

Empowering the Nation

Shadow

**BUDGET
2011**



SINGAPORE DEMOCRATIC PARTY

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REPUBLIC OF SINGAPORE

**Shadow Budget 2011:
Empowering the Nation**

Singapore Democratic Party

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EXECUTIVE SUMMARY

Shadow Budget 2011: Empowering the Nation is a ground-breaking document. It is the first time in Singapore's political history that an opposition party is presenting an alternative to the government's financial policy for the year ahead.

Past Budgets have mis-prioritised the needs of the nation and allocated expenditure that, through the years, built an economic structure that severely disabled the entrepreneurial class while keeping Singaporean workers' income levels unacceptably low.

Budget policies have focused on wealth creation for the upper income groups as well as multinational companies (MNCs) based in Singapore to the detriment of ordinary folks here. As a consequence the income gap has widened to an alarming extent, productivity levels have plummeted and Singaporeans find themselves with little or no savings to take them through retirement.

The mismanagement of the economy by the People's Action Party (PAP) has resulted in HDB prices skyrocketing to beyond what the people can afford. Our elderly have to clean toilets just to earn enough money to survive. Singaporeans have to travel to Malaysia for find affordable healthcare and buy cheaper medicines. Youth gang violence has exploded and so has vice. And after more than half-a-century of hard work and sacrifice we are now told that without foreigners we cannot make our economy work.

Just how has the PAP's past Budgets helped the people and society?

The Singapore Democratic Party (SDP) presents *Shadow Budget 2011* to address the many budgetary failures of the PAP Government. Unlike the PAP's there are no 'goodies' in our budget because goodies are given only to sweeten the poison. We make specific proposals in the Shadow Budget with this singular objective: To provide ordinary Singaporeans the wherewithal and genuine assistance to live in security and dignity, and to develop themselves to compete with other peoples of the world.

Our first priority is to lower the cost of living. We propose several measures to achieve this including abolishing the GST for basic foodstuffs and medicines, and to lower the current rate for other non-luxury items. We have also included measures to reduce utility rates and public transport fares.

Equally important are proposals that would enhance the creation of jobs for Singaporeans. One such initiative is the introduction of the Singaporeans First Policy where businesses are required to demonstrate that the skills they seek are not available in the domestic workforce before they are eligible to employ non-Singaporeans. We have also proposed expenditure to develop sectors in social enterprises, publishing and the media, green technology, and the Small and Medium Enterprise sector. Together, these measures would not only create quality jobs for Singaporeans but also propel our economy into a genuinely industrialised one.

As much as we have spent on education in past Budgets, we have not achieved successful educational standards. The PAP has fostered a system where students resort to rote-learning and regurgitation of facts to enhance their examination scores. This has brought about an un-inspiring and un-innovative private sector. *Shadow Budget 2011* proposes a variety of measures to remedy this serious shortcoming including reducing teacher-student ratios, building more schools/classrooms, introducing school psychologists and counsellors for all schools, developing programmes to nurture creativity among our students,

abolishing tuition grants for foreign students, and reducing fees for our local students at the tertiary level.

Singapore spends about 2 percent of GDP on healthcare costs. The government has gradually retreated from healthcare funding leaving the people to shoulder more and more of their medical expenses. This drives many Singaporeans to Malaysia to obtain cheaper treatment and medicines. *Shadow Budget 2011* significantly increases the expenditure of the Ministry of Health to moderate high medical costs especially when one is struck by a catastrophic or chronic illness.

Social supports for the poor and the elderly are woefully inadequate. For a nation to boast of ministers who are the highest paid in the world while leaving the destitute in desperation and misery is nothing short of an abomination. We propose that expenditure for Ministry of Community Development, Youth and Services be increased to ensure that the weakest of our weak are not left to the ravages of poverty. Public Assistance for such individuals and households are significantly enhanced in our Shadow Budget. Tax exemption on donations is extended to smaller charities putting them on par with Institutes of a Public Character so as to encourage giving.

On defence spending, *Shadow Budget 2011* allocates funding to the Ministry of Defence to pay full-time National Servicemen the recommended minimum wage of \$1,200 a month as the basic allowance. NSmen are charged with the responsibility of defending the nation in time of war, risking limb and life. They should not be expected to do so on the cheap. When the concept of national service was first mooted in the 1960s, Singapore was not rich. Singaporean males were asked to enlist in the army for a token allowance. But in this day and age where the Government justifies paying top dollar in other sectors, it is unconscionable to exploit our servicemen who risk life and limb to protect the nation.

Our Shadow Budget trims the bloated cabinet and the salaries of ministers. The Prime Minister's Office (PMO) currently appoints seven ministers: Minister Mentor, two Deputy Prime Ministers, two Senior Ministers, and two Ministers without portfolio. These posts earn an annual salary of at least \$2 million each. The removal of the ministerial posts from the PMO and the reduction of ministerial salaries across the board will free up about \$30 million dollars that are allocated elsewhere in the Budget for more productive use.

The SDP's proposals enhance the well-being of the people as opposed to the welfare of the State. This is the most significant distinction between our budget and past budgets of the PAP. We eschew the PAP practice of taxing the people and making them pay beyond what they can afford and then doling out 'goodies' come election time.

The PAP's scheme is to force Singaporeans into a condition of dependence upon it as a dispenser of 'privileges' so that it can continue to wield political and economic control. The government's Budget this year will be no different from previous Budgets in that it will continue to constrain and coerce the people. *Shadow Budget 2011*, on the other hand, empowers our nation.

EMPOWERING THE NATION
EWBOMEING THE NATION

SECTION A: INTRODUCTION

A1. The Singapore economy posted GDP growth of more than 14% in 2010. This was attributed to below trend growth in the previous two years, buoyant pharmaceutical output, and the opening of the casinos. However, despite such phenomenal performance, significant issues remain about the distribution of growth and the fundamentals of the economy as a whole.



A2. Ambassador Tommy Koh has remarked: “One of the signs of the poverty at the bottom of our society is the number of children who go to school without any pocket money for lunch. The Straits Times Pocket Money Fund benefits 70,000 such children.”* This means that one child in every ten goes to school without lunch money every day. That these children depend on a charity handout to have lunch is troubling, to say the least, in a nation that spends a quarter of its expenditure on preparing for war.

A3. Each year, the Minister for Finance goes to Parliament and asks a PAP-dominated House to approve the government’s financial policy for the year. The reality of the outcomes generated by the Budget tends to get lost in a welter of positive media reporting by the state controlled press. Furthermore, recent Budgets, and in particular that of the financial year 2010 (FY2010), and the proposals of the Economic Strategies Committee, headed by the Finance Minister, which contributed to the Budget, have tended to replicate ideas tried and found wanting with little, if any, analysis of historical outcomes.

A4. For example, the FY2010 Budget announced the formation of a National Productivity and Continuing Education Council to “galvanise the major national effort required to boost skills and enterprise productivity.” Six years previous, SPRING Singapore (Standards, Productivity and Innovation for Growth) whose aim is to “raise productivity to enhance Singapore’s competitiveness and economic growth” was inaugurated.

A5. A Budget that bases a key part of its programme on an agency set up to duplicate what another agency has not been able to achieve (productivity in Singapore has not improved in these six years and has never made any significant shift in modern times) is one that has not been examined upon fundamental premises of growth and sustainability.

A6. The FY2010 Budget contained aspirations that have not been realised over the last several years. Statements therein compared with those of the Economic Review Committee, chaired by Prime Minister Lee Hsien Loong in 2003, for example, indicate, perhaps unwittingly, that government approaches have not succeeded:

Tharman, 2010: *“...restructure our overall economy towards higher-value activities.”*

Lee, 2003: *“Our basic strategy is to upgrade ourselves... restructure our economy to strengthen our position.”*

Tharman, 2010: *...upgrade individual industries and enterprises.*

Lee, 2003: *[Industries need to] upgrade themselves... to become more innovative.*

Tharman, 2010: *...raise the skills and creative potential of every worker.*

Lee, 2003: *We need an environment that encourages creativity, intellectual curiosity and risk-taking... The aim is to bring out the full potential of every individual.*

*Straits Times, 11 November 2010.

- A7. Parliamentary Budget debates have tended to repeat the government line or critique it within carefully defined parameters, with little structural or consequential analysis of the programmes and allocations. Hence, policymakers and government and quasi-government departments charged with executing the government's programme, auditing the current budget, and learning lessons for the future are limited in their task, resulting in unimaginative solutions to current problems that repeat the thinking of previous years.
- A8. The Singapore Democratic Party (SDP) presents to the people of Singapore *Shadow Budget 2011: Empowering the Nation*. It represents an alternative financial policy that, unlike the PAP's, 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 of our time.
- A9. In turning a more honest eye upon the problems we face, *Shadow Budget 2011* 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.
- A10. *Empowering the Nation* 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

These domains address the key problems we are facing today; they are 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, and demonstrate how these three domains answer the genuine needs of the people and this nation, freed from the shackles of a government which has become autocratic and exploitative.

Productivity, sustainability and the market of the future

- A11. To compete in today's world, a globalised world where capital follows supply-side factor inputs, Singapore must raise its productivity not 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 'in magic and pictures';
- 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 from the stultifying conditions that the industrial structure has locked them into;
- More democratic workplace structures and flatter hierarchies;
- Fuzzy logic solutions;
- Private enterprise, and
- An energised Small and Medium Enterprise (SME) sector.



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 of government diktat.

A12. 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;
- Channel resources towards the SME sector;
- Pay attention to market trends in the consumer sector, and
- Capitalise on Singapore brands (not the ubiquitous - but essentially meaningless - 'Singapore Brand') in the global market.

There is little mileage, for example, in developing a 'Designed in Singapore' accreditation system without first laying the groundwork to showcase our products and create the potentialities for new market exposure.

A13. Furthermore, we must cure ourselves from the addiction to capital inputs as the principal engine of growth. Economist and Nobel laureate, Professor Paul Krugman, has identified that the propulsion of our economy has been almost wholly due to capital inputs than to increased efficiency.

A14. 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

A15. Government must learn to let go and government must learn to see the citizen as the object of administrative activity, not the cash cow that will fatten the coffers of our official Reserves. Principally, 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.



As for Temasek Holdings, the conglomerate serves no useful role (except to formalise government involvement in the economy) and must be dismantled. Do we want independent and energetic Boards pursuing creative and measured investment portfolios, new and exciting

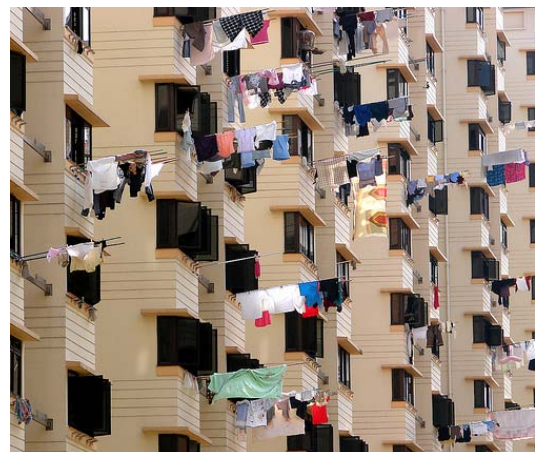
programmes, or do we want slavish adherence to the status quo, carefully watched over by civil servants? Do we want an open climate where enlightened and informed shareholders can debate and argue over investment opportunities or do we want secrecy and opacity with undisclosed annual accounts and the ignominy of learning from the foreign media how our own investments are performing? Government must exit from 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.

- A16. 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.
- A17. 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.
- A18. 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.
- A19. Consumption taxation must be adjusted to take account of the growing proportion of the rich and super-rich in Singapore. A balanced taxation system does not imply burdening the poor with both stagnant income and higher consumption taxes. Those who have extracted more from the Singapore economy and society are under an obligation to return more to it. Goods and Services Tax (GST) will be restructured. By way of redressing economic inequalities between generations, other taxation of high-end incomes and inheritances will also be restructured.



A home in which to live

- A20. 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.
- A21. 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.
- A22. 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 demolished in favour of an environment of citizenship rights. A programme to reassign subsidies will be provided for.



- A23. 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.
- A24. Fair wages that reflect hard work and rising prices must be seen as an indispensable 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.
- A25. This is a Budget for the people. It is committed to excellence and to community. We will tolerate no more incompetence, no more being out of touch, and no more uncaring by those you have elected to serve you.

A budget for Singaporeans




a budget for you

SECTION B: STATE OF THE NATION – AN AUDIT

- B1. As a nation, how have recent Budgets affected us: have they improved our lives in the context of the phenomenal accumulation of Reserves or have they failed to take advantage of the waves of new ideas and policy suggestions emanating from economic and financial analysts and from the Singapore Democratic Party? The state of the nation and the quality of life of citizens are the fundamental tests of whether the government's financial policy is working and if not, what needs to be done. This section summarises some key policy outcomes in the economic and social spheres. It will assist in assessing if recent Budgets, particularly those of 2008 to 2010, have been appropriate to present problems and if not, where the gaps and problems arise.*

Income, employment and productivity

- B2. Singapore has the second highest income gap between rich and poor among 38 countries with high human development indices, even though our per capita GDP is among the highest in the group.** Wages at the bottom of the salary scale have decreased by as much as 18%: Cleaners have seen their income drop from around \$800 to \$650 today. Workers have seen a real earnings increase of only about 1.4% per year in the decade 2001-2009. Wages fell by 3.2% and 1.2% respectively in 2008 and 2009. An International Monetary Fund study of five Asian countries found that Singapore had the lowest Real Earnings from 2008 to Quarter 2 (Q2) of 2010. From Q1 to Q2 2010, the Ministry of Manpower reported that wages fell by 12%. This is against the backdrop of Singaporeans working some of the longest hours in the world. The Singapore government continues to resist the implementation of a Minimum Wage even though 90% of countries around the world have legislation supporting a minimum wage. Increasingly, empirical studies are confirming its benefits. Even neighbours such as Malaysia are pursuing income management policies.
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- B3. At the end of Q2 2010, there were 84,000 unemployed residents with about a fifth being unemployed for more than six months. The resident unemployment rate grew from Q1 to Q2 2010. The government does not publish data on unemployment between citizens and permanent residents but anecdotal evidence such as employment rates at Marina Bay Sands suggests that unemployment rates are higher in the citizen population. Professionals, managers, engineers and technicians accounted for more than half of retrenchments and the re-employment rate of those with a degree stood at 61% in 2009, suggesting that the decrease in unemployment was represented more in the lower-waged sectors. Note that there are 886,000 low-waged foreign workers in the country.
- B4. The media has reported companies cutting workers' pay when they reach 60. This flies in the face of the government's stated intention to improve the employability of older workers. Indeed, the Retirement and Re-employment Act, due to be implemented in 2012, will allow employers to cut wages of older workers based on "reasonable factors" such as productivity and performance.
- B5. Productivity took a nosedive in the period 2007 to 2009, particularly in the SME sector: Profit Per Employee ranged from minus 70.6% to minus 25%.
- B6. Workfare is also noted to have not extended its reach to those who need it most: Many older, self-employed, lower-income Singaporeans do not contribute to Medisave and thus do not qualify for

*The data are taken from the extensive analyses of Leong Sze Hian, 'Singapore Polls Coming Too: Parts 1, 2 and 3', *Malaysiakini*, 30 October, 6 November, and 13 November 2010.

**The United Nations' Human Development Report 2010 identifies Singapore's Gini coefficient, ie. the measure of how unequal our incomes are, as among the highest in the world at 42.5. (0 is full equality and 100 is full inequality.)

Workfare because a large proportion of the payout is into the Medisave account. In fact less than a third of Workfare payments are in cash with the bulk going into the CPF account.

Public housing, public transport, healthcare and retirement savings

B7. HDB resale prices rose by 75% in the last five years. The HDB continues to refuse to publish the breakdown of building costs. The number of homeless persons picked up by the Ministry of Community Development, Youth and Sports (MCYS) doubled in 2010 compared to 2009.

B8. About 40% of CPF holders will have less than \$40,000 at age 55. CPF Minimum Sum and Medisave Required Amount will both be raised. CPF withdrawal amount at 55 will continue to be reduced until it becomes 0% in 2013. The CPF increase last year did not contribute to increased disposable cash income as the increase will go into the Medisave and Special Accounts. (Singaporeans have the lowest retirement income in the Asia-Pacific region, despite having the highest level of pension savings.)

B9. In the decade to 2009 the number of hospital beds in Singapore saw almost no increase against a population increase of one million in the period and medical tourists amounting to more than half a million in 2008. Almost 50% of Medisave withdrawals in 2009 went to pay for dependents' medical expenses, implying that the current generation is depleting its own savings to fund the needs of the older generation. Medifund payments for polyclinic attention continue to be prohibited. HIV treatment continues to be very costly and Medifund is not applicable. (In Malaysia and Thailand HIV treatment is free.)

B10. Public transport has seen significant increases. The 3% fares reduction during the recession has been reversed and senior citizens' and feeder bus services saw the highest percentage increases of all fare types in the last five years. Profits for SBS Transit and SMRT soared in the period 2008-2009.



Poverty alleviation

B11. The MCYS operating budget decreased by 11% from FY2009 to FY2010. The Community Development Councils received almost 50,000 social assistance applications. About 50% of all Public Assistance applications were rejected. A survey in 2009 revealed that only 20% of the vulnerable elderly are getting some form of support while one in four does not even know whom to approach for assistance. Disabled workers receive no form of social assistance.

B12. Only about 0.1% of Service and Conservancy Charges in seven PAP Town Councils unpaid due to financial problems are written off. Up to almost 10% of households in PAP Town Councils have payments over three months outstanding.

B13. The evidence presented here demonstrates a crushing sense of struggle faced by those at the lower income levels. Despite a Gross Domestic Product (GDP) at Purchasing Power Parity (PPP) of almost 300 billion International Dollars*, the returns to the people to help them manage the aftermath of a very deep recession are manifestly sparse. Consecutive Budgets in the last three years have failed to improve the living conditions of the people, improve productivity or increase jobs among the resident population. (Despite high GDP, Singaporeans have low domestic purchasing power: lower than Kuala Lumpur).

Singapore is No. 2



**biggest gap between
rich and poor**

*The International Dollar, also known as the Geary-Khamis dollar, is a notional unit of currency that has the same purchasing power the US dollar has in the United States at a given moment. It is based on the concepts of the purchasing power parity (PPP) of currencies and the average international prices of commodities. It shows how much the local currency unit is worth within the country. Comparing gross domestic product (GDP) per capita of various countries in International Dollars rather than on exchange rates provides a more valid measure to compare living standards. Singapore's GDP of 300 billion International Dollars means that the GDP had the same purchasing power as 300 billion US dollars at this moment in time.

SECTION C: PROGRAMMES

Guiding principles

- C1. *Shadow Budget 2011* is based on several guiding principles: Fundamental premises of budgetary management in Singapore should be re-orientated. For example, with a very high technology defence capability and good international relations, the argument for high defence allocations has significantly weakened. Focus should be placed on improving the living conditions of the people; therefore the Budget should reflect increased attention towards social development and poverty alleviation. Allocations for productivity and Research and Development (R&D) are similarly inconsistent with the stated objective of enhancing economic output. If we are serious about laying down fundamental, home-grown economic roots, a far higher financial commitment must be made to productivity and R&D.
- 
- C2. Furthermore, consistently raising prices and fees and then providing subsidies is an inefficient way of facilitating prudent financial management by households. By shifting figures between the different aspects of household financing, the government is playing a game of borrowing from Peter to pay Paul which lends little to its claim to sound management.
- C3. A higher proportion of GDP should be allocated to annual expenditure. Current total expenditure settles at around 17% of GDP allowing the government to post massive reserves while many Singaporeans struggle to meet their daily needs. *Shadow Budget 2011* recommends raising expenditure by a modest amount to fund the programmes in this Budget. Contrary to the PAP's arguments, several economists argue that inordinately high public reserves can have the reverse effect of reducing productivity. The PAP's 2009 Budget was a good example of increased spending being used to stimulate the economy. However, due to misplaced priorities and a lack of creativity in identifying appropriate measures to enhance output, the Resilience Package has done little to boost the economy since Parliamentary answers suggested that a large proportion of the 14.6% GDP increase this year was due to the casinos and buoyant global conditions in selected industries* (over which Singapore had very little control). Increased funding for productivity initiatives have brought no returns.
- C4. Rather than increasing the developmental share of ministerial budgets, government departments must be required to conduct stringent studies to identify and progress efficiency savings through cutting waste, including lavish facilities for government departments and public servants, and reduced ministerial salaries which are currently the highest in the entire world. The argument that poor ministerial wages result in low quality ministers is belied by the high quality of leadership in the industrialised countries which enjoy continuing economic growth and increased living standards. In Singapore, the reverse has been the case: while ministerial salaries and departmental budgets have increased, the quality of life and the distribution of income have declined for ordinary Singaporeans.
- C5. The state should gradually divest total control of economic agents and allow the verve, energy and creativity of the private sector to take over. Many economists, including some in Singapore, have argued for divestment of the GIC and Temasek Holdings with its large network of government-linked companies (GLCs). In the same vein, CPF investment should be liberalized to give members more of a say in how their funds are invested. The return on CPF investments (estimated at up to 18%) as opposed to returns to members (less than 4%) is scandalous and impedes the use of funds for personal enhancement and SME ventures.

*Senior Minister of State S Iswaran's Oral Reply to Parliamentary Question on GDP Growth, dated 10 January 2011.

- C6. Taxation will be orientated away from consumption to income, which is the fairest way of levying taxes. A graduated GST to take account of essential goods versus luxury goods will be introduced and a tax levied on property sale transactions above S\$3 million, in addition to current stamp duty liability. In line with this, all government fees and licenses will be frozen at their current amounts. The habit of profiteering from basic services and from enterprise must be removed from all public sectors of the economy and society.
- C7. This Shadow Budget is based on several basic, people-oriented standards designed to enhance the nation's resources and its output. These standards encompass the ideas and values that have emerged from key thinkers and economists in the recent period:
- Minimal expenditure increase;
 - Redirecting of priorities;
 - Efficiency savings;
 - Removal of subsidies in favour of fair income;
 - Reorienting of taxation away from consumption, and
 - Divestment of government control in the economy.

They will ensure a stronger economy, a more cohesive community, and a happier, healthier and better educated population.

The programmes

Managing our wealth

- C8. A Trade and Industry Developmental Budget subvention will be allocated to study and implement the reconstitution of the GIC within 18 months. The Norwegian model of the management of pension savings funds will be studied by the MOF. The independence from government interference and transparency with which Norway handles its reserves should be closely examined and where appropriate adopted for our use.*
- C9. Temasek Holdings will be dismantled to encourage a truly homegrown entrepreneur class. The companies under the Temasek Holdings umbrella will be privatised. A Trade and Industry Developmental Budget subvention will be allocated to study and implement their privatisation.
- C10. A Divestment Committee consisting of industry leaders, both global and domestic, government appointees, and representatives of consumers and labour will be created and a full report on privatisation of Temasek will be submitted to Parliament within 24 months.
- C11. The government will encourage the establishment of SMEs in the organic foods, environmentally-friendly and eco-friendly products, and ecotourism sectors. These sectors have been selected because they are growing in terms of market share and reflect lifestyle shifts in the nation. In order to do this, the Economic



*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.

Development Board (EDB) will provide start-up expertise through its incentives and investments programmes. SMEs in these sectors will enjoy start-up grants, rent and tax holidays, and business management consultancy.

- C12. The government will also repeal the Political Donations Act in order to encourage local NGOs to flourish and regional and international NGOs to relocate to Singapore, thus opening up a new economic sector.
- C13. Likewise the Newspaper Presses and Printing Act will also be amended to encourage Singapore to become a centre for the international media industry which commands a large source of job creation.
- C14. A further area to be developed is the conference and event industry for non-profit organisations. This will encourage regional and international entities to host their events in Singapore and take advantage of both the pleasant tropical conditions and our infrastructure. As with the sectors identified above, this sector will also be eligible for the same concessions and subsidies identified at C11 above. In doing so, the aim is to diversify the economy sufficiently to enable this third sector of industries to flourish in Singapore.
- C15. The government will concentrate on developing a niche in the renewable energy and bio-fuel refinery sector. Alternative energy sources are an attractive source of investment, especially in an era where oil prices have risen rapidly and where oil is a key cost factor in doing business. To show its commitment to the protection of the environment by reducing the carbon footprint, Singapore will implement and promote the use of alternative energy, especially bio-fuels, in the generation of electricity and for transportation.
- C16. The government will provide subsidies to companies that are keen to build and maintain infrastructure that promotes the efficient creation and distribution of renewable energy sources. Among the infrastructural inputs required are modified burners for power stations and vehicles to use bio-fuels, solar panels and heaters and wind turbines. Here, the government will also create a panel consisting of experts from relevant fields to create a working plan to reduce carbon emissions of Singapore by 50% by 2020, and a non-oil powered economy by 2050.
- C17. The government will also engage other diverse areas of the economy. Commercial advertising on socio-political blogs will be facilitated. The Social Services Training Institute (SSTI) will receive a grant to further develop the quality of its training courses and an Expansion Grant to expand into the region and further afield. The government, through the EDB, will assist the SSTI to link with a global Institution of Higher Learning to accredit its courses internationally, leading subsequently to certified courses from Certificate to postgraduate levels. The Dragon Kiln at Jalan Bahar* will not be closed down but will be revived with an annual maintenance grant as well as grants through the Singapore Arts Council for young and not-so-young potters to improve on their work.
- C18. The Arts Council, together with the EDB, National Arts Council, Nanyang Academy of Fine Arts, and Singapore Expo Abroad (SEA) will collaborate to market Singaporean pottery abroad. A collaborative effort will be made with La Salle College and the School of the Arts to offer pottery classes in collaboration with the Dragon Kiln and established potters.
- C19. The budding publishing business (for example Ethos Books and Marshal Cavendish) will be provided with grants to expand into the region and move into the e-book sector.



*The Dragon Kiln is a centre for Singaporean potters utilizing a traditional East Asian method of pottery creation. It is as yet an untapped source both commercial and tourist revenue.

- C20. Start-ups keen on breaking into the Alternative Energy sector will also be provided with EDB assistance to explore wind farms in the southern islands and R&D in the solar panel industry. This will have the twin advantage of harnessing our natural resources to reduce the dependence on conventional fuels and also open up a further arena in the economic playing field. The government will support SMEs who are keen to harness green technologies for their input through grants to purchase green power generating equipment. This will be further studied by the government as an area of R&D for possible future industrial ventures.
- C21. This Shadow Budget will also seek through start-up support to encourage social enterprises. Social enterprises are a newly emerging means of doing business through social activities and have already been shown to be capturing the imagination of budding entrepreneurs. The government is keen to support this sector as a means of expanding further the SME sector in an area that appears to have a great deal of support from the younger generation.

Growing the economy

C22. Also included in the Trade and Industry Developmental allocation plus the Services Developmental allocation will be R&D activities aimed at studying the enhancement of the SME sector.

C23. SPRING Singapore, the National Productivity and Continuing Education Council (NPCEC) and the Economic Strategies Committee (ESC) will be disbanded and its activities transferred to the SPRING Agency, comprising representatives of global and local industry and academia, labour and consumers, SMEs and 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. The purpose of this standing Agency 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 ESC's role of advising the Minister for Finance during the Budget process. An additional role of the SPRING Agency will be to study market trends and consumer preferences with a view to advising on niche markets that can be exploited. The Agency will be funded by the remaining 2% from items C24 and C25 below.



- C24. A Productivity Enrichment allocation will be made to studying and implementing genuine productivity inputs which will be rolled out across the SME sector.
- C25. Activities aimed at attracting R&D ventures will be explored by the SPRING Agency and funded by the R&D allocation.
- C26. The SPRING Agency will also institute a dialogue and feedback process for SMEs, potential SME start-ups, budding entrepreneurs, students, consumers, and government and quasi-government officials to contribute and share ideas.
- C27. Spring Singapore will also work with the EDB to broker linkages between international venture capital and the SME sector here to facilitate funding, grants and loans for start-ups.
- C28. A Services Developmental allocation will be utilised to fund a network of Singapore Expos Abroad (SEA) in the key cities of ASEAN, India, China, the European Union, Japan, North America (and subsequently Africa and South America) to promote Singapore brands abroad. C29.

- C29. A Manpower Developmental allocation will be utilised to provide training for workers, supervisors and managers in systems, lateral thinking and fuzzy logic in order to facilitate the entrepreneurial spirit and innovation.
- C30. We will implement a Singaporeans First Policy in manpower management. 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.
- C31. The Foreign Worker Levy payable by employers will, instead of being returned to the Government, be divided equally between the employees on Work Permits and the employer. In this way, both employee and employer benefit instead of the Government. We will encourage, through tax subsidy, the use of the employer proportion for productivity enhancements. The Security Bond will be abolished because there is no evidence that migrant workers will abscond or engage in criminal behaviour in its absence.
- C32. The Competition Commission will be required to examine all merger and acquisition applications. It will study and report to Parliament on the implementation of an Anti-Trust Act to prevent monopolization and assist SMEs to compete in the market. The Competition Commission will also study ways to encourage large corporations to pursue a Singapore Brand First policy of contracting out their inputs to Singaporean SMEs.



Enhancing the community

Education

- C33. Creative thinking, as a vital component of productivity enhancement, should start at the earliest levels of schooling. The Education Ministry will commission research into the Steiner Education System with a view to implementing programmes that involve interdisciplinary, integrative, practical, artistic, and conceptual elements. (The Steiner approach emphasises the role of the imagination in learning and creative production.)
- C34. A Creativity Commission will be established to study ways of developing creative environments and curricula for our school children and higher education students at all levels of the education system.
- C35. The first task of the Commission will be to develop Institute of Creative Thinking to provide teachers with additional input to help nurture creativity. We will seek to link the Institute's programmes with a renowned MBA programme to provide courses from certificate to postgraduate level. We will fund full scholarships for Singaporean teachers. The above programmes in items C32 to C34 will be funded through the Education Developmental budget. The Institute Scholarships will be funded through the Education Operating budget.



- C36. The Ministry of Education will roll out a 4-Year Plan (E4YP) to reduce teacher-pupil ratio to 1:20. This will involve the expansion of classroom space in existing schools and the building of additional schools within the E4YP. A truly creative and knowledge-based economy must seek to provide excellent resources for all our children, not just those identified as being “more than unusually endowed” to quote a PAP politician. It is precisely the policy of concentrating resources at the top that have resulted in a stagnant and moribund economy unable to progress into the next level of economic excellence. The reduction in class size will also facilitate better conditions for teachers who will be able to access training courses and other resources to improve upon their delivery.
- C37. Data from the Ministry suggests that educational achievement of pupils correlates with the economic status of families. To address this imbalance, funding for teacher training, educational resources and enhanced facilities for neighbourhood schools will be increased.
- C38. The Ministry of Education will roll out a programme within the 4YP to equip every school with a school counsellor or psychologist. The Clinical and Forensic Psychology Branch will receive a subvention to fund a more enhanced Special Education Needs (SEN) Service. In this regard, the Compulsory Education Act will be amended to make it compulsory for children with a disability to have access to an education programme. The Ministry of Education will study ways to expand the provision of the SEN Service.
- C39. Funding for tuition grants for overseas students at our public universities will be removed for all entrants in the year of entry 2011. No other developed nation offers preferential treatment for overseas students over their own citizens and such a subsidy has no impact upon our national excellence. We will reduce fees of 50% for all citizen students in our public universities. We will freeze fees at the current level until 2015.

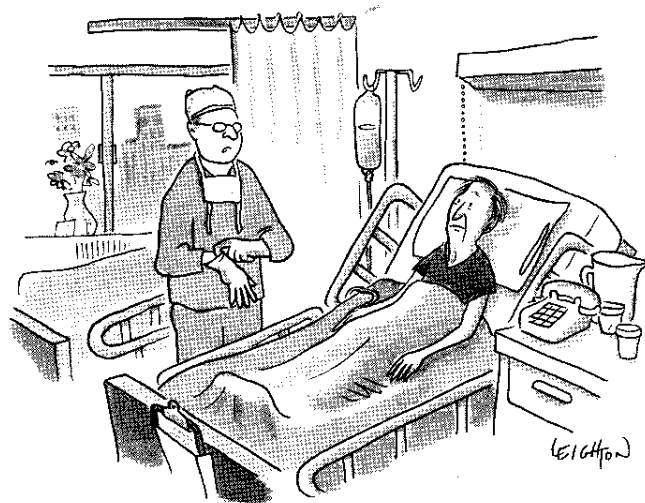


Housing

- C40. We will build sufficient flats to ensure a reduction in waiting time. The Singaporeans First policy will reduce the number of purchasers thus contributing to the reduction in waiting time. We will build 5,000 flats and upgrade or convert 5,000 other premises into flats intended for rental-rebate tenants.
- C41. The estate upgrading programme will be rolled out across all sectors of the island according to a Housing 5-Year Plan (H5YP) to be published by the Ministry of National Development.
- C42. In recognition of changing household structures in Singapore, the HDB will study ways to expand the availability of flats for non-traditional households (such as younger single persons and joint-buy by non-related friends). The HDB will also explore the feasibility of shared ownership flats, whereby the owner and the HDB both own a proportion of the mortgage. This will facilitate home ownership by those whose income makes it difficult for them to meet the new costs of a flat.
- C43. As a public housing provider, the Ministry of National Development will raise a committee to study the conversion of HDB housing to a zero-profit public service. As the provider of a basic public good, the government must not make a profit from the public amenities provided to citizens. No citizen should be denied housing because the market-determined price has excluded him or her from having access to a public flat. The committee will report to Parliament within 12 months of being set up.

Healthcare

C44. An additional 25% more beds will be added to the hospital network by removing all private beds for medical tourists so that public hospitals cater to Singaporean. The new private hospitals coming online will thus not have to compete with the public hospitals. Senior physicians in all public hospitals will be allowed to hold sessions at the new private hospitals and treat medical tourists there. Public hospitals will therefore reduce costs on the time spent by physicians at the private hospitals.



"I'll have someone come in and prep you for the bill."

C45. Private GPs will be allowed to return to public hospitals to admit patients and to do daily morning ward rounds so that Singaporean patients can talk to someone in their own language. This will reduce hospital manpower costs as the GPs will do the work on a sessional basis and in return for recognition as part of the family medicine departments of the teaching hospitals. This sessional approach to medical staffing will alleviate the recruitment difficulties being experienced in the public healthcare sector.

C46. The government will tender for the development of an additional fully private which may be situated on Sentosa Island.

C47. Medifund payments will be allowed for use for polyclinic treatment, for HIV treatment, for mental health interventions, and for medical equipment and consumables. The government subvention to Medifund will be increased. The Ministry of Health will work to produce a clear and transparent Code of Medifund Access to enable Singaporeans to know exactly what the eligibility criteria are. In the interim period of the next 12 months, we will include the expansion of Medifund access to more Singaporeans in recognition of the current high healthcare costs. Medifund will also be made available for those Singaporeans who have used up their Medisave savings. The Ministry of Health will also investigate comprehensive insurance systems to assess their viability for the Singaporean people.

C48. We will increase the government's share of healthcare expenditure to ease the burden of the patient's share. Currently, public health expenditure stands at 7.5% of the Budget or 1.63% of GDP. This Budget raises the healthcare proportion of expenditure to 10% or 2.2% of GDP.

Public transport

C49. Public transport fares will be frozen at their 2010 level with no additional price increases until 2015.

C50. Senior citizens will enjoy free off-peak public transport travel and a 50% reduction on fares during peak hours.

C51. Certificate of Entitlement receipts will be channelled to these improvements in the public transport system.

Youth, Sports and the Arts

C52. The Arts portfolio of the Ministry of Information, Communication and the Arts will be transferred to the Ministry of Community Development, Youth, Sports and the Arts. The new ministry will be redesignated the Ministry of Community and Culture.

Charitable giving

C53. The Community Chest will be designated as a clearing house for all charitable giving and will be enabled to invest its income in order to maximise its grant giving to the charitable sector. A Community Wellbeing Council, consisting of sector representatives without government involvement (except as observers), will be created to oversee all grants channelled through the Community Chest to charities and societies. This will make donor giving more transparent and also encourage more people to continue to donate to charitable concerns. The Council will study ways to encourage Voluntary Welfare Organisations to create and invest reserves for future programmes.

C54. The government will remove the distinction between charities and Institutions of a Public Character (IPCs) to make both eligible for tax exemption on donations. In order to assist smaller charities, their tax exemption will be set at 300% in the first 3 years, dropping to 275% in year 4 and on par with IPCs at 250% in year 5. This will further encourage giving to charitable causes.

C55. We will extend to non-profit organisations, social enterprises and NGOs the facility of tax exemption on donations.

Ensuring wellbeingCentral Provident Fund

C56. The Central Provident Fund Board will return only half of Net Investment Returns to the government. The other half will be channelled to the employee's account to be utilised for approved private investment schemes as a private pension programme for individuals. Details of this will be worked out by the CPF Board in consultation with relevant government departments.

Goods and Services Tax

C57. A graduated GST 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\$500 each).

Capital gains

C58. Property sales transactions worth more than S\$3,000,000 will be subject to a new Property Transaction Tax of 2%. This will assist in cooling the overheating private property market.

C59. Inheritance tax will be returned to the tax structure, set at 1% of estates worth S\$10 million and over.

Income tax

C60. Income tax for incomes above S\$320,000 will be raised from 20% to 22%.

Poverty Alleviation

C61. This year, in recognition of the effects of spiralling inflation, massive job cuts, increase in public housing prices, and the failure of Workfare, a new item of expenditure has been created: Poverty Alleviation. We 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 the income of all households of four persons that have at least two members of the household working full-time and whose monthly disposable income falls below S\$2,600. A qualifying income sliding scale will be applied to households of less than four persons.

C62. The initiative, to be known as Family Credit, 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.

C63. 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. Family Credit will be phased out as the Minimum Wage is rolled out across the whole of the workforce. A timescale of 12 months will be allocated for the roll out.*



C64. 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 he/she is receiving the benefits. The Entitlement will only run for 18 months per worker in total.*

C65. 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.

C66. 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 the thing to half median income.

Serving the nation

C67. The Prime Minister's Office (PMO) will oversee the implementation of market approaches in government and quasi-government departments to seek out efficiency and luxury savings in all departments of state. All government and quasi-government departments will be expected to return

*The SDP recommends setting the Minimum Wage rate at S\$6.80 per hour.

*It is estimated that this will cost S\$1.56 billion, calculated based on average of 80,000 individuals and median income of \$2,600/month or \$31,200/year.

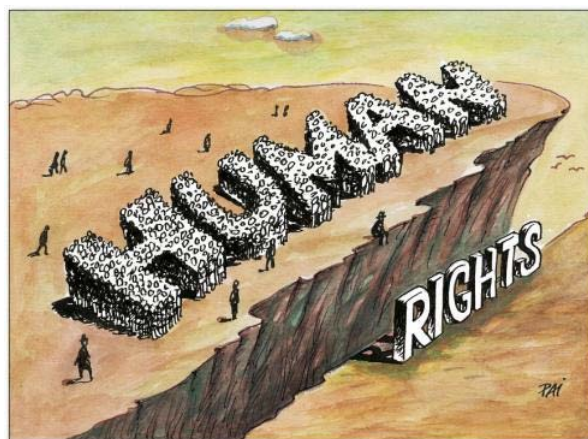
efficiency and luxury savings of at least 5% of their current budgetary allocation. The PMO will lead the way by having its Operating Expenditure cut.

C68. Currently there are seven ministers in the PMO. This Budget will delete the following cabinet positions: Minister Mentor, two Senior Ministers and two Ministers without portfolio. This will bring in efficiency savings of about S\$15 million.

C69. The Prime Minister's salary will be pegged to 30 times the median income, resulting in a monthly salary of about \$60,000/month. Ministers and Ministers of State will have their salaries reduced proportionately to the Prime Minister's. An estimated savings of \$15 million will be achieved.

C70. A Utilities Commission will be created to implement the return of electricity and water to the public sector. The Commission will determine, upon open and transparent consultation with the public, the utilities rate. It will roll out its plans within 18 months of its creation.

C71. A Democracy Commission, an Elections Commission and a Human Rights Commission will be instituted with full government funding but no government representatives. A development subvention of S\$5 million will be channelled to the Democracy and Human Rights Commissions and S\$10 million to the Elections Commission as it will have the additional responsibility of restructuring the elections system to remove the undemocratic practices that have crept into the system since 1991. The first task of the Human Rights Commission will be to institute a Human Rights Secretariat to receive complaints and adjudicate on human rights abuses.



C72. The Information portfolio of the Ministry of Information, Communications and the Arts (MICA) will be abolished as the control of information is deemed to be of no use whatsoever in a modern, knowledge-based economy. The Communications portfolio will be transferred to a newly-created Ministry of Communications and Transport. With the Arts portfolio moving to the newly-created Ministry of Community and Culture, the whole of MICA will be deleted, resulting in a savings of approximately S\$180 million.

International relations

C73. Singapore will invest a developmental budget in the Ministry of Foreign Affairs in building and enhancing our relationships with our neighbours. This approach will be adopted to replace the hostile and confrontational stance of previous years. This alternative approach to international relations will remove tensions and build secure relationships with our closest neighbours thereby reducing the need for unnecessarily large expenditure on our military capability. We will also benefit from increased economic cooperation in the wake of the coming ASEAN Free Trade Area, promote relationships of cooperation, technology and expertise sharing, and pool resources for developmental programmes. Having friendly neighbours affords us at once better security, enhanced industrial potential, and savings on our military expenditure.

Keeping Singapore safe

C74. Given the current capacity of our Armed Forces, this Budget will not make any allocation for increase in our defence capabilities. An allocation of 2% of the Developmental Budget will be assigned to maintaining strong community safety and internal security. The Internal Security Department (ISD) will

be abolished in the context of the repeal of the Internal Security Act. The Whitley Road Detention Centre will be closed.

C75. An Anti-Terrorism Act will be enacted. An Anti-Terrorism Unit will be raised as a constituent of the Republic of Singapore Police.

C76. The Chief of Defence Force will commission a committee to study the feasibility of converting the Singapore Armed Forces, including the Air Force and Navy, into a scaled-down, fully professional Defence Force, taking advantage of our military capacity to reduce the costs of a conscript army. The first task of the committee will be to report on the reduction of National Service to one year and the feasibility of channelling surplus personnel to civilian sectors such as hospitals, ambulance services, social services and environmental clean-up units.

Budgeting for



a sustainable economy

SECTION D: EXPENDITURE ESTIMATES

D1. Expenditure estimates are set out in Table 1 below, Figure 1 and Figure 2. The Operating Expenditure component of the Shadow Budget is \$29.44 billion and the Developmental Expenditure component is \$17.34 billion making the overall expenditure \$46.77.

	Operating Budget (S\$ Billions)			Developmental Budget(S\$ Billions)			Total (S\$ Billions)		
	2010	SDP 2011	% Change	2010	SDP 2011	% Change	2010	SDP 2011	% Change
SOCIAL DEVELOPMENT									
Education	8.660	8.170	-5.66%	1.0600	2.560	+141.51%	9.720	10.730	+10.39%
Health	3.540	3.360	-5.08%	0.6430	2.010	+212.60%	4.183	5.370	+28.38%
National Development	1.066	1.010	-5.25%	1.4270	2.000	+40.15%	2.493	3.010	+20.74%
MCYS	1.830	1.740	-4.92%	0.1418	1.600	+1028.35%	1.972	3.340	+69.39%
MEWR	0.770	0.770	+0.00%	0.3210	0.821	+155.76%	1.091	1.591	+45.83%
MICA	0.447	0.050	-88.81%	0.1120	0.000	-100.00%	0.559	0.050	-91.06%
SECURITY & EXTERNAL RELATIONS									
MINDEF	11.000	8.25	-25.00%	0.4400	1.000	+127.27%	11.440	9.250	-19.14%
Home Affairs	2.800	2.680	-4.29%	0.3510	0.351	+0.00%	3.151	3.031	-3.81%
Foreign Affairs	0.392	0.3724	-5.00%	0.0450	0.100	+122.22%	0.437	0.472	+8.10%
ECONOMIC DEVELOPMENT									
Transport	0.468	0.468	+0.00%	4.5000	4.500	+0.00%	4.968	4.968	+0.00%
Trade and Industry	0.653	0.621	-4.90%	2.7000	2.000	-25.93%	3.353	2.621	-21.83%
Manpower	0.956	0.908	-5.02%	0.0460	0.100	+117.39%	1.002	1.008	+0.60%
GOVERNMENT ADMINISTRATION									
Finance	0.557	0.529	-5.03%	0.1270	0.127	+0.00%	0.684	0.656	-4.09%
Organs of State	0.294	0.279	-5.10%	0.0150	0.015	+0.00%	0.309	0.294	-4.85%
Prime Minister's Office	0.247	0.100	-59.51%	0.0436	0.000	-100.00%	0.291	0.100	-65.59%
Law	0.135	0.128	-5.19%	0.1546	0.1546	+0.00%	0.290	0.283	-2.42%
TOTAL:	33.815	29.435	-12.95%	12.1270	17.339	+42.98%	45.942	46.774	+1.81%

Table 1: Total Expenditure for 2011 by Sector and Ministry

- D2. An increase in developmental expenditure is fundamental if the commitments to raising the economic output, rooting industrial fundamentals, and raising the aggregate potential of the population are accepted.
- D3. The fundamental principles described in Section C have been applied to sector subventions to achieve a more holistic budget. Sector and category itemisation have been altered from the current method used by the Ministry of Finance to better reflect the realities of spending. Current itemisation, by adhering to conventional categories, is unable to reflect both the realities of the financial burden and the relationship between different sectors of expenditure.
- D4. Several underlying calculations or assumptions have been applied to formulate overall expenditure. Firstly, no increase in tax earnings has been assumed, even though it is likely that with 14.6% increase in GDP, the tax yield will be greater this year.

D5. Our stated economic and social objectives have been achieved without increased spending from FY2010's Budget. This demonstrates that a creative and compassionate budget that safeguards and promotes the well-being of our people can be attained through careful and prudent planning.

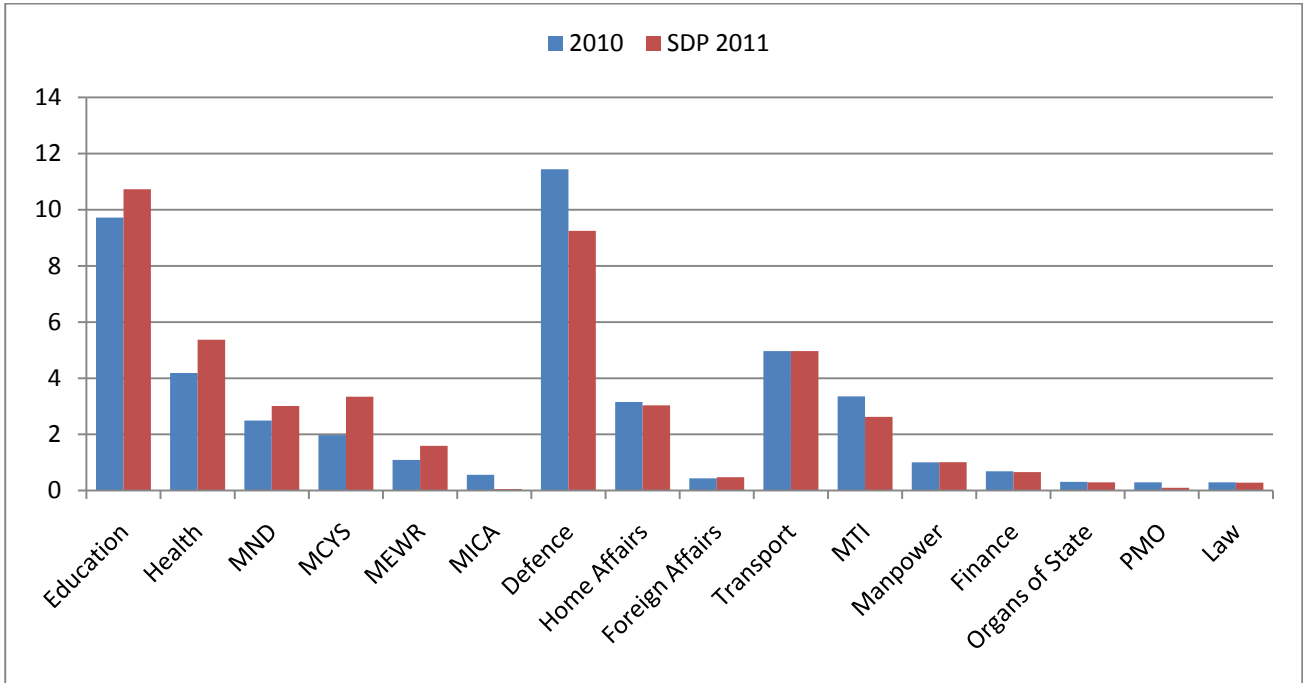


Figure 1: Budget Estimates by Ministry - Comparison between 2010 and SDP 2011 (in billions of dollars)

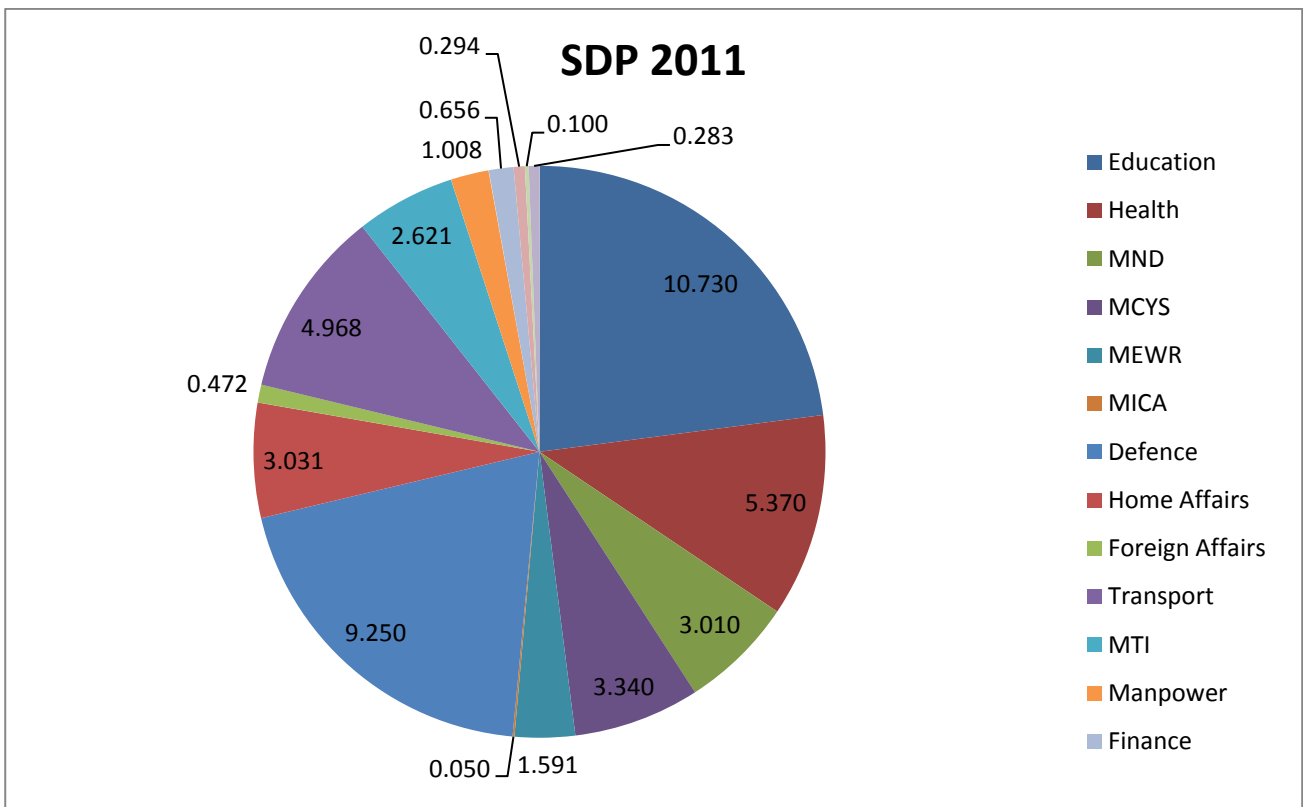


Figure 2: Budget Estimates by Ministry - SDP 2011 (in billions of dollars)

SECTION E: BUDGET ESTIMATES BY MINISTRY

Social Development

E1. Ministry of Education (MOE)

Every child in Singapore must be given the opportunity to realise his or her potential. Schools must be able to provide the resources, expertise and support to help our young prepare for their future in order for Singapore to remain progressive, prosperous and secure.

The MOE will focus on nurturing creativity and analytical thinking in our students, steering away from conventional rote-learning. In order to do that, an integrative, interdisciplinary and practical learning system will be adopted. A Creativity Commission will also be established to study ways of developing creative environments and curricula for our school children and higher education students at all levels of the education system. The first task of the Commission will be to develop Institute of Creative Thinking to provide teachers with additional input to help nurture creativity in our children.

An optimal teacher to student ratio of 1:20 will be achieved in order for greater interaction and nurturance of a student's potential. Children with learning disabilities will be given greater attention and support with the help of teaching assistants. More schools/classrooms will be built to ensure quality learning and teaching.

In order to prepare students to cope with the rigours of school the MOE aims to provide each school with counsellors and/or psychologists. These professionals will assist our students face challenges they encounter in their school environment. The MOE will set up the Clinical and Forensic Psychology Branch which will fund a more enhanced Special Education Needs (SEN) Service.

Funding for tuition grants for overseas students at our public universities will be removed for all entrants in the year of entry starting in 2011. Fees will be reduced by 50% for all citizen students in our public universities and thereafter frozen until 2015.

E2. Ministry of National Development (MND)

Over 85% of the Singaporean population live in HDB flats. Hence skyrocketing prices of these flats bring tremendous hardship especially to young couples. Even those who have purchased their homes find themselves saddled with a lifetime of debt and mortgage payments.

To address this pressing issue, the HDB will adopt a zero-profit principle in its operation. The MND will commission a study of the conversion of HDB housing to a zero-profit public service. The commission will report to Parliament its findings and recommendations within 12 months of being set up.

The Ministry will build sufficient flats to ensure a reduction in waiting time. The Singaporeans First policy will also help to reduce the number of purchasers thus contributing to the reduction in waiting time. We will build 5,000 flats and upgrade or convert 5,000 other premises into flats intended for rental-rebate tenants.

The estate upgrading programme will be rolled out across all sectors of the island according to a Housing 5 Year Plan (H5YP) to be published by the MND.

E3. Ministry of Health (MOH)

The mission of the Ministry of Health is to provide an affordable and responsible healthcare service to its citizens. Healthy living is promoted through educational programmes. Healthcare consumers will be able to use Medifund for payments in polyclinics and other government-run clinics.

The Ministry will increase hospital bed by 25% to meet current demand caused by the spike in population. To lower cost and to increase the efficient usage of healthcare workers, general practitioners and senior consultants in private practice will be able to perform sessional work in public hospitals.

E4. Ministry of the Environment and Water Resources (MEWR)

ENV exists to ensure a clean and liveable environment for all residents in Singapore. The Ministry will commission a comprehensive study of the drainage system to prevent floods. This will include a review of the flood alleviation programme that will include examination of possible causes of the floods such as the construction of the Marina Barrage, the on-going land reclamation and the overall capacity of our drainage system.

The current per-capita energy consumption rate in Singapore is rather high. The MEWR will engage environmental groups and consult with industry players to find workable solutions to this problem. Furthermore the MEWR will encourage consumers and industries be environmentally aware and responsible through educational programmes.

E5. Ministry of Community Development, Youth and Sports (MCYS)

MCYS aims to build a cohesive, resilient and caring society by fostering:

- Socially responsible individuals
- Strong and stable families
- A caring and active community
- Inspired, committed and compassionate youths
- A sporting people

The allocation for social assistance through ComCare will be increased compared to previous financial years. Emphasis will be placed on social assistance programmes which intend to make a tangible impact on our less-fortunate members of society, and ensure that they do not lag behind.

The MCYS intends to place particular attention to family cohesion, especially of vulnerable groups such as the low-income working parents, single parents and dysfunctional families.

The MCYS – in tandem with the Ministry of Health and Health Promotion Board – will continue its mission of inculcating the sporting spirit in our society through various community events to promote sport as one of the tenets of healthy living.

Lastly, the MCYS will also focus on the development of our youths, through continuous dialogue sessions to engage our youths, and to involve them in the public process. The Ministry will expand its youth programme to anticipate and respond to trends that might influence our youths negatively.

E6. Ministry of Information, Communications and the Arts (MICA)

The mission statement of the MICA states: "To develop Singapore as a global city for information, communications and the arts so as to build a creative economy, gracious community and a connected society with a Singaporean identity rooted in our multicultural heritage."

Contrary to its mission statement, however, MICA under the PAP has used its budget and apparatus to control information and stifle creativity. Under the SDP, the MICA will do away with the curbing of information and use its budget to encourage creativity, culture and the arts. As such the Information portfolio of the Ministry will be abolished. The Communications portfolio will eventually be transferred

to a newly-created Ministry of Communications and Transport. The Arts portfolio will move to the newly-created Ministry of Community and Culture.

Security and External Relations

E7. Ministry of Defence (MINDEF)

The best defence of the nation is good relations with its neighbours. Our defence policy will be founded upon building international friendships, replacing the hostile and confrontational stance of the past. Amity among nations will replace the need for high spending on armaments and we will focus our efforts to increase economic and social/cultural cooperation, the sharing of expertise and technology, and the pooling of resources. We will therefore reduce our defence force to one that allows us to enjoy a peaceful and secure environment and unimpeded access to our lines of communication.

A significant reduction in defence spending is made. An immediate moratorium on the purchase of new armaments will be established. We will allocate resources to study the feasibility of scaling down our defence force to a fully professional, non-conscript body. As part of this study, we will look into the immediate reduction of National Service to one year and the feasibility of transferring surplus manpower to civilian sectors such as hospitals and environmental clean-up units.

Mindef will pay full-time NSmen the minimum wage of \$1,200 as basic allowance. These men have been called to serve the nation and they risk their lives in doing so. They shall not be exploited.

E8. Ministry of Home Affairs (MHA)

Our approach to the management of internal affairs is guided by faith in our people and the improving of community safety and internal security. As a mature community, we will trust the community to establish internalised boundaries of behaviour and neighbourly relations

The Ministry of Home Affairs shoulders the responsibility to provide services to the domestic community including policing work and safeguarding our borders. We will establish an Elections Commission to oversee the conduct of Parliamentary and Presidential Elections in Singapore. Members of the Commission will include representatives of opposition parties and will be charged with drawing rules governing the conduct of elections.

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.

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.

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.

E9. Ministry of Foreign Affairs

Improving international relations through diplomacy and friendship and 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. The Ministry 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 Initiative 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.

Economic Development

E10. Ministry of Transport (MOT)

The provision of cost-effective, comprehensive, safe and comfortable public transport are the main goals of the Ministry of Transport. The systems of imposing a range of fees and permits for private travel will be balanced by the roll-out of a public transport system that genuinely rivals the comfort and ease of private transport.

Certificate of Entitlement (COE) receipts will be channelled to improvements in public transport accessibility. Public transport fares will be frozen at the 2010 level with no additional increases until 2015. Senior citizens will enjoy free off-peak travel and a 50% reduction in fares during peak hours.

E11. Ministry of Trade and Industry (MTI)

MTI will commission a study of the Norwegian model of the management of pension savings funds and make recommendations on how the GIC can be managed independently and transparently.

The Ministry will establish a Divestment Committee to look into dismantling Temasek Holdings and propose how its subsidiary companies can be divested. The Committee will present a full report on privatisation of Temasek to Parliament within 24 months.

MTI will, through the EDB, encourage the establishment of SMEs in the organic foods, environmentally-friendly and eco-friendly products, and ecotourism sectors. Start-up grants, rent and tax holidays, and business management consultancy will be provided.

MTI will also encourage local and international NGOs to relocate to Singapore.

News and other media organisations from the international media industry will be approached to set up their offices and operations in Singapore.

Regional and international non-profit organisations from overseas will be encouraged to host their events in Singapore

These efforts will diversify the economy sufficiently to enable this third sector of industries to flourish in Singapore. They will enable the creation of more jobs for Singaporeans.

MTI will develop expertise in the renewable energy and bio-fuel refinery sector. The Ministry is committed to the protecting the environment even as we source new ways to develop our industries by implementing and promoting the use of alternative energy, especially bio-fuels, in the generation of electricity and for transportation.

Start-ups keen on breaking into the Alternative Energy sector will also be provided with EDB assistance to explore wind farms in the southern islands and R&D in the solar panel industry.

MTI will also establish a panel consisting of experts from relevant fields to create a working plan to reduce carbon emissions of Singapore by 50% by 2020, and a non-oil powered economy by 2050.

The Dragon Kiln at Jalan Bahar will be revived with an annual maintenance grant as well as grants through the Singapore Arts Council for young and not-so-young potters to improve on their work.

The government will also engage other diverse areas of the economy. Commercial advertising on socio-political blogs will be facilitated. The Social Services Training Institute (SSTI) will receive a grant to further develop the quality of its training courses and an Expansion Grant to expand into the region and further afield. The government, through the EDB, will assist the SSTI to link with a global Institution of Higher Learning to accredit its courses internationally, leading subsequently to certified courses from Certificate to postgraduate levels.

The publishing industry will be provided with grants to expand into the region and move into the e-book sector.

E12. Ministry of Manpower (MOM)

The dignity of human labour and the creativity of the people must become the guiding principles of manpower policy. One of Singapore's key resources is its people. As such they must be valued in their own right and not merely as 'economic digits', to use a PAP phrase. In line with such an outlook, the Ministry of Manpower aims to cultivate a workforce that is empowered and productive. This will contribute positively not only to workers' wellbeing but also to output.

The Ministry implement the following policies:

- Singaporeans First Policy: Companies hoping to recruit from abroad must demonstrate that they have exhausted their search in Singapore before being entitled to look outside. This will help employers to prioritise Singaporeans rather than foreign entrants to the workforce.
- Minimum Wage: Minimum income policies are in place in 90% of nations. They facilitate fairer remuneration, decrease equality, and enhance productivity by giving workers more of a stake in their workplace. Contrary to pessimistic predictions, minimum income policies have not been found to impact on job creation.
- Enhanced training for workers: Part of the Ministry's developmental allocation will be used to provide training for workers, supervisors, and managers in the range of thinking skills. This will facilitate an innovative spirit in the workforce and will support our objective of enhancing the SME sector.
- Foreign Worker Levy: The foreign worker levy will not be retained by government but be divided equally between the employee and employer, this benefitting employee and employer. The Security Bond will also be abolished as it leads to perverse and unjust outcomes for workers.

Government Administration*E13. Ministry of Finance (MOF)*

The Ministry of Finance (MOF) will oversee a more coherent and fair taxation system based on income and will begin the process of divesting government involvement in the economy so as to harness the verve and energy of the private sector and the entrepreneurial class to the economy.

The GIC will be made independent. The highly successful Norwegian Pensions Fund model will be studied to assess its applicability to the GIC. Temasek Holdings and its network of GLCs will be dismantled and the GLCs privatised.

A new economic think tank named Spring Agency will be established to conduct policy development and research work to enhance our economic planning.

This Budget also addresses the vast returns from CPF investment that is not returned to the contributor but is locked up in the Reserves. We will only return half of net investment income to government and the remainder will be channelled to the contributor to invest in private pensions programmes.

Goods and Services Tax will be rescheduled to take account of basic services which will be zero rated. Luxury goods will be subject to an increased GST tax. Property sales transactions above S\$3,000,000 will be subject to a transaction tax. Inheritance tax on estates above S\$10,000,000 will be returned to the tax structure.

E14. Ministry of Law (MOL)

MOL will initiate studies on how to safeguard the independence of the Judiciary. It will work with the United Nations and other international legal organisations to draw up training courses in human rights for judges and the legal profession.

E15. Prime Minister's Office (PMO)

The PMO is current staffed by the Minister Mentor, two Senior Ministers, two Deputy Prime Ministers and two Ministers without portfolio. These posts, which pay an annual salary of at least \$2 million to each minister, are redundant. They will be removed to reduce the budget for political appointees. This will free up \$15 million dollars of the PMO's Operation expenditure.

The Prime Minister's salary will be pegged to 30 times median income, resulting in a monthly salary about \$60,000/month. Ministers and Ministers of State will have their salaries reduced proportionate to the Prime Minister. An estimated savings of \$15 million will be achieved.

SECTION F: CONCLUSION

- F1. This Budget will set the framework for a new Singapore, one that is able to confidently face the challenges of the coming period. It is a budget that has dared to dream the undreamable, think the unthinkable, but above all, a Budget that trusts that Singaporeans vested in trust with the huge resources our nation has to offer, will prudently and faithfully use them to increase our prosperity and retain our Singaporean compassion and concern for those less fortunate.
- F2. We commend it to the people of Singapore.

No sugar coating



just the real deal

The SDP