

BUDGET 2018 ROUND-UP SPEECH

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A. INTRODUCTION

- A1. Mr Speaker, Sir, let me first thank Members of the House for the thoughtful and wide-ranging debate over the past two and a half days.
- A2. I am glad that the Budget has sparked many thoughtful conversations among citizens and fellow Singaporeans. Many Singaporeans have shared their perspectives with me in the course of various consultations and engagements. I am grateful for the feedback that has helped us to refine our thinking and ideas along the way.
- A3. This is important because the Budget is not an accounting exercise; it is a strategic and integrated plan for the future, about how we can come together to achieve our shared aspirations.
- A4. As we learned in Our Singapore Conversation, many aspire for a home where we can make a good living and fulfil our potential, regardless of where we start in life. Where we can live purposeful lives, and enjoy our silver years surrounded by the care of family and community. And where we feel assured that our aspirations and needs can be met.
- A5. The Budget is about how we allocate resources to achieve these aspirations, through:
- a. A vibrant and innovative economy, with diverse opportunities for all,
 - b. A smart, green and liveable city that we can be proud to live in,

- c. A caring and cohesive society where people look after each other, especially the disadvantaged and the vulnerable, and
 - d. A sound fiscal system that provides for Singapore's needs in a fair and sustainable way.
- A6. Our Budget theme is 'Together, a Better Future'. I am glad that many MPs agree that we can only achieve a better future if we work together.
- A7. I would like to cover three themes in this debate. My Ministerial colleagues will talk about the respective issues under their purviews at the Committee of Supply.
- A8. First, I will explain our approach to revenues and taxes, and why this is a sustainable, responsible and fair way to meet our future needs. Second, I will talk about the urgency of transforming our economy. Third, I will speak about how we can together build a more caring and cohesive society.

B. BUILDING A STRONG FISCAL FOUNDATION

B1. Let me start with our fiscal strategy.

B2. In this debate, two main questions have been raised:

- a. Why do we need to spend more?
- b. What are the roles of taxes, reserves, and borrowing in meeting our revenue needs?

Why Do We Need to Spend More?

Investing in our Priority Areas

B3. First, let me explain why we need to spend more.

B4. I explained in the Budget Statement that we face structural and sustained increases in expenditure in a number of areas – healthcare, security and other social spending.

B5. Annual government healthcare spending is projected to rise by nearly 0.8%-points of GDP from 2.2% of GDP today to around 3% in the next decade. That is \$3.6 billion more in today's dollars. Now, why this rise?

- a. First, we will spend more due to an ageing population. Already, Government subsidies for a senior's healthcare needs are more than six times that of a young person. From now till 2030, the number of seniors will double from about 450,000 to 900,000. This alone will increase healthcare spending significantly.
- b. Second, the number of citizens who have chronic conditions is rising. Without taking action on diabetes, the number of diabetic

patients aged 18 and above could rise from 450,000 in 2015 to 670,000 in 2030. We are working hard to arrest these trends.

- c. Third, new medical technologies, new treatments, procedures, diagnostic tools and drugs can lead to a higher quality of life, but they could also cost more.

B6. Next, annual security spending¹ is also expected to rise by about 0.2%-points of GDP as we invest more to counter rising threats.

- a. The scale and magnitude of terror attacks around the world in recent years are signs that the terrorism threat has heightened.
- b. This threat has come closer to our shores, given ISIS's ambition to establish a caliphate in the region encompassing Singapore. As ISIS loses ground in Syria and Iraq, ISIS fighters' return to Southeast Asia presents a serious threat to Singapore.
- c. The recent Marawi crisis in southern Philippines is a sign that extremist terrorism is now endemic in the region and may take many years before the security problem is rooted out. Around the region and at home, we have seen more cases of self-radicalisation.
- d. In addition, the range of threats has widened. In recent years, we have seen an increasing number of high-profile and damaging cyber-attacks around the world, like the WannaCry ransomware incident, which affected computer systems around the world.

¹ Refers to MINDEF and MHA spending.

- e. With rising security threats and a wider range of threats, we will need to continue to invest in security to keep Singapore safe.
- B7. Preschool spending is expected to double in the next five years, to \$1.7 billion a year in 2022, an increase of about 0.1%-point of GDP from today. This is a vital investment in our future, in our future generations – ensuring that they have a good start in life. Two in three preschoolers will have a place in a Government² or Government-supported³ quality preschool, up from one in two today.
- B8. Apart from these recurrent expenditures, we are investing in key infrastructure to build a better home and ensure we remain one of the world's leading global cities.
- B9. And we have to be prepared that expenditures could rise further than what we project now.
- a. Healthcare spending⁴, even in countries that are prudent like Japan and Germany, is around 10-12% of GDP. New medical technologies could accelerate spending trends.
- b. A sudden escalation in terrorist threats or geopolitical tensions could significantly increase the security spending required. A decade ago, we could not have predicted the rise of ISIS and the speed with which terrorism spread and evolved around the world.

