

Secure Singapore

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Chapter

02

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For a secure Singapore, an effective government and a strong society are needed.

PROMOTING PRUDENT INVESTMENT POLICIES

Most other countries, including our neighbours, have plentiful resources such as oil, gas, timber, minerals and land. We have only our people and our financial reserves. Our reserves are not only our last line of defence during crises and rainy days. They also secure investor confidence in our future, and enhance our economic and social stability by discouraging those who mean us ill from mounting actions against our interests. Our reserves also contribute to a stable Singapore dollar, which helps to preserve the value of Singaporeans' savings.

No one can predict times of crises. So, although some people have questioned the need to maintain large reserves, we believe that it is necessary to not only maintain, but indeed grow our reserves. We accumulate as much reserves as we can afford to during periods of strong economic growth, so that we will always be prepared.

We also can never know how long bad times will last. Thus, we will tap on our reserves only during difficult times. Prolonged recessions are not uncommon. If we enter a long recession, our reserves will be absolutely critical to maintain confidence in the economy, support the Singapore dollar, and ensure liquidity in the financial system. Our financial strength will also allow us to be flexible, and capable of responding to the needs of Singaporeans in such times.

Our investment policies, therefore, aim to both grow our reserves and protect them.

Management and Growth of Reserves

The government's reserves are managed mainly by the Government of Singapore Investment Corporation (GIC) and Temasek Holdings. Whilst GIC's investments are all made overseas, Temasek invests mostly in Singaporean companies. The Monetary Authority of Singapore (MAS) also holds major currencies in reserves to back and defend the Singapore dollar.

The Government of Singapore Investment Corporation (GIC)

The GIC invests overseas only, and undertakes primarily portfolio investment. It invests in a diversified mix of assets purely for financial returns purposes. The government's investment objective is to enhance the long-term purchasing power of our reserves. One key way to do this is to protect the real value of our assets. We therefore do not take undue risks when investing. Instead, GIC's investments are spread over several asset classes, namely bonds, stocks, real estate and venture funds.

The investments are also in different currencies and across all major industrial and economic sectors. Finally, GIC's performance is measured against market benchmarks.

The Ministry of Finance and GIC will continue to work together to ensure that optimum returns are obtained on Singapore's reserves, and that only as much risk as is necessary is taken in making such investments.

Temasek Holdings

Temasek oversees our investments in Singaporean companies and influences the direction of these Temasek-linked companies (TLCs) by owning significant shares in them. More specifically, Temasek grows the companies with international or regional potential, oversees (on behalf of the government) certain companies that the government needs to own for strategic reasons, and divests those which have no international growth potential or are no longer strategic. Temasek may also invest in new businesses to nurture new industry clusters. These are likely to be in new growth sectors which entail high risk, large investments or long gestation periods (and which, therefore, private enterprise in Singapore is unable or unwilling to invest in).

The government expects the TLCs to operate on a commercial basis and does not interfere with their day-to-day operations. All TLCs are expected to compete on a level playing field with other private sector companies, and do not receive preferential treatment from the government. Just as the government does not expect non-TLCs to perform tasks that serve national or political interests but do not make good economic sense, so TLCs are not subject to such requirements.

All this means that our reserves can grow during good times, so that when rainy days and crises come, we are prepared.



Institutional Safeguards to Protect Reserves

Under the Constitution, our Elected President has veto powers to safeguard the past reserves of the government and 5th Schedule statutory boards and government companies (SBGCs)¹. (Past reserves are reserves not accumulated by the government during its current term of office). The Constitutional provisions are interpreted through a set of Principles published as a White Paper in July 1999. Essentially, the government and the 5th Schedule SBGCs have to achieve a balanced budget over the term of the government so as not to draw on past reserves. Their Chief Executive Officers and directors also have to be approved by the President.

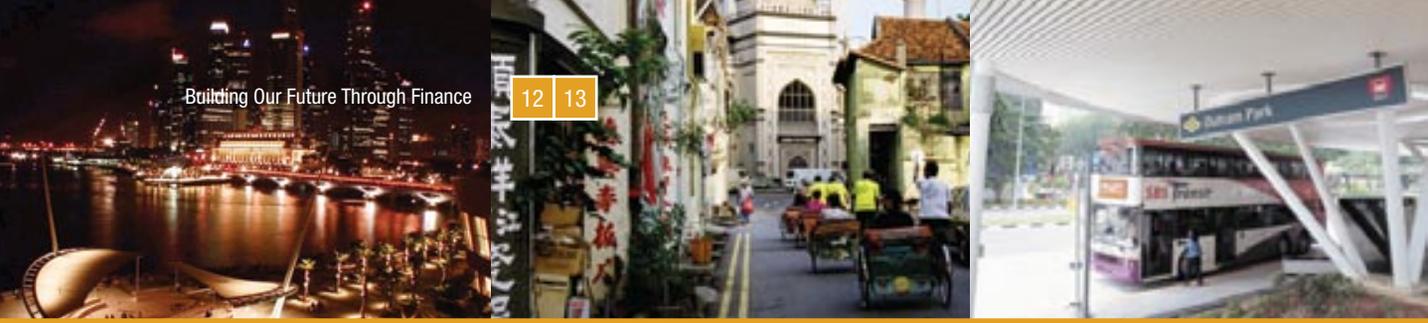
This ensures that no matter when a recession comes, and how long it lasts, we are prepared.

BUILDING A STRONG SOCIETY - MAKING A WORLD-CLASS HOME

After effective government, the next important fundamental for Singapore's survival and success is a strong society. Stable families, social cohesion, racial and religious harmony, secure homes and streets – these make Singapore a strong society and an attractive place in which to live, work, and play.

A strong society is highly self-reliant, resilient and socially responsible. The migrants from China, India, and the Malay Archipelago who built modern Singapore relied on themselves, their families, and their communities to make a living against great odds. Our self-reliance and social responsibility will become even more relevant in future. Local communities and the people sector must launch more self-help initiatives, and take on a larger role in society.

¹ 5th Schedule statutory boards and government companies are those listed in the 5th Schedule of the Constitution, under the constitutional provisions for the Elected President.



Our six National Education messages summarise this national outlook:

- Singapore is our homeland; this is where we belong.
- We must preserve racial and religious harmony.
- We must uphold meritocracy and incorruptibility.
- No one owes Singapore a living.
- We must ourselves defend Singapore.
- We have confidence in our future.

The government's role is, therefore, also to make Singapore a world-class home, one where strong families are the foundation of society, where there is social harmony and a sense of community, where socio-economic differences do not threaten the social fabric, and where there is sharing of the nation's wealth by all. It is to build Singapore upon the ideas of Opportunity and Home.

Sharing Singapore's Success

Benefits For All

The benefits of Singapore's prosperity are shared by all its citizens.

Singaporeans have received \$5 billion under the various Central Provident Fund (CPF) Top-up schemes, including the Share Ownership Top-Up Scheme, the Pre-Medisave Top-Up Scheme for the elderly, and the Medishield Scheme for the Elderly to pay for Medishield or other catastrophic health insurance schemes. In addition, \$2.5 billion was transferred to the New Singapore Shares Trust Fund in FY2002 for distribution to eligible Singaporeans.

Economic Restructuring Shares (ERS) worth \$3.6 billion have also been given to help Singaporeans adapt to structural changes in the economy, especially the increase in the Goods and Services Tax.

The workers of tomorrow need to be well-educated, well-trained and highly-skilled. The Ministry of Education is therefore developing students' creative potential and equipping them with the desire and skills for continuous learning. IT is widely used for independent learning.

Students who want to pursue a career in sports are also able to pursue both sports and academic studies full time. The Sports School, which started on 5 January 2004 with an initial intake of 140 students, has \$25 million allocated for its programme.

Offering Employment Opportunities for All

Pre-employment educational qualifications can no longer guarantee a job for life. Recognising the need for continuous education and training, MOF supports the Manpower 21 initiative. Under the Manpower Development Assistance Scheme, our government will spend \$200 million from FY2000 to FY2004 to upgrade our workers' skills.

Our government also helps unemployed job seekers during the economic downturn through various job placement schemes, and the People for Jobs Traineeship Programme which encourages employers to hire older job seekers. The Singapore Workforce Development Agency, set up in September 2003, coordinates training, placement and employment assistance efforts for workers.

Helping People with Disabilities

The government recognises the needs of disabled persons in Singapore and helps them better integrate into society through various programmes. These include developing the potential of children with disabilities, building skills in youths and adults with disabilities to help them become employable, strengthening and enabling caregivers, and building up our infrastructure and service capabilities to meet the needs of disabled persons.

Singapore Our Home And Nation

Home is where commitment and community come together, where pro-family policies and home ownership go hand in hand with community support and assistance for the disadvantaged.

Supporting Home Ownership

Every citizen should have a home. The Housing and Development Board (HDB) was set up to make good, affordable housing available to the people. Over the years, the HDB has also improved the quality of life and enhanced the assets of our citizens through the HDB Main and Interim Upgrading Programmes and the Selective En-Bloc Redevelopment Scheme (SERS). Under the Main and Interim Upgrading Programmes, HDB residents can enjoy improved facilities within their flat, block or precinct, such as better and faster lifts, new linkways between blocks, and so on. SERS allows the HDB to redevelop old blocks of HDB flats to optimise land use, while at the same time helping residents of these blocks upgrade to new and better flats nearby.

The government grants non-tax rebates to help lower income households, which fall outside the tax net and hence will not benefit from the many tax reliefs and rebates. Such non-tax rebates include reductions in Service and Conservancy (S&C) charges, rental and utilities. They give relief during difficult economic times. They are also a form of surplus sharing when the economy performs especially well.

Supporting Families

The elderly are best cared for by their own children in the familiar surroundings of their own homes. We therefore encourage children to live with, and care for and support, their aged parents. Those living with their (or their spouses') aged parents, grandparents or great-grand parents who have limited income, get a tax relief of \$5,000 for each dependant. Those who do not live with them get a relief of \$3,500 for each dependant. Each taxpayer is entitled to tax relief for up to two dependants.

The government recognises that individuals who take care of their handicapped parents shoulder a greater burden. So from Year of Assessment 2003, an individual taking care of a handicapped parent is given an additional tax relief of \$3,000, on top of the normal aged dependant relief.

Promoting Social Cohesion

In Singapore's culturally diverse society, social cohesion and racial and religious harmony are critical. As Community Centres and Clubs, Residents' Committees and Neighbourhood Committees play important roles, we allocated to the People's Association \$293 million of operating expenditure in FY2004. Eighty-four Inter-Racial Confidence Circles and 84 Harmony Circles have been set up to promote inter-racial harmony and understanding. In addition, \$2.9 million was given to the National Volunteer and Philanthropy Council to promote volunteerism amongst Singaporeans.

Reaching out to make Singapore a "first-world" economy and "world-class" home society in the 21st century means investing in both the "hardware" of infrastructure and the "heartware" of Singapore 21. Singapore 21 is our vision for Singapore in the 21st century and encompasses five principles: Every Singaporean Matters, Opportunities For All, Strong Families (Our Foundation and Our Future), The Singapore Heartbeat, and Active Citizens (Making A Difference To Society).



Community development is a key aspect of the government's efforts to invest in "heartware" and build a cohesive and resilient society. Therefore, the programmes in the Ministry of Community Development, Youth and Sports (MCYS) include:

- ***People's Association:*** Promoting social cohesion and racial harmony through participation in community activities and creating an effective grassroots network.
- ***Family Development:*** Emphasising and supporting marriage, parenthood and family development.
- ***Singapore Sports Council:*** Promoting participation in sports at both recreational and competitive levels and nurturing a fit and cohesive people.
- ***Social Support:*** Promoting volunteerism, supporting philanthropy, and building a strong network of community and social services to look after the needs of the disabled and needy.
- ***Elderly Development:*** Reviewing and addressing issues relating to an ageing population.

Supporting National Service (NS)

Our National Servicemen play a crucial role in guaranteeing the security and stability of Singapore. To mark the 35th year of National Service in 2002, NSmen tax relief was increased by 50% from Year of Assessment 2003. NSmen who are called up annually for in-camp training and other activities to maintain their operational efficiency get a tax relief of \$3,000. For those who have done their full-time national service but are no longer in active national service, the relief is \$1,500.

The government also recognises the contribution made by the parents and wives of NSmen in Total Defence. Parents brought up the NSmen, while wives look after the family when the NSmen are called up. Parents and wives of NSmen, therefore, are entitled to a tax relief of \$750.

Helping Lowest Income Households

As Singapore progresses, we make sure that no one is left behind. We have a comprehensive safety net to help those in genuine financial difficulty with schemes such as Medifund, Edusave Merit Bursaries, Community Award Schemes, Rents and Utilities Assistance Scheme, Public Assistance Scheme, Small Families Improvement Scheme, Financial Assistance Scheme for Schools, and the Centre-Based Financial Assistance Scheme for Child Care. What is most critical is helping the less well-off acquire the training and skills that will help them break out of the poverty cycle.

Promoting Philanthropy

Our tax system rewards taxpayers who support charitable causes. Our government allows double tax deductions to individual and corporate donors who make approved donations to Institutions of a Public Character (IPCs). Donations of artefacts, computers, shares and unit trusts, buildings and land are also tax deductible. Donors will also be allowed to carry forward the unused portion of these tax deductions for up to five years.

To lessen the burden on IPCs receiving donations of immovable properties and shares, and to encourage bequests and donations from estates to IPCs, the government has exempted all donations to IPCs from stamp duty.

MOF also supports the Community Development Councils (CDCs) with a matching grant of \$3 for every \$1 of cash donation they raise, with a higher matching grant of \$4 for every \$1 raised through GIRO. CDCs are further given an annual grant of \$1 per resident. \$30 million has been allocated to the CDCs in FY2004 under these schemes.

Preserving Our Heritage

National sculptures are an important part of our national identity and cultural heritage. The public sculpture donation scheme has three sub-schemes to encourage donors to either adopt an existing sculpture, or commission a new sculpture, or publicly display a sculpture from his private collection.

Meeting Future Challenges

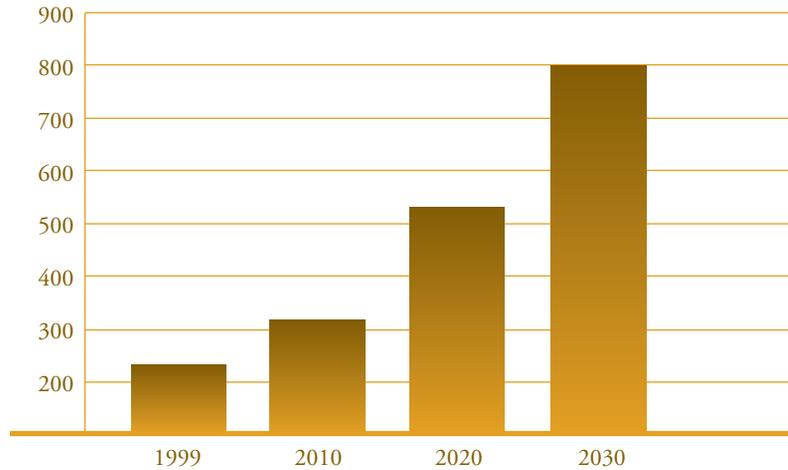
Our government also addresses future trends that have the potential to create new divisions in society. Foremost among these challenges are those brought about by demographic changes, or changes to the population, in our society.

Demographic Challenges

The baby-boom of the 1950s and 1960s, and Singapore's falling birth rate since then will lead to a rise in the dependency ratio, meaning there will be fewer young Singaporeans to support an increasing number of elderly people. It will also shrink our population – making it more difficult for us to sustain ourselves as a first-world economy. Making up the numbers with foreign talent cannot be the total solution. The best long-term solution is for Singaporeans to have more children. But, for now, we need to brace ourselves for an ageing population, and encourage more births.

Singapore's Ageing Population

No. of Elderly aged 65+ ('000)



Source: Adapted from the Report of the Inter-Ministerial Committee on the Ageing Population

Providing Affordable Health Care

How to keep health care affordable even as costs go up and the population ages is a problem faced by many countries. Our government promotes the private financial sector as a complement to the national Central Provident Fund (CPF) system, a comprehensive social security savings plan, to help Singaporeans provide for their old age. The government has also introduced Eldershield, an opt-out insurance scheme with premiums paid from Medisave, to help Singaporeans defray out-of-pocket expenses if they suffer severe disabilities.



their children through longer maternity leave and new childcare leave, and strike a better balance between work and family life through family-friendly work practices. The new measures are also more generous and less conditional. For example, the Baby Bonus will now be available to the first through to the fourth child. Age and education requirements for mothers are no longer present in the new Parenthood Tax Rebate and Working Mother's Child Relief. Various forms of childcare are recognised through infantcare and childcare subsidies, discount on foreign maid levy and a new Grandparent Caregiver Relief of \$3,000.

“ So, we've got to continue running the marathon...I can't promise you air-con coaches to ride you there in comfort. Not possible, but I think we can provide everybody with good shoes, good coaching, running shoes, drink of water and we'll have first aid points along the way, so you can rest and even for those with wheelchairs, we'll bring them along and we will run together as a team and we will get to the ending point together. But remember, finally, it's not the shoes, it's not the drinks, it's the runner. ”

*Prime Minister and Minister for Finance, Mr Lee Hsien Loong,
National Day Rally Speech, 22 Aug 2004*