP); Singapore Democratic Party (2011). *Empowering the Nation: Shadow Budget 2011*. (Singapore: SDP); Singapore Democratic Party (2012). *Securing our Future: Shadow Budget 2012.* (Singapore: SDP).

better account of both global conditions and domestic socio-cultural and demographic shifts because fundamental changes have occurred in our national landscape, calling for deep-seated policy review. This Shadow Budget, drawing on proposals made in Shadow Budgets 2011 and 2012, proposes five areas for immediate realignment.

A19. *1. Managing our wealth*: The GIC investment portfolio will be autonomised and liberalised to achieve both safer returns on national investment as well as prioritise promising local investments. The CPF investment portfolio will also be subject to a similar investment framework. Niche industries will be assisted through Research and Development as well as start-up, bridging, and expansion support. Managing inflation will be key to ensuring manageable price rises for consumers.

A20. *2. Expanding our capabilities*: An economic transformation will be initiated through the various programmes contained in this Shadow Budget. Attention will be given to further developing:

- Biomedical science research;
- Higher education;
- Business services (eg legal and management consulting); and
- Lifestyle industries (eg new recreational offerings, niche-type holiday products, etc).

The Economic Development Board (EDB) will expand its Research & Development grants for sunrise industries research and facilitate ground up feedback from the SME sector on future potentials. Productivity enhancement programmes form a central element of economic transformation.

A21. *3. Recreating the social landscape*: The social and material wellbeing of our people cannot be either left to the private capacity of individuals or the good intentions of the voluntary welfare sector, important though the sector is for community development. Proposals to enhance the housing, healthcare and education needs of our people and support in times of adversity are made. An education system which expands the creative potential of our people contributes in large measure to economic transformation and therefore proposals to enhance education are made in this Shadow Budget. Cost of living issues are dealt with through housing and healthcare modifications.

A22. *4. Shaping a new community*: This Shadow Budget also acknowledges the need for better community services for non- or less-economically involved citizens (children, elders, and people with a disability). Community organisations that enhance the liveability of our city will also be catered for and the partisan link between the People's Action Party (PAP) and the People's Association (PA) will be phased out to ensure that PA activities facilitate true and genuine community bonding among citizens and within and across neighbourhoods. Artistic and cultural resources are also proposed.

A23. *5. Securing our borders*: A sensible and cost-efficient defence system and a community-oriented policing framework which do not drain resources are an integral part of this Shadow Budget which will propose programmes both to enhance our capabilities while at the same time containing costs. Three programmes are proposed:

- Smart protecting

- Community policing
- Anti-terror legislation

Current tensions in the region, particularly in North-east Asia, tell us that a sound defence programme is essential to our security. However, defence spending must proceed on a sensible footing which provides adequate security while also utilising international and regional forums to build and enhance friendship and the community of nations. Internally, this Shadow Budget will propose measures to ensure safety for citizens while reducing the power of government to use legislation for political ends.

Moving forward together

A24. These five areas of realignment are proposed in order to promote a framework of governance that will achieve three overarching policy goals that were advocated in the two previous Shadow Budgets:

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

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.

A25. 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 creatively;
- 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
- A re-energised Small and Medium Enterprise (SME) sector.

A26. 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.

A27. 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 shown the unsustainability 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.

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.

A28. 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.

A29. 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.

A30. 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, 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 worrying conflict of interest.

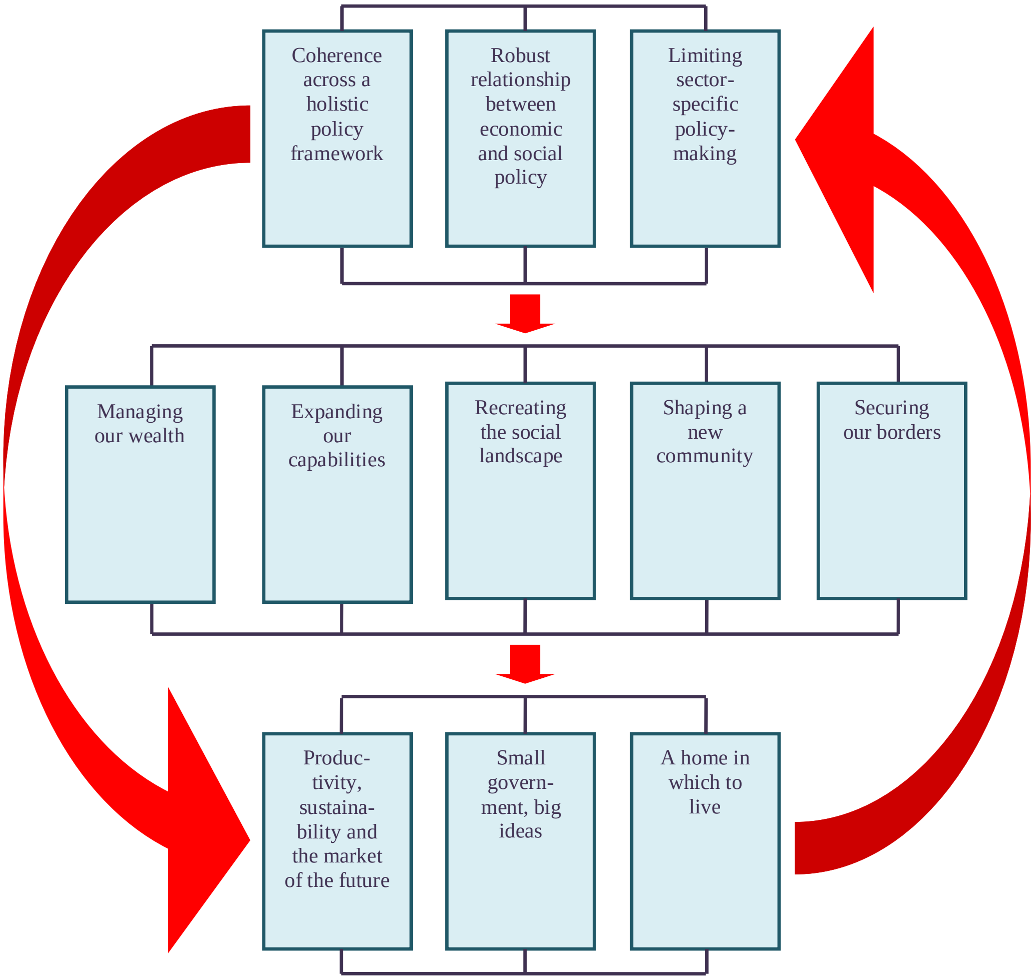
A31. Secondly, government must resist the unbridled power to raise fees and licenses from the citizen without accepting the concomitant responsibility to ensure that citizens are able to afford living costs. Basic monopoly services such as the public utilities and transportation should be returned to public ownership rather than subjected to the profit motive.

A32. 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.

A33. Government should not hoard away vast reserves while some citizens live 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.

A34. 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.

FIGURE 6: POLICY TRANSFORMATION MATRIX



A35. 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 but <u>growth with equity</u>. 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.

A36. 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.

A37. 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.

A38. 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.

Part B: National Audit

Objectives of Budget 2012

B1. Although the Government Budget 2012 was based on three objectives: economic transformation; an inclusive and fair society; and a stronger Singapore, the year was characterised by a deepening divide among the citizens; rising prices amidst stagnant or sluggishly-improved wages; and some social turbulence. Additionally, despite assurances to the contrary, the migrant labour population continued to grow, placing additional strain upon the infrastructure.

B2. In the political arena, the first industrial action in almost three decades regarding poor wages and conditions was carried out by foreign SMRT bus drivers. The Government lost a parliamentary seat in a by-election. In early 2013, following the publication of its White Paper on population, an unprecedentedly large demonstration against population policy took place. About 1,000 citizens emigrated from Singapore while a survey revealed that 56% would do so if given the chance.

B3. In socio-economic terms, wages at the lowest levels stagnated while prices of public goods such as healthcare, housing and education rose: inflation stood at above 4%. One in six households contained a millionaire while at the lower end the Community Development Councils disbursed some S$52 million to needy citizens and the ST Pocket Money Fund disbursed financial assistance to 9,000 children per month, seeing a huge jump of 28% between Q1 and Q2 2012.

Population

B4. The resident population (ie. citizens and permanent residents) grew by 0.8% while the non-resident population (ie. those on work and other long-term visas) by 7.2%, representing almost three times the total population growth rate. Additionally, around 90,000 Permanent Residents surrendered their status during the year.

Economic growth

B5. Manufacturing tended to show contraction across most sectors in 2012. The overall index of manufacturing production grew by 3%, accounted for by expansion in food, beverage and tobacco; textiles; chemicals; pharmaceuticals and biologicals; fabricated metal products; machinery and equipment; transportation equipment, and other manufacturing. The leading sectors were pharmaceuticals and biological (10%), machinery and equipment (13%) and other products (7%). Computer, electrical and optical products contracted by 10%.

B6. Investment commitments grew by S$2,273.5 billion, an increase of 16.5%. The foreign share amounted to 88.5% and the local share 11.5%.

B7. Company and business growth in 2011 were characterised by the following: as a percentage of companies formed, 65% ceased activity during the year. As a percentage of businesses formed, 98% of businesses ceased activity during the year.

B8. Total foreign reserves increased by almost 3%. Current reserves are recorded at S$316.7 billion. Domestic reserves are recorded by the Singapore Government website (gov.sg) at around S$300 billion. Accurate figures are not published.

Employment, income and productivity

B9. The labour force increased by 3.9% to 3,361.8 million workers. Residents made up 0.3% of the increase while non-resident workers amounted to a 7.4% increase despite measures announced in the last Government Budget to curb foreign labour. Labour force growth across the 2002-2012 decade was 6.6%, with residents making up 2.6% of growth.[13]

B10. In this year of the enactment of the Retirement and Re-employment Act, employment of the 55 to 64 age group rose by 2.8%, with women making up a greater share of the increase.[13]

B11. Productivity gains followed the trend of the decade, settling at around 1% (the average for the decade has been 0.8%). A stretch target of 2-3% has been announced but both the Finance and Manpower Ministers have admitted that this is ambitious.[14]

B12. Generally, the year saw a 2% increase to 29% in those aged 15 to 64 who had attended job-related training. However, the duration of training attended declined by 29%. Only half of the training attended resulted in higher productivity, better levels of service, or new job skills.

B13. Median salary rose by a gloomy $75 which, allowing for inflation, represented a minus 2% salary change.[13] However, the number of dollar millionaires rose to around 17% of households.[15] Hours worked were still at a high of 48 hours per week and for the 40 to 50 age group, it was 49 hours. There was a 0.4% increase in those holding down more than one job; the largest age group were the 40s to 50s. 23% of workers earned less than S$1,500 per year and 5% earned less than S$500.

Health and wellbeing of citizens

B14. Singapore has retained 26th place in the last Human Development Report.[16] While we continue to be in the Very High Human Development category, our public spending on healthcare and education put us in the Low Human Development sector. Healthcare spending amounted to around 1% of GDP. (Developed nations spend around 6 to 8% while we are statistical near neighbours to nations like Azerbaijan, Turkmenistan, Philippines, Laos, Bangladesh, Cameroon, Haiti, Ivory Coast, and the Congo.) Our expenditure on education is about 3% of GDP. (Developed nations spend about 5 to 7%.)

B15. Other areas posted good outcomes: a high life expectancy; adult literacy of 95%; years of schooling 14yrs (Developed nations = 16 to 18 years.)

B16. Public housing prices rose by almost 7%. A further tranche of cooling measures were announced late last year.

B17. Almost 50% of all Medisave payments were made in respect of family members. Medisave Required Amount was increased to S$38,500, thus raising the total CPF

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[13] Ministry of Manpower (2013). *Labour Force in Singapore, 2012*. Singapore: Manpower Research & Statistics Department, Ministry of Manpower.

[14] Ramesh, S (2012). 'Singapore's productivity rates in 2012 not very positive: Tan Chuan-Jin'. *Channel News Asia*, 11 September 2012.

[15] Lim, K (2013). 'Singapore's millionaire households on the rise'. *AsiaOne*, 1 June 2012

[16] This was in 2011: the next report will be published in March 2013. Updated statistics are obtained from hdr.undp.org/en/statistics.

lock-in (including the Minimum Sum) to S$177,500. Medishield premiums and deductibles were raised as were school miscellaneous fees and property tax.

The social landscape

B18. There was an increase of 14% in road vehicles from 2011. Several areas are being cleared to accommodate road widening projects, including portions of the historic Bukit Brown Cemetery and the Rochor Centre estate.

Did individuals and families benefit?

B19. Budget 2012 contained measures that were similar in shape and philosophy to those in Budget 2011. The deep, structural challenges identified by the SDP's Shadow Budgets 2011 and 2012 have not been ameliorated sufficiently and in fact, despite very similar measures offered in Budget 2013, its ability to respond to the challenges of the moment will also be limited. A quotation from Shadow Budget 2012 will demonstrate that the prevailing challenges remain:

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.

Part C: Programmes

Guiding principles

C1. Shadow Budget 2013 is guided by objectives of securing for the people of Singapore a high quality of life by transforming the environment in which they live, work and play. As economic-political-social challenges for the nation assume critical levels, national spending must reflect the changing environment. As the society matures, the aspirations of the people continue to evolve with concerns of an equitable system where social mobility and the sense of fair play become increasing more important. Spending, therefore, needs to more than address the immediate concerns of the people, it must provide the substrate upon which the longer-term goals of the nation can be cultivated and nourished.

C2. As a younger generation of Singaporeans take over the political leadership, the erstwhile practice of treating our neighbouring countries with suspicion and belligerence should be abandoned for an approach based on diplomacy and alliance building. High defence spending, in an atmosphere of shared desire for progress, should be reduced. Reduced defence spending will also ease a spiralling arms race in region and lead to a more peaceful and secure East Asia. Less expenditure on arms will allow increased investment in other areas of our development such as healthcare, housing and wage parity for the lower-income groups.

C3. The economy should increasingly be driven by our domestic SME sector in the coming period and less on foreign Multinational Corporations and Government-linked Companies which are traditionally dependent on keeping wages low. Altering the economic paradigm will shift the emphasis of our economic production to the SME sector and, in the process, boost the Research and Development (R&D) capability of our manufacturing sector. Extensive government participation in the economy is confronted by several challenges including the settled bureaucratic framework that leaves limited room for innovation and the perennial conflict between profit and political longevity.

C4. With a global economic outlook that remains uncertain, a transformative budget that focuses on programmes aimed at enhancing the quality of life for all our citizens is appropriate, complemented by creative investments from our national reserves. Over-saving and over-investment can lead to under-utilisation of our resources and result in diminishing returns. State reserves should not only be viewed as a hedge against future challenges, sensible though that strategy is, but as a resource base from which to grow the conditions that would mitigate our economic challenges.

C5. A short-term, reactive approach to budgeting is wasteful spending and creates an unhealthy dependency mindset among our people. Using subsidies and handouts to embed the political compact does little to foster a resilient national attitude, undermining a can-do spirit which we must regenerate. In this context, maintaining high prices in housing and healthcare and then offering subsidies is a politically expedient but inefficient way of managing the economy. The trend of refocusing taxation away from income towards consumption should also be mitigated, particularly in relation to essential goods and services as consumption taxation hits lower income earners much more than higher income earners.

Transforming the economy

C6. Our economy must shift away from the reliance on low-wage labour from poorer countries in the Asian region. Such over-dependence has, through the years, brought on many undesirable outcomes for the economy, the continued lackadaisical labour productivity being one of them. The importation of foreign labour has also put undue downward pressure on wages of local Singaporeans. Low productivity and suppressed wages are two factors that blunt the innovative potential of the workforce.

C7. To shift from over-dependence on a low-wage workforce, the *TalentTrack* scheme will be introduced. The scheme is a simple yet rigorous merit-based system to screen foreigners seeking employment in Singapore. Factors such as age, number of dependents, qualifications, work experience and skill sets will be used to assess potential foreign workers. Such a system will ensure that migrant talent entering Singapore meets the economic needs of our country. It will assist the government in managing the work visa approval process. Clear and transparent guidelines will ensure that the Immigration and Customs Authority (ICA) can effectively identify the skilled migrants that Singapore needs. *TalentTrack* will invite applications from foreigners seeking employment in Singapore. Foreigners who are already working in Singapore will be allowed to continue with their employment until their existing work visa expires. These foreign workers already in Singapore are free to apply to the *TalentTrack* Scheme. Otherwise, they will be required to leave the country upon the expiration of their visa. After the *TalentTrack* Scheme is implemented, no further visas will be issued under the old scheme.

C8. Applications under the *TalentTrack* scheme will be decided on a points-based system that will reflect the prevailing needs of the various sectors and industries of the economy. Applicants who meet a point cut-off will be granted a Provisional Employment Pass (PEP) valid for a period of 12 months. All applicants with PEPs will be placed on a shortlist from which potential employers may hire them.

C9. Evaluation of *TalentTrack* applications will be based on factors determined by

an Employment Visa Commission (EVC) consisting of senior representatives of the Ministry of Trade and Industry, Ministry of Manpower, Economic Development Board, trade unions, Singapore National Employers' Federation and professional organisations. The EVC would be charged with reviewing the factors going into the selection of applicants and the weight each factor would carry.

C10. In addition, the EVC will set up industry-level sub-committees in charge of working with professional organizations to develop competency frameworks which will contain organised lists of the possible job roles in various industries and the requisite skills and experience for each of them. These competency frameworks will guide the award of points to applicants. In particular, applicants will be considered for job roles and evaluated on the component skills.[17]

C11. To foster an environment that encourages entrepreneurship, 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. Spring Singapore will continue to address productivity. The new agencies (a 'Troika') 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 player. This is to ensure independent analysis and decision-making processes.

C12 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. The Troika will remain in place for such sufficient time as they are required; subsequent Shadow Budget statements will assess their continuing need based on the buoyancy of the local economic sector.

C13. 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.

The Troika will be charged with exploring the following industrial sectors (although not limited to them):

- Organic foods, environmentally-friendly & eco-friendly products and eco-tourism;
- Renewable energy and biofuel refinery;
- International media;
- Conferences, events & conventions;
- Commercial advertising on socio-political blogs and other online advertising;
- Publishing and e-books;
- Expansion of the Social Services Training Institute into the region;
- The development of an EDB Consultancy Service to market EDB expertise to developing economies;
- 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;
- 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;
- Marketing of local pottery, art and other craft products abroad; and
- Tourism, particularly tapping into the China market that is projected to expand rapidly.

[17] This scheme is elaborated in detail in the SDP's population policy paper, *Building A People: Sound Policies For A Secure Future* at http://yoursdp.ucoz.org/_ld/0/8_Building_a_Peop.pdf.

C14. 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.

C15. A five-year Economic Strategies Plan (ES5YP) 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 devolved to 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. 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.

C19. A Property Sales Tax levied on non-resident foreign purchasers of local properties will be introduced. An additional capital gains tax shall be levied on the portion of the sales proceeds of HDB flats in excess of the purchase price for Permanent Residents (PR). This measure greatly reduces the motivation for PRs to speculate on the public housing market.

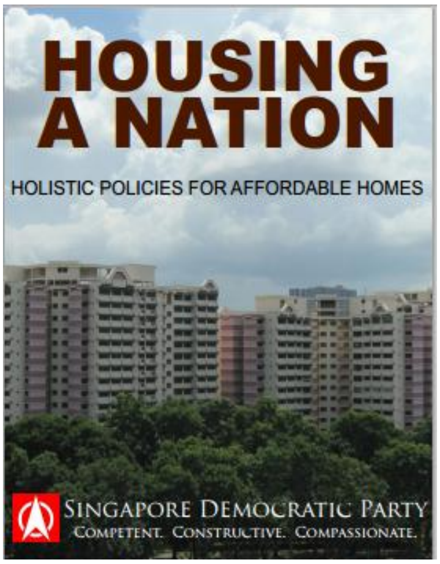
C20. An Inter-Ministerial Committee will be set up to study the Norwegian Pension Fund model with a view to autonomising the Government Investment Corporation (GIC). While the government will continue to remain responsible for the management and activity of the GIC, the investment philosophy and framework will be liberalised to ensure that the GIC takes advantage of private sector expertise as well as functions for the benefit of the Singaporean people.

C21. 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.

C22. The Workfare Income Supplement Scheme will be phased out as the Minimum Wage and Family Credit are phased in.

C23. Foreign worker levies for professionals (applicants to the *TalentTrack* scheme) will be abolished and replaced with an additional tax on their income at a rate of 13.8%, which matches the top rate of the employer CPF contribution. Foreign worker levies for lower skilled and semi-skilled workers will be replaced by an equivalent tax on their wage. Such a policy will also ensure that Singaporeans are not unfairly discriminated against.

Enhancing the community



C24. 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.

C25. In addition to the *TalentTrack* scheme described above to tighten the criteria of recruiting workers from abroad, an Education Five Year Plan (E5YP) 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.

C26. This Shadow Budget also introduces a new housing scheme – the Non-Open Market (NOM) Scheme – to our public housing system. Under the NOM system, prices of public housing will be lower because the cost of an HDB flat will only include the cost of construction and administration. NOM HDB flats will be built on land specially zoned for public housing and not contain a land cost component. As a result, the NOM scheme can offer public housing to Singaporeans at significantly reduced prices.[18]

C27. Under the *Housing A Nation* proposals, PRs will not be allowed to sublet flats as they are expected to be working in Singapore and only be away for short durations for work-related overseas trips or family vacations. As the number of foreign nationals and PRs allowed into Singapore has had a momentous impact on housing prices, the *TalentTrack* scheme will reduce significantly the number of immigrants by ensuring that only individuals with relevant and demanded skills are allowed to work in Singapore.

C28. 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 and independent diagnostic study of the MRT system will also be carried out.

Ensuring well being

C29. 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.

C30. Together with this, the government will work closely with industry in both the SME and MNC sectors to implement a Minimum Wage policy. A Fair Pay Commission, consisting of representatives from the government, business community, academic experts 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 less than a living wage. The Commission will be funded through the Manpower developmental allocation.

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[18] For a detailed reading of the SDP's housing proposals, please see *Housing a Nation: Holistic Policies for Affordable Homes* at http://yoursdp.ucoz.org/_ld/0/7_Housing_a_Natio.pdf.

C31. Family Credit will be phased out as the Minimum Wage is rolled out across the whole of the workforce.

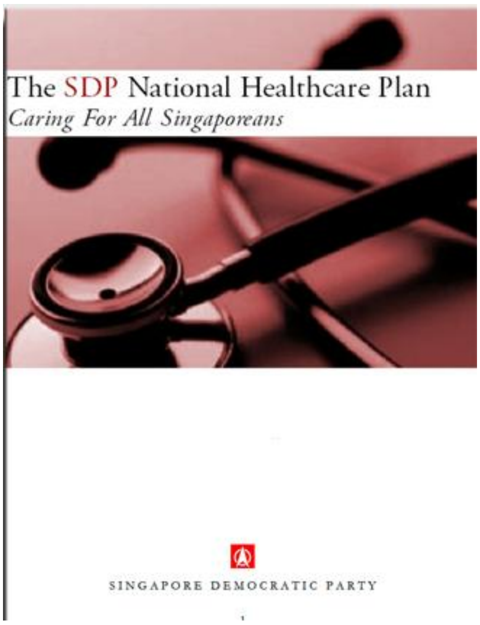
C32. Our National Servicemen should not be excluded from the Minimum Wage policy. They should not be seen as a source of cheap labour in the defence, fire fighting and policing fields. The Fair Pay Commission will study the extension of minimum wage to all National Service personnel.

C33. The current level of Public Assistance creates hardship among recipients. Non-economically productive members of our community should not be expected to live in degrading conditions. Therefore, this Budget will raise Public Assistance to half the median wage.

C34. 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.

C35. A National Heath Investment Fund (NHIF) will be established to achieve a single-payer universal healthcare system managed by the government where every single citizen is covered by a basic healthcare policy to which the government and the people contribute jointly. This fund will be run along the lines of a government-subsidised public insurance scheme to finance compulsory basic health, accident and pregnancy (for women) coverage for all citizens and PRs residing here for more than 6 months per year. No one may be rejected or excluded from this basic plan on the basis of age, gender, or state of health. The usual exclusion clauses will apply: non-essential surgery, dental, alternative medicine, aesthetic treatment.

C36. Based on a total annual healthcare spending of $12 billion in 2009, the Government's portion is about one-third. This expenditure should be increased to about $10.5 billion annually immediately on passage of enabling legislation and be paid into the central NHIF. Singaporeans/PRs will contribute the remaining $2 billion (or about $500 per person on average) yearly, making the gross government to private healthcare spending ratio of 84:16. Singaporeans/PRs' annual contributions to the National Health Investment Fund will be deducted from every resident's CPF or bank account. For those who cannot afford to pay the annual premium, the Government will subsidise the payment in part or in full.



C37. Cost-containment, co-payment, additional private healthcare spending will ultimately alter this ratio, decreasing the government part, and increasing private spending, approaching 80:20 or 75:25. This brings the ratio closer to the era which saw the highest gains in healthcare in Singapore in the 1950s and 1960s.[19]

[19] For detailed description of the SDP's healthcare plan, please read *The SDP National Healthcare Plan: Caring For All Singaporeans* at http://yoursdp.ucoz.org/_ld/0/5_sdp-national-he.pdf.

Serving the nation, building ties and keeping us safe

C38. Shadow Budget 2013 will ensure that the administration of the nation will be based upon the principles outlined in the Introduction of this Shadow Budget statement. Strong community safety in the context of frugal spending 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.

C39. It has been estimated that Singapore has the highest military spending per capita 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 Unites States. A further increase in 2012 and additional increase of $556 million in 2013 (4.9% from 2012) should not be justified without careful analysis of current military threats. The 2013 increase represents almost S$200 per Singaporean man, woman and child.

C40. This budget will allocate funding for a five-year Singapore Plan (FA5YP) 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.

C41. The Chief of Defence Force will be tasked to mount a study to examine how to reduce National Service to one year's duration.

C42. Ministerial salaries will be reduced according to the recommendations of the SDP 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 and no Ministers without Portfolio will be re-appointed.

C43. 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.

C44. The function of information in the Ministry of Communications and Information 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 (MCA). The Ministries of Culture, Community and Youth and Social and Family Development will be subsumed in the MCA and incorporate the functions of social welfare, sports and the arts.

Part D: Expenditure Estimates

Summary of budget initiatives

D1. Expenditure estimates are set out in Figure 7 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. Estimates allow for government expenditure to be capped at the levels set in Shadow Budget 2012.

FIGURE 7: EXPENDITURE ESTIMATES

	Operating Budget (S$ Billion)	Developmental Budget (S$ Billion)	Total (S$ Billion)
SOCIAL DEVELOPMENT			
Education	8.987	2.816	11.803
Health	3.696	2.211	5.907
National Development	1.111	2.200	3.311
Community & the Arts	1.914	1.760	3.674
Environment & Water Resources	0.847	0.903	1.750
Communications & Information	NIL	NIL	NIL
SECURITY & EXTERNAL RELATIONS			
Defence	8.250	1.100	9.350
Home Affairs	2.948	0.386	3.334
Foreign Affairs	0.409	1.100	1.509
ECONOMIC DEVELOPMENT			
Communications & Transport	0.719	5.154	5.873
Trade & Industry	0.683	5.000	5.683
Manpower	0.999	0.111	1.110
GOVERNMENT ADMINISTRATION			
Finance	0.582	0.140	0.722
Organs of State	0.307	0.016	0.323
Prime Minister's Office	0.110	NIL	0.110
Law	0.141	0.170	0.311
TOTAL:	**31.703**	**23.067**	**54.770**

D2. A notable surge in Developmental Expenditure has been made. An increase in developmental spending is required to grow and improve our infrastructure as well as protect our weakest citizens due to welfare parsimony and rising costs in recent years. The increase has been offset against a savings 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. The Community and the Arts portfolio has been further expanded by absorbing the Arts function of the former Ministry of Communications and Information.

D5. The Trade and Industry budget has also been increased. *Shadow Budget 2013* 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 have seen a significant increase. This is offset against key savings 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.

Fiscal position

D7. The revenue yield for 2013 is likely to be in the region of S$55 billion resulting in an estimated budget surplus of S$230,000,000.

Part 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, whose responsibility will continue to 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 ES5YP);
(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 September 2013. 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 should remain outside of fair wage arrangements.

E6. The Fair Pay Commission will also study the implementation of a Singapore First Manpower Policy including the implementation of *TalentTrack*.

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 as a prelude to full implementation of the NHIS.

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 2014.

Ministry of National Development

E16. The Ministry of National Development (MND) is allocated S$3.311 billion which is a significant boost. 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 H5YP 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 S$4,000.

E19. The Plan will also fund the upgrading of all estates in Singapore. The Plan will begin the rollout of the NOM scheme.

Ministry of Communications and Information

E20. The Ministry of Communications and Information will be abolished. The information portfolio will be deleted while the Communications portfolio will be transferred to a new Ministry of Communications and Transport and 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 Diagnostics Commission will be convened to study the current problems on the MRT network and make proposals for improvement.

Ministries of Culture, Community and Youth and of Social and Family Development

E25. The Ministry of Culture, Community and Youth and the Ministry of Social and Family Development 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. 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 billion. A National Health Investment Fund (NHIF) will be established. This will be used to operate public and (eventually and in part) private 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 home-grown 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 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:

(a) Improve relations with our ASEAN neighbours by taking the lead to organise conferences, summits, workshops and other related activities to promote democratic cooperation among member states;
(b) 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;
(c) 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;
(d) 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;
(e) 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.

Ministry of Defence

E43. Defence spending will be frozen at the *Shadow Budget 2011* level with 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.[20]

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.[20]

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).[20] The basic formula for ministerial salaries and MP allowance shall be as follows:

FIGURE 8: MINISTERIAL SALARIES AND MP ALLOWANCE[20]

Designation	Formula	Monthly Salary	Annual Salary
Member of Parliament	10 x $1,400	$14,000	$168,000
Cabinet Minister	3 x $14,000	$42,000.00	$504,000
Prime Minister	4 x $14,000	$56,000	$672,000
President	4.5 x $14,000	$63,000	$756,000

[20] See SDP Policy Unit (2011) *Ethical Salaries for a Public Service Centred Government*. Singapore: Singapore Democratic Party. http://yoursdp.ucoz.org/_ld/0/2_ethical-salarie.pdf

Part 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 2013 has drawn heavily on its two annual predecessors and incorporates the key policy recommendations of the SDP's health, housing, population and ministerial remuneration policies published in the last eighteen months. It is basically 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 assures 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 community.

F4. 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 in the next three years and further. 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.