² MOE Kindergartens

³ Anchor Operators and Partner Operators

⁴ National Health Expenditure

B10. Our responsibility is to ensure that we make timely decisions and have enough revenues to meet our future expenditure needs readily, amid an uncertain future.

Achieving Effective Spending Together

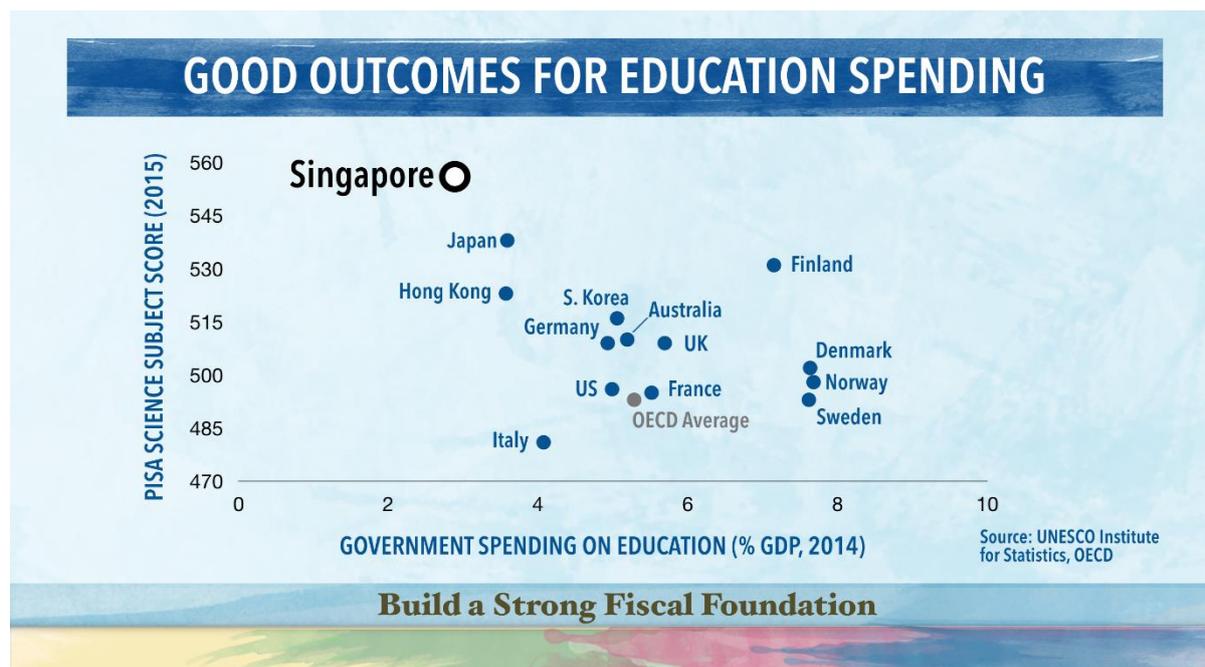
B11. In making the additional investment, we are doing so on a strong foundation. Government spending to date has achieved good outcomes.

B12. Indeed, as Ms Cheryl Chan has noted, it is not about how much we spend, but how well we spend.

a. We achieve very credible outcomes, with overall expenditures of about 19% of GDP in FY18. This is less than half of what OECD countries typically spend.

b. We think carefully about how to design and organise our underlying delivery and funding systems, and consider the roles of all stakeholders.

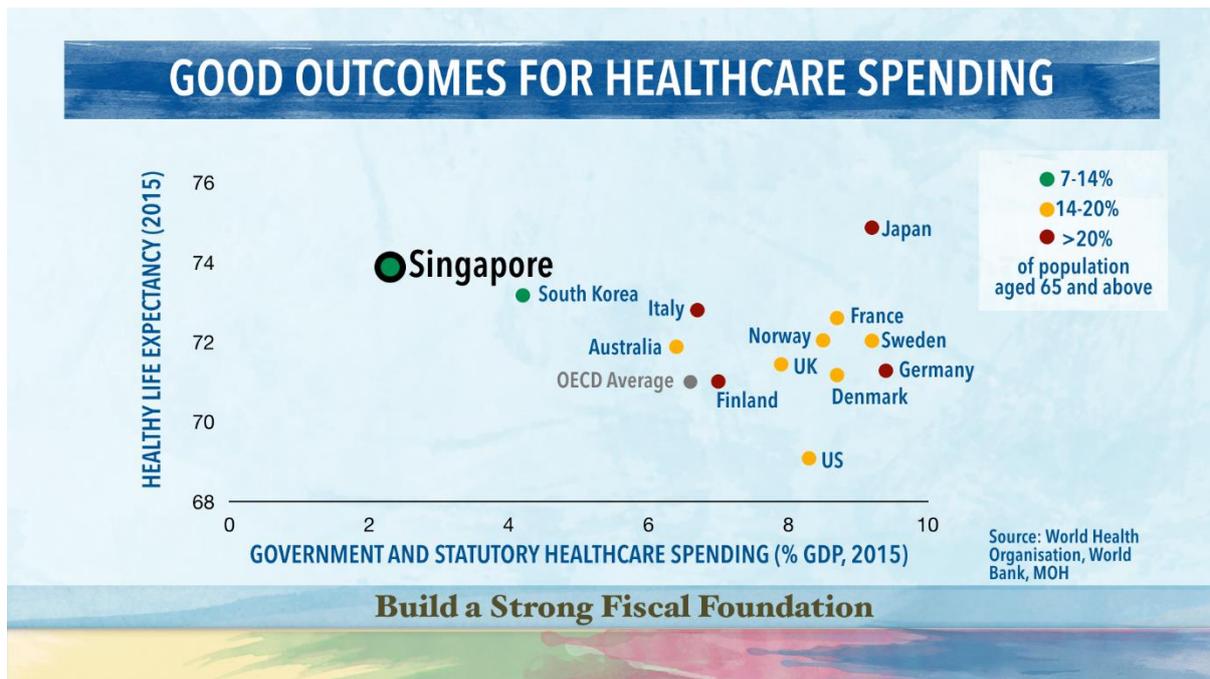
B13. Let me illustrate this in three areas: education, healthcare, and law and order.



B14. Now, this is a chart showing how 15-year-olds from different countries do on the PISA test for science, compared with how much the Government spends on education.

- a. One group is the Nordic countries, which typically spend about 7-8% of GDP. Various OECD countries form a second group, around the OECD average. They typically spend about 4-6% of GDP. A third group comprises East Asian societies – Japan, Hong Kong, South Korea. They tend to spend less, with PISA scores on the higher end.
- b. Where is Singapore? We spend about 3% of GDP, and do well compared to other countries. The conclusion is the same even after we consider private expenditure on education, such as enrichment classes.

c. And it is not just about taking tests that our students do well, but other skills like collaborative problem solving.⁵ And this does not capture the immeasurable character-building work that our schools do, in cultivating traits in our students such as perseverance, responsibility, and valuing hard work.



B15. Now, this next chart shows healthy life expectancy against government and statutory healthcare spending.⁶ Countries to the right of the chart spend more of their GDP on healthcare, while those to the left spend less. The higher up a country is on the chart, the longer the residents live in good health.

⁵ Singapore also topped Collaborative Problem Solving in the PISA 2015 study, with a mean score of 561. Singapore also has the highest proportion of top performers (21%, compared to OECD average of 8%) who could solve problems despite multiple constraints, ensure team members follow through with responsibilities, monitor team progress, and take the initiative to overcome obstacles and resolve conflicts.

⁶ This includes both Government health expenditure and statutory health financing schemes, to better compare with single-payer healthcare systems which finance healthcare primarily through either Government subsidies or statutory health insurance. For Singapore, statutory health financing schemes include Medisave, MediShield Life, and ElderShield.

- a. Green points represent the younger societies, while red points are the more aged ones, and amber ones are somewhere in between. Many governments spend around 6-10% of their GDP on healthcare.
- b. Compared to other countries shown on this chart, Singapore spends less on healthcare yet achieves a high healthy life expectancy – higher than the OECD average. Even with population ageing, we expect to spend less than other countries with similarly aged populations.



B16. Similarly, we are able to get effective outcomes for our spending on policing.

- a. We were ranked top in the 2017 Gallup Global Law and Order Index, which gauges people’s sense of personal security and their experiences with crime and law enforcement when living in their respective jurisdictions.

b. This is despite our spending being at the lower end when compared with various jurisdictions. That said, Singapore must stay vigilant as a society and a country.

B17. How have we been able to achieve this so far? It is through a whole-of-society effort.

B18. In education, we achieve good outcomes because we have invested in our schools and a dedicated corps of educators who believe in developing every child to their fullest potential. We have engaged parents who do their best for their children's education. We have community groups, charitable foundations and individual donors who support students and families in need.

B19. In healthcare, we are able to lead long and healthy lives because we have a well-designed healthcare system and dedicated healthcare professionals, with a system of incentives aimed at delivering value rather than the volume of treatments. We have citizens who take responsibility for their own health; and strong families who look after their aged parents. And we have caring and dedicated VWOs that run many services in the community.

B20. In security, we enjoy safety today not only because we have built up robust and sophisticated systems, and a strong corps of Home Team officers. It is also because we have National Servicemen and volunteers who serve with pride, and a united, law-abiding and vigilant community that stands against crime.

B21. This is the power of partnership, and of a whole system that encourages everyone to take responsibility. It explains how a tiny

country like Singapore with no natural resources can have world-leading outcomes with moderate levels of taxation and spending. This is the Singapore way, and we must continue to build on this ethos.

B22. In particular, managing the cost of healthcare must be a whole-of-nation effort. We all need to do our part to keep healthcare cost growth sustainable.

B23. In this respect, I appreciate the useful suggestions by Ms Sun Xueling on how we can be more efficient, effective and smart in spending. MOF will elaborate more on how we are doing so at the Committee of Supply.

B24. While we must instill prudence as a value in managing our resources, we must also appreciate that the major structural expenditure drivers that I have spoken of will entail billions of dollars of additