

TRANSCRIPT OF BUDGET 2017 DEBATE ROUND-UP SPEECH BY MINISTER FOR FINANCE HENG SWEE KEAT ON 2 MARCH 2017

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A. INTRODUCTION

- A1. Madam Speaker, I thank Members for their thoughtful views in the Budget Debate. I also appreciate the diversity of opinions from economists and journalists; and heartfelt feedback from Singaporeans and business owners.
- A2. The more specific issues that Members have raised will be taken up by my Ministerial colleagues during the Committee of Supply.
- A3. As Mr Liang Eng Hwa observed, the Budget is not an occasion where there will always be many 'tasty goodies'. Rather, it is an opportunity for the Government to set out our plans and priorities to work with our people and businesses to bring Singapore forward.

B. MEETING CHANGE HEAD-ON

- B1. Last year, the economy grew by 2%. It is within the range of 2-3% as set out in the CFE report, and is comparable to the performance of many other high income economies. In the US, Switzerland and Germany for example, their economies have been growing at about 1% to 2% yearly on average in the last 5 years¹.
- B2. We also remain an attractive investment destination globally. In 2016, we climbed to 5th position for FDI inflows in a difficult international environment². I think it is a good vote of confidence for Singapore.

¹ IMF World Economic Outlook October 2016 database.

² United Nations Conference on Trade and Development's Global Investment Trends Monitor

- B3. Our demographics are changing. Our labour force growth is slowing down, because of smaller cohorts entering the workforce and a slowdown in foreign worker inflow. To counter this, future growth has to come from sustained productivity growth. We need to help every worker maximise his potential, and support our businesses in innovation. This will put us in good company, among high-income, productive economies.
- B4. Winds of change are also sweeping across the world. Many of the favourable conditions that buoyed our growth over the past few decades are now under threat. Protectionism is on the rise. Global trade and production patterns are shifting. New technology arrives in waves, sometimes with disruptive consequences.
- B5. Unlike the 2009 Global Financial Crisis, or the 1985 recession, we are not in a crisis. Nevertheless, the changes we are facing have far-reaching implications. The best way to address them is to meet them head-on.

Addressing Concerns of Businesses

- B6. I understand that this is not easy. Many Members, including Mr Lim Biow Chuan, Mr Murali Pillai, and Mr Saktiandi Supaat, have spoken about the pressures on our businesses, especially SMEs, in a time of restructuring.
- B7. Notwithstanding the 2% growth in 2016, we recognise that the economy and labour market exhibited uneven performances across different sectors. Some sectors did well and could not fill vacancies.

Others faced cyclical weaknesses. Yet others had to relook their business models due to more fundamental changes in their sector.

- B8. We recognise that some businesses are facing cost pressures. But we must also recognise that in a functioning economy, cost pressures serve as price signals, so that resources can be channelled into the most productive use. We must be careful not to hamper this process. An across-the-board stimulus would not be effective as it may further push up cost pressures.
- B9. So we monitor the situation closely and calibrate the fiscal stance accordingly. The Budget this year strikes a careful balance between reinforcing restructuring efforts and providing support to businesses and households. Against the current macroeconomic backdrop, the slightly expansionary fiscal stance is appropriate.
- B10. There are many Government schemes, as Minister Iswaran pointed out, that benefit businesses. For example, the near-term support measures mentioned in this year's Budget total up to \$1.4b. These include the existing Wage Credit Scheme and Special Employment Credit, along with enhancements to the Corporate Income Tax Rebate, and the Additional Special Employment Credit. \$1.4b is not a trivial amount. These are on top of the substantial stimulus measures introduced in the last three to four years, of which their cumulative effects are still working through the economy.
- B11. So the Government is providing support, Minister Iswaran has given a very comprehensive explanation of the range of support from the Government for businesses, especially SMEs.

B12. Indeed, different firms and different sectors face varying challenges and opportunities, and will require different solutions. We are thus giving more targeted and customised help.

- a. For firms that are ready to internationalise, we are providing more help to scale up and go abroad. The most recent examples are the enhanced Internationalisation Finance Scheme and the new International Partnership Fund.
- b. For firms that are ready to upgrade their capabilities, they can tap on the Capability Development Grant in a wide range of areas, from raising service standards, to adopting technology and staff training.
- c. There are also firms in sectors, such as retail, which are facing structural challenges. The Industry Transformation Maps are the platform for individual companies to work together with agencies, unions, trade associations and others to restructure to stay competitive in the new environment.
- d. For those facing cyclical weakness, such as the Marine and Process sectors, we are deferring foreign worker levy increases. We are also accelerating public sector infrastructure projects to support the construction sector.

B13. This is called what in Chinese is called 对症下药, or giving the right medicines to cure the ailment. A painkiller may work for a while to dull the pain, but it masks the underlying problem, and delays needed action – or in Chinese, 治标不治本.

B14. We are providing near-term relief, but we do not want to provide *only* temporary relief. We want to help our businesses build deep capabilities that will enable them to adapt to a fast-changing world, and seize new opportunities where they arise. And this is the key to continued success.

B15. Madam Speaker, may I just say a few words in Mandarin.

B16. 感谢各位议员针对如何协助企业应付挑战所提出的建议。我们理解许多企业都受到经济疲弱的影响，纷纷希望政府能推出短期措施来助他们一臂之力。

B17. 实际上，不同的企业和领域面临的挑战和机遇都不太一样。因此，政府推出的措施必须有针对性。我们为企业提供一些应急的短期措施，但这好比一般的止痛药，可以带来暂时的舒缓，但是治标不治本，不宜过量服用。

B18. 关键的是，我们要帮助企业提升和扩大业务能力，对症下药、强身健体。我们吁请商会与商团的领导层继续与政府紧密合作，带领他们的企业会员转型创新。这样一来，企业才能在瞬息万变的环境中占有优势，抓住新机遇，开拓更多商机，不断地取得成功。

C. BUILDING OUR FUTURE ECONOMY – CAPABILITIES AND PARTNERSHIP

- C1. When the Prime Minister announced that we will form the CFE, he said and I quote, “With an ageing population and uncertain global conditions, growth will be harder to come by. Yet our economy must grow to create opportunities for Singaporeans and to improve our lives.” And indeed this is what guides us in the CFE work – to create opportunities for Singaporeans and to improve our lives. We live in a world undergoing major and rapid structural changes. Shifts in global trade and production patterns are opening up new markets, even as parts of the world appear to be moving towards greater protectionism. Advances in technology, in particular digital technology, give us new ways to improve productivity, efficiency, and service delivery. These trends may throw up potential disruptions, but they also bring many new opportunities.
- C2. To seize these opportunities, our businesses and our people need to build deep capabilities. Only with deep capabilities can we thrive in an unpredictable and fast-changing world. Our businesses need to digitalise, innovate and internationalise, to create value and bring it to the world. Our people need to continuously learn and re-learn skills, to be entrepreneurial and flexible in adapting to varying circumstances.
- C3. All these are brought together in the CFE’s recommendations. Of the CFE’s seven key strategies, the first five are about building the very capabilities that I have described – to internationalise, to develop and use deep skills, to innovate and scale up, to digitalise, and to make the most of our city. And these five are brought together

by the two other strategies: through the Industry Transformation Maps (ITMs), and through effective partnerships.

- C4. These seven strategies are mutually-reinforcing. It is not about different people pulling in different directions. Instead, we need a sense of partnership and collaboration, to work together for economic development, and in all areas. So taken together, the whole is greater than the sum of its parts.
- C5. Now, the way in which the CFE strategies can be brought to life is through two critical elements:
- a. First, we need **a spirit of enterprise**. A willingness to try new things, to seek creative solutions to problems, to venture where few others have gone. An attitude of continually striving, of persevering, of drawing out the best ideas from every individual.
 - b. Second, **effective partnerships** with one another – between the Government, the community, businesses and individuals. Together, we will refine our ideas and put them into action. By working together, and making the most of everyone's abilities, we can achieve more than we will on our own.
- C6. To those who are looking for a new blueprint and a plan to follow, let me say that **what we need is not a change in strategy, but a strategy for change**. A strategy for change. We must recognise that we are in a different world. The world is changing, but we do not know for certain the pace and the direction of change. Many Members, such as Ms Jessica Tan and Mr Muhamad Faisal, have also noted this uncertainty. What we need is not a cast-in-stone

roadmap, but a spirit to constantly forge ahead, and to find a new way forward.

- C7. This strategy for change requires a significant shift in mindset. The CFE strategies are part of a broader movement, to develop a pervasive culture of innovation, nimbleness and adaptability. This will not take place overnight, and Budget 2017 is but a step in that direction and builds on what the CFE has put forward.
- C8. This is a Budget to position us for the future. This is about **doing, learning and adapting**. We cannot afford to wait and see. Those who wait will only miss out. As Ms Chia Yong Yong has shared, it is time for us to take our own future into our hands.
- C9. Structurally, we have always faced constraints, as a small nation-state. But our strength, our enduring strength, has been to break through all of these constraints. We have proven to the world that we can do this time and time again.
- C10. We are on a journey of transformation together, where success is not an endpoint but an ongoing process of change, as Assoc Prof Randolph Tan put it.
- C11. I am confident that we will succeed, as one people, on this journey of change. I am confident because I see many positive examples of people, of firms, that have embraced the spirit of enterprise and partnership. So let me first talk about our people.

Our People – Going Beyond the Familiar

- C12. Our people must be willing to go beyond the familiar, and explore new prospects. For example, as Mr Ong Teng Koon, Mr Melvin Yong and Mr Kok Heng Leun noted, with rapid changes in technology and business models, job roles will be redefined more often, and new skills will frequently be required. Given these trends, Members like Mr Ang Wei Neng, Mr Leon Perera and Mr Patrick Tay have expressed concerns about how Singaporeans can adapt.
- C13. To thrive in such an environment, **we need to continuously upgrade our skills, and keep them relevant.** In some cases, we will have to go beyond the job scopes that we are familiar with, and try something different. We can use the knowledge, strengths, and personal interests that we have developed, to contribute in a different way. Here are some examples. With your permission, Mdm Speaker, may I display some slides/photos on the screens.
- a. This is Chandra. Chandra used to be a network engineer in a bank. In 2008, he was retrenched but he persevered, and found a network engineer job in a telco. Similar skills, in different sectors. It was in his new job that Chandra got exposed to a very interesting and growing new field of work with good opportunities: cybersecurity. So he started to look seriously into this. He took up on-the-job training through the Cyber Security Associates and Technologists Programme, under the TechSkills Accelerator. And now, he has taken up a new job in cybersecurity.

b. This is Yvonne. Yvonne has done different things in her career, including working in the financial sector and helping with her family business. But throughout, she knew that her passion is working with children. So she exited senior management positions at mid-career, to enter a completely new area, by joining the Professional Conversion Programme for Pre-school Teachers. Through this programme, she is currently taking the WSQ Professional Diploma in Early Childhood Care and Education and working as an assistant teacher in a childcare centre. Upon completion of the PCP this April, she will take on the role of a pre-school teacher.

C14. So one way we can explore new opportunities is by going beyond our current job roles. Another is to go beyond our geographical borders, and venture into different markets.

a. I was interested to hear Amirul's story. Amirul was the first Singaporean Malay student to participate in the NUS Overseas College in Beijing. He did an internship there with Traintracks.io, a data analytics startup. Despite not knowing much Chinese, Amirul had such a positive experience in Beijing that when he returned to Singapore, he joined the local startup scene, working full time at F&B tech startup Oddle after graduation. He is currently the company's Digital Marketing Lead, introducing the company's solutions to the Southeast Asian and US market.

C15. Indeed, I share Mr Gan Thiam Poh's objective of helping Singaporeans to be great in what they do. Chandra, Yvonne, and Amirul exemplify **the spirit of enterprise we need to flourish in today's economy**. So I urge all Singaporeans to be bold and

proactive like them, to go beyond the immediate confines of what we are used to, and find new prospects in different places.

C16. To do this, Singaporeans can tap on a wide range of support measures, from SkillsFuture Credit and subsidies for training courses, to Adapt and Grow initiatives that can help with job placements and attachments. The Global Innovation Alliance will also give our young people more overseas exposure, especially to exciting startups with good ideas.

C17. At the same time, in supporting our people to try new areas and learn new skills, we will also pay careful attention to those who may be more vulnerable:

- a. As Mr Zainal Sapari has noted, it is important to take care of the needs of lower-wage workers. The Workfare scheme provides them with **income supplements** and **training support**. This tops up their wages as they upgrade themselves with new skills. The Wage Credit Scheme has also supported businesses in sharing productivity gains with workers through wage increases.
- b. In addition, we share Mr Desmond Choo, Mr Ang Hin Kee and Mr Ong Teng Koon's concerns for freelance workers, and are looking into how we can work with tripartite partners to support them better. The Minister for Manpower will say more on this at the COS.

Our Businesses – Creating Value and Bringing It to New Markets

C18. Having spoken about our people, let me now talk about our businesses. Like our people, our businesses must have the

courage to adapt and try new ideas. Often, we can tap on the expertise we already have, to create new value for others. I am encouraged by the progress that many of our local firms have made.

- a. Many of us use radio frequency identification (RFID) tags every day – when we check out library books or tap our EZ-Link cards. Tunity Technologies, in collaboration with A*STAR's SIMTech, applied this technology to something unexpected – food trays. Customers make a \$1 deposit to borrow a tray, and they get their deposit back when they return their tray to an automated system, which detects the returned tray using RFID technology. This encourages customers to return their trays after use, and allows the cleaning staff at a food centre to concentrate on other, more productive tasks. An innovative solution to an old problem!

- b. Matex International Ltd. is a specialty chemicals company that has adapted to enter a new area of business. With the help of Intellectual Property Intermediary, a SPRING affiliate, Matex licensed a specific advanced membrane technology from the National University of Singapore, to help it develop capabilities to treat its own waste. Subsequently, Matex combined this technology with its own in-house knowledge, to create customised ways to remove particles from wastewater more efficiently. This allowed Matex to move beyond being a specialty chemical manufacturer, to also offer industrial wastewater treatment solutions. It could have stopped with solving its own problem, but Matex took its solution, asked themselves who else would find it useful, and opened up new business opportunities.

C19. These are good examples of creating value. In addition, our businesses stand to gain when they bring these ideas into new markets. To do this, **we should develop stronger in-market presence**, to gain insights about consumers' needs and preferences in foreign markets, so that we can tailor our products and services accordingly. As Mr Lee Yi Shyan put it, we need to develop a "deep awareness of the world".

C20. **We should also be willing to explore new destinations, especially those places where few others have gone.** We can contribute most in these places. This is about improving our businesses as much as it is about contributing to the world.

a. Ninja Van has brought innovative technologies to the logistics industry. For example, businesses on the Ninja Cloud platform can make use of spare capacity on other fleets in real time. In addition, Ninja Van has managed to expand its presence into regional markets like Malaysia, Indonesia, Vietnam, Philippines and Thailand. It did this with some help from IE Singapore, which helped Ninja Van to understand and navigate in-market conditions, and build up overseas market operations.

C21. **So our businesses need to develop a spirit of enterprise, by innovating to create new value, and internationalising to bring this value to new markets.** They can tap on a range of support measures for these efforts. For example, businesses that wish to innovate can tap on measures like A*STAR's Operation and Technology Road-mapping, Headstart and Tech Access initiatives.

Forming Effective Partnerships in Our Economy

- C22. Even as our people and our businesses adopt a greater spirit of enterprise, **we must all work together in close partnership**, as Mr Darryl David and Dr Tan Wu Meng pointed out. We each have different strengths, and when we work together, we can achieve more. This is why one key CFE strategy is to use the ITMs to bring together industry partners, trade associations, unions and public agencies in a movement for economic transformation.
- C23. Many Members, including Ms Jessica Tan and Ms Foo Mee Har, have expressed support for the ITMs. I thank them for their support.
- C24. As Mr Heng Chee How has pointed out, **these ITMs must be dynamic plans**, which will be updated even as they are carried out. And as Mr Henry Kwek noted, **the key is in getting things done** – how the different partners can work together to drive industry development.
- C25. After the Budget, one economist asked me, “Is the Government really the right party to drive the ITMs?” It was an indirect way of saying: Does the Government really have the business experience to say what should be done to restructure each sector? And my answer? Well, he’s right. **The Government cannot, on its own, design plans for the tens of thousands of firms across different industries.** This is just not possible, nor is it what we want to do. I think Ms Cheryl Chan has expressed similar sentiments.
- C26. What the Government can do is to catalyse, and bring stakeholders together. This is what we seek to do with the ITMs. **The ITMs are a joint effort among all partners in an industry.** What Government

will do is to catalyse action through ITMs. We can provide a platform for different partners to share ideas. We can help facilitate change, for example by reviewing regulations where appropriate. But ultimately, the ITMs need to be driven by the industry, with strong participation. The quality of the ITMs will depend on the quality of inputs from industries and partners, and how well we work together for the larger good.

C27. I hope that entrepreneurs, businesses, and trade associations will take the lead in developing and implementing the ITMs. We need everyone to contribute actively, to work together to get things done, in order for the ITMs to succeed. So I am glad to hear Mr Thomas Chua's call for companies and TACs to play a more proactive role in industry development. Indeed, our TACs must play a leadership role, to galvanise companies to seize opportunities, and embark on the challenging but fulfilling journey of transformation. In this environment of rapid change, when individual companies may be uncertain about how to proceed, or how best to tap on available Government support, this is a great service that TACs can perform for their members. Unless we have strong leadership among our partners in the ITMs, the ITMs cannot take off.

C28. I am also encouraged to learn that even before all 23 ITMs have been launched, we are already seeing good collaborative work among different industry partners.

a. For example, to raise the standard of pharmaceutical handling in Singapore, Changi Airport Group has partnered the Civil Aviation Authority of Singapore and Workforce Singapore, to build a community of companies certified by the International Air

Transport Association (IATA) in pharmaceutical handling. Companies involved include both ground handlers at Changi, as well as Singapore Airlines Cargo and four freight forwarders. These companies from across the air cargo supply chain will undergo training, and have their processes and facilities accredited by IATA. This will help to attract global demand for these services, thus boosting the growth of the airfreight, logistics and pharmaceutical industries in Singapore. A good example of cross-industry collaboration.

- b. Another example of partnership involves local firm V-Key Pte Ltd. V-Key has developed a patented virtual secure element which makes mobile phone applications and transactions secure, and serves more than 30 million banking and e-commerce users across South East Asia, India and China. To develop more digital talent and nurture future digital leaders, V-Key has partnered our Institutes of Higher Learning and local banks, to enable selected students in infocomm to complete multiple structured internships with V-Key over the course of their studies. Students can gain valuable industry experience, and those who perform well are offered a permanent job at V-Key. V-Key ends up hiring about 50% of its interns. Such programmes benefit both the student and the employer.
- c. The TechSkills Accelerator (TeSA), which was launched last year to develop talents for the infocomm sector, brings together trade associations like the Singapore Infocomm Technology Federation (SiTF), NTUC representatives and Government agencies like the Infocomm Media Development Authority (IMDA). One of TeSA's initiatives is the Company-Led Training

Programme, which allows individuals to deepen their ICT skills through On-the-Job Training hosted by various companies. So far, job placement rates have been high for this programme.

C29. We should encourage joint efforts like these. On our part, **the Government will support the needs of our people and our businesses**, so that they can achieve their full potential.

C30. For example, **we will create a regulatory environment that both supports innovation and manages risks**. It is a balance. We need not regulate everything down to the last detail for fear that we will expose our society to risks. Instead, we should stretch our thinking, and come up with ways to encourage enterprise growth, while still mitigating risks to an acceptable level. As I mentioned in the Budget Speech, agencies like MAS, LTA and HSA are already moving in this direction.

C31. The seven strategies of the CFE are mutually reinforcing. It is important that we pursue this with a spirit of enterprise and partnership. Only then can we come together to transform our economy, and succeed in a more unpredictable and fast-changing world. Rather than following a blueprint, this is a journey of **doing, learning and adapting**. I am excited for what we will achieve together.

D. VALUING OUR RESOURCES

D1. Let me now turn to the Environment. We have had a lively debate in this House on this year's Budget measures for protecting the environment. Many who spoke expressed support even as others pointed out the impact on households and businesses. In particular,

Mr Chong Kee Hiong, Mr Pritam Singh, Ms K Thanaletchimi, Mr Dennis Tan and Mr Png Eng Huat raised concerns about costs. There will be some costs, but also assistance measures. These should be debated, but at the end of the day, as Minister Chan Chun Sing said, the Government needs to be responsible in taking care of not only the short-term needs but also address future challenges.

- D2. We must also change our mindsets and habits, as Er Lee Bee Wah pointed out when she suggested the need to reduce consumption and be more conscious about recycling. And indeed, everyone has a part to play – from parents teaching our children conservation, to volunteers picking up litter in our waterways and parks, and firms adopting green technology.

Changing Water Prices

- D3. So, let me touch on water pricing. The Minister for the Environment and Water Resources addressed Members' questions yesterday. I shall reiterate a few key principles and say more about Government's additional investments in the water system.
- D4. **Water sufficiency is a matter of national survival.** Members are well aware of how Mr Lee Kuan Yew, our Founding Prime Minister, obsessed over water since the Separation Agreement. Securing a sustainable water supply for Singapore has been an all-consuming pursuit of the government since Independence. We lodged our water agreements with the United Nations, invested in a strong defence force, and developed strong capabilities in water technologies.

- D5. Singaporeans have enjoyed uninterrupted and high quality drinking water through rainy weather and droughts alike. This is not mere good fortune or our birth-right. Rather, it is the result of long-term planning, a can-do attitude, innovation, and sound policy.
- D6. As the Minister for the Environment and Water Resources explained, the cornerstone of water policy is the **pricing of water on sound economic principles to reflect its long-run marginal cost (LRMC)**. This reflects the **cost of supplying the next available drop of water, which is likely to come from NEWater and desalination plants**. This ensures that users will conserve water, and we can make timely investments in the water system.
- D7. Ms Sylvia Lim asked – why raise water now, and carbon tax later? The carbon tax is new and the details will have to be carefully studied. But I think a more fundamental point is whether water is of strategic significance, and that we should each do our part.
- D8. Now, Mr Seah Kian Peng highlighted yesterday that the Government spends more than it collects on the water system. And this is indeed the case. The revenue which PUB collects from users is only enough to cover operations and the depreciation of waterworks, pipelines and water reclamation plants. The annual surpluses that PUB records are transferred to its capital reserves to finance these property, plant and equipment. This is clearly stated in PUB's annual reports. Over the next 5 years, PUB intends to invest \$4 billion in additional water infrastructure.
- D9. Besides PUB's investments, the Government makes further substantial investments in the sewerage network. This includes the

Deep Tunnel Sewerage System which will be completed in 2025 and will cost more than \$4 billion.

- D10. In the next five years, the Government will spend about \$3 billion on other sewerage network projects, and to strengthen the resilience of our water supply. Now, these expenditures exceed the amount of revenue from the water conservation tax which is expected to be about \$1.6 billion over the same period. **So, in other words, the Government pays for part of the total cost of securing a safe and clean supply of water for our people and businesses.**

Introducing Carbon Tax

- D11. Let me now speak on protecting our environment. Dr Lim Wee Kiak, Mr Daniel Goh and Dr Teo Ho Pin shared their views, among others. Introducing a carbon tax is the economically efficient way of reducing greenhouse gases. A carbon tax places a price signal to incentivise emitters to lower emissions.
- D12. Singapore will join dozens of other countries in pricing carbon to address climate change. Many jurisdictions that have put a price on carbon, such as Sweden, are reducing their emissions while maintaining economic growth, promoting green growth and reaping environmental benefits.
- D13. Singapore continues to provide a favourable business environment for companies. We will consult widely before implementing the carbon tax. Industry consultations have already begun and will be expanded, and public consultations will begin this month. And we welcome all to contribute.

Restructuring Diesel Taxes

D14. Let me now turn to diesel. We have restructured diesel taxes to introduce a volume-based component. This will incentivise reduced usage, and lower pollutive emissions.

D15. Nonetheless, as a number of Members have noted, the restructuring of diesel taxes will impact some businesses. Now this is an important measure to help improve the health of all Singaporeans. In the longer run, we hope users will switch to cleaner fuels and technology. In the short run, we have put in place significant offsets to help businesses manage the transition.

- a. The first year 100% road tax rebates will more than offset the diesel duty incurred for the majority of commercial vehicles. There will also be partial road tax rebates for two more years.
- b. The reduction of the annual Special Tax on diesel cars and taxis, will also help to cushion the impact on these drivers, as Mr Sitoh Yih Pin has noted. In the Budget speech, I had urged taxi companies to pass on the Special Tax reduction to drivers. I am glad that taxi companies will be doing so in various forms.

D16. I have earlier spoken about the spirit of partnerships which will help drive our economy. Similarly, everyone has a part to play in securing a better living environment for Singapore. We are taking decisive steps in this area because we want a cleaner and healthier environment for ourselves and our children. We want businesses, visitors and Singaporeans from all backgrounds to enjoy a lush city scape to work, live, and play in.

E. TOGETHER – A CARING AND INCLUSIVE SOCIETY

Building strong social foundations over the years

- E1. We invest in keeping our living environment in good shape, because we care for our future and our children. This is the home that we have been building and will continue to build. Home comes alive because of our people, because of our relationships.
- E2. Over the last decade, we have steadily increased our social investments. Our social expenditures, including in housing, healthcare, education and community development, have almost tripled, from \$12.7b in FY06 to \$34.0b in FY16.
- E3. We introduced major schemes to open up **multiple pathways to success** for all, provide **assurance in key areas of need**, and **strengthen social safety nets**.
- a. In education, we significantly enhanced the quality, affordability, and accessibility for all, across all levels from pre-school to tertiary.
 - b. In housing, we increased housing supply and housing subsidies.
 - c. In healthcare, we enhanced government subsidies across all care settings like CHAS, and introduced MediShield Life. Pioneers receive additional subsidies and benefits from the Pioneer Generation Package.
 - d. For the lower income, we enhanced Workfare, introduced Silver Support, and made GST Vouchers permanent.

- E4. We will **continue to refine our social policies, and study new ideas and suggestions**. For example, the Ministry of Health is doing a major review of ElderShield.
- E5. Each Budget builds on past Budgets. Over the years, we have built up a strong social security system that serves Singaporeans well. In Budget 2017, we are focusing our efforts on continuing to empower the community and forge partnerships.
- E6. This is a movement towards the future, where we nurture a culture of caring for one another, of many helping hands, to meet a significant increase in societal needs.
- a. Our demographics are changing. We have a rapidly ageing population and our families are getting smaller. We can expect social needs to increase, for example in healthcare.
 - b. At the same time, Singaporeans are living longer, healthier lives. Our seniors can contribute meaningfully to the community as they age gracefully and actively.
 - c. Indeed, many Singaporeans, both young and old, want to make a difference and give back to society. We want to empower all to try new ideas.
- E7. Hence, our social compact must be one of **partnership**, where **each of us give our best**. As Ms Rahayu Mahzam and Mr Louis Ng pointed out, we need to strengthen community bonds. And as Ms Kuik Shiao-Yin pointed out it is up to, I quote, “all of us”. Indeed, everyone – the Government, the community and individuals – all of us have a unique role to play.

- E8. There are functions that the Government is best placed to perform -- such as legislation and the provision of public goods and services. And there are areas where we can achieve more, much more when we all work together. When it comes to customising assistance to the specific needs of certain communities, or providing last mile social service delivery, community action is critical. **Even the strongest social safety nets are no substitute for the caring hearts and helpful hands of neighbours.**
- E9. And we want a **close partnership among individuals, communities and Government, because this is an end in itself. This is a society that we aspire to for Singapore – a caring, resilient and inclusive society.** A society where Singaporeans help fellow citizens in each way we can, and where individuals and community organisations work together to make Singapore a better home for all.
- E10. This is not new to us, but we can do more to foster stronger partnerships and bring collaboration to the next level. The Government will do more by helping to **create the right supportive environment to encourage community efforts**, where everyone plays the part that we are best placed to perform.

Empowering the community

- E11. We are placing greater emphasis on bringing together community efforts for key areas of need.
- E12. Last year, we piloted the Community Network for Seniors to better support seniors. It has brought Government and the community together to build “communities of care” right within our heartlands.

E13. In the three pilot sites, the Community Networks have reached out to more than 15,000 seniors or 40% of seniors there. Of these, they have assisted 380 seniors with multiple needs, engaged over 5000 seniors in active ageing and preventive health, and recruited 180 volunteers to support seniors as they age in the community. It is a small start but at the same time, it is rewarding to see how community and Government work together to touch lives.

a. This is Mdm Lee Ah Kiow. It's nice to see her energetic and happy, exercising outdoors. But it wasn't like this for her, just 6 months ago. You see, at 70, Mdm Lee has weak knees and a history of falls. Until the Community Networks learnt about her, Mdm Lee was keeping to herself at home, afraid to go out for fear of falling.

i. A Pioneer Generation Ambassador visited Mdm Lee, and saw that she was at risk of social isolation. All the parts of the Community Networks sprang into action.

ii. NTUC Health Cluster Support visited her. They worked with HDB to install grab bars in her home under the EASE programme.

iii. REACH Community Services Society introduced befrienders to Mdm Lee. Her new friends visit her regularly and bring her down to the fitness corner near her house for simple exercises.

iv. Now this is the story of how the Community Network for Seniors, by bringing the different parts of the community together, helped to bring Mdm Lee out of isolation and lead a more active lifestyle.

- E14. The Community Network for Seniors pilot shows us the power of partnership. Ms Joan Pereira, Ms Tin Pei Ling and Dr Lily Neo raised interesting ideas on how we can better support the elderly to age gracefully. These are useful suggestions that we will study further.
- E15. This Budget, we introduced the Community Mental Health efforts and the Third Enabling Masterplan. I thank Ms Cheryl Chan and Assoc Prof Fatimah Lateef for their support for these initiatives, and am confident that community partnership will help us build a more inclusive society.
- E16. I also take heart to see a growing spirit of enterprise in the social sector. I hope that over time there will be more enterprising Singaporeans and community organisations that start ground-up initiatives and make significant social impact.
- a. Bakery Hearts is one such example. It was started by AMKFSC Community Services Ltd. to help prepare unemployed women from low-income families to enter the workforce by equipping them with baking and other skills, while providing them opportunities to supplement their household income. The project grew with support from community resources, and is able to touch the lives of many more families.
- E17. We continue to encourage more of such ground-up projects, as well as philanthropy and volunteerism. Last year, we introduced Our Singapore Fund and piloted the Business and IPC Partnership Scheme to encourage more businesses to organise their employees to volunteer and provide services to IPCs.

E18. Mr Azmoon Ahmad suggested VWOs and self-help groups can play a greater role to support communities in various areas. I agree and strongly encourage our community partners to **continue building up their capabilities** so that they can better serve communities. This Budget provides additional funding, through the VWOs-Charities Capability Fund (or VCF), to support their efforts.

a. Members would know of the Alzheimer's Disease Association, which provides a range of services for people with dementia and their caregivers. Tapping on the VCF, it is upgrading its IT system to centrally manage client and caregiver records and enhance data analysis capabilities. This allows its staff to increase productivity and better serve their clients. I hope many other community organisations likewise build their capabilities to do even better work for those they serve.

E19. By building many overlapping networks of community self-help and Government support, we build a more caring and inclusive society, and one resilient to weather change, in whatever form it takes.

F. ENSURING FISCAL SUSTAINABILITY FOR THE FUTURE

Fiscal Challenges and Priorities

F1. Just as we seek to protect our home and environment for our future generations, we must ensure that our finances are sustainable for the long term.

F2. As Ms Sun Xueling pointed out, our expenditures have started to exceed our operating revenues since FY2015. The Government had in fact anticipated this and prepared early, by raising revenues

ahead of our spending needs. Indeed, this is the approach this Government has always taken.

- a. We had therefore raised the GST in 2007 and introduced the NIR framework in 2008.
- b. In the last term of Government, we had also undertaken measures such as making our property tax rates more progressive and increasing the duties for betting, liquor and tobacco over time.
- c. In Budget 2015, we announced increases in top marginal rates for personal income tax and revisions to the NIR framework. These measures now serve us well to meet our spending needs through to the end of this decade.

F3. But beyond this decade, we can expect the fiscal situation to become more challenging as expenditures exceed revenues in the longer term.

- a. First, our economy is maturing. With slowing economic growth, our revenues will also grow more slowly.
- b. Second, our population is ageing rapidly, and we can expect rising expenditure needs, especially for healthcare.
- c. Third, our infrastructure needs are rising, as we seek to build new infrastructure and renew old ones to enhance our quality of life and Singapore's economic competitiveness.

F4. Going forward, we must continue to prepare for our greater needs in the long term by working on two fronts:

- a. Spending prudently and effectively; and

- b. Growing our revenues fairly and sustainably.

Spending Prudently and Effectively

F5. With higher spending needs, it is ever more critical to ensure that we **spend within our means to get the outcomes we want**, as Mr Vikram Nair noted.

- a. At the *ministry level*, we have designed our **funding policies to drive agencies to operate efficiently and effectively**. Today, we budget for ongoing functions using a Block Budget Framework, where ministries are provided with budget caps for a medium term period. Within the cap, each Ministry decides how best to allocate its budget. This approach encourages ministries to strive for cost-effectiveness, because every dollar optimised means more resources available for worthwhile programmes.
- b. This year, we sought to further reinforce the importance of spending prudently and effectively, by applying a permanent 2 percent downward adjustment to the budget caps of all Ministries and Organs of State.
 - i. This will free up resources that MOF can re-deploy towards higher priority requirements and projects that deliver value to citizens and businesses, such as initiatives by the Municipal Services Office.
 - ii. Within their adjusted budget caps, agencies will decide how to prioritise their programmes and projects and review how they can achieve greater efficiency.

- iii. Fundamentally, we want to imbue these values of prudence and innovation in all officers in the Public Service: to always seek value for money, and constantly strive to improve and innovate, so that we can do more – and do better – with less.
- c. At the project level, we are tightening **scrutiny of major infrastructure projects to ensure robustness of its business case and value-for-money.**
- i. We have a process today that puts large infrastructure projects (more than \$500 million), or those that are highly complex in nature, through a series of reviews before funding is approved.
 - ii. This process taps on a panel of senior public officers and industry practitioners, those with deep technical expertise and experience in major infrastructure development, with the aim of optimising the project's overall design, use of space and cost-effectiveness.
- d. At the programme level, we are **designing our schemes so that subsidies are targeted at the right groups.** As a general principle, we price services to recover full cost and discourage over-consumption. We then target subsidies appropriately at those in need, such as through GST Vouchers, S&CC rebates and Public Transport Vouchers. This is more progressive than under-pricing services, which implicitly subsidises all groups, including the rich.

Growing Revenues Fairly and Sustainably

- F6. Ms Sylvia Lim asked whether we evaluate programmes. On economic programmes, Minister Iswaran gave a detailed explanation about how agencies evaluate those programmes and have to adapt and change when necessary. She raised the issue of the PIC. The PIC in fact has largely achieved its objective, but she raised examples of abuses to make her case. This is mistaken. In fact, the fact that those abuses are uncovered is because of extensive audits that are done by the agencies and we should commend the officers for the seriousness in which they undertake this. And in many other countries, those abuses would not even be known. The schemes were done in a way that is broad-based and reaches the right groups of people. The alternative of course is to have every detail scrutinised and approved before the businesses can use it. And in fact in many of the Budget dialogues we had with businesses, their concern was if you have too many schemes that are just based on approval, things will not move. So it is a delicate balance, and a good balance which the agencies should be commended for.
- F7. Besides spending prudently and effectively, **we will have to grow our revenues through new taxes or raising tax rates over time. This challenge of raising revenues for growing needs is not unique to Singapore.** If you look at many other countries, the need for more revenue to meet spending needs is a common theme that cuts across different systems. For example, Hong Kong had announced at its recent budget that it would be setting up a tax policy unit to comprehensively review its tax system. One of its

objectives would be, and I quote, to “*explore broadening the tax base and increasing revenue, so as to ensure that adequate resources are available*” to support sustainable development.

F8. Mr Saktiandi Supaat and Mr Yee Chia Hsing had asked how we intend to review our own tax system. I would like to assure them that we will **ensure that our tax system continues to be both fair and sustainable.**

F9. **First, our tax system must be fair and progressive across income groups.** What this means is that those who are better off must contribute more. In recent Budgets, we have continued to make our personal income tax and property tax rates more progressive, even as we introduced or enhanced permanent schemes such as Silver Support and Workfare to provide more support to lower-income groups.

F10. **Second, a sustainable tax system is fundamentally one that rewards effort by individuals and enterprise by our companies.** As Ms Foo Mee Har pointed out, the only way to sustain a healthy revenue stream is to have a healthy and growing economy.

a. In more recent years, more countries have lowered or announced their intention to lower corporate income tax rates. The UK has lowered its corporate tax rate from 30% to 20% over the last ten years, and plans to further lower it to 17% by 2020. The new administration in the US has also indicated plans to cut corporate tax rates.

b. We must ensure that Singapore continues to be an attractive place to work and do business, so that we have a thriving and vibrant economy.

- F11. **Third, sustainability is also about striking the right balance between current and future generations.** We have spent prudently, built up our reserves, and tapped on their returns judiciously. Ms Sylvia Lim suggested using the proceeds from land sales. Now, the proceeds from land sales go into past reserves, and it is because of this prudence that we are able to build up our reserves, and we can use part of these returns for our expenditure. So we must remain disciplined and prudent in spending the returns of our reserves, so that they remain a stable and sustainable source of revenue over the long term.
- F12. Any decision to raise taxes will not be taken lightly. **We will study all options carefully.**
- F13. While our finances today are sound, we must start planning early. This is the right and responsible way, rather than leaving problems to be dealt with by future governments when Singapore comes under fiscal strain. Planning for the issue now will allow us to better ease in the needed measures, to give our people and businesses some time to adjust.
- F14. We must plan for the long term, not five years, not ten years, but big ambitious plans for decades ahead. Like the new airport, new towns each with distinctive features to attract families, new MRT lines. We are in a good position today, because we have planned early and invested in the long term. This ability to plan and invest for the long term is a key strategic advantage. We must **ensure that we continue to have this capacity to invest in critical programmes and infrastructure with long-term benefits, in a way that is equitable to both current and future generations.**

G. CONCLUSION

G1. Madam Speaker, let me conclude.

G2. This Budget sets the strategies for building a better Singapore in a sustainable way. We can move forward confidently on these strategies, as we are starting from a position of strength. This is a cumulative effort from previous Budgets –

- a. We have a well-functioning economy where most Singaporeans have good jobs;
- b. We have a good social security system that serves the majority of Singaporeans well;
- c. We have spent prudently so we have the necessary resources.

G3. In this fast-changing world, we cannot predict how the journey ahead will pan out, but we can expect that it will not be always smooth-sailing. There is no step-by-step guide for how to venture into the volatile, unpredictable future that lies ahead for the whole world, not only Singapore.

- a. But for Singapore, we have our compass, a compass of our shared values and our common hope.
- b. In this Budget, we set our minds
 - i. To seize opportunities to succeed;
 - ii. To be part of, to play a part in, a caring and inclusive community; and

iii. To build, protect, and pass on a truly special home to future generations.

G4. Let us develop the deep capabilities, strengthen the spirit of enterprise to adapt and try out new things, work together in partnership, and care for and support one another.

G5. I am confident we can do it. We have been through tougher situations. Each time, despite the naysayers, we emerged stronger and more adaptive, as we held strong together as one people.

G6. I thank Members for sharing your ideas for our future. Let us move forward, together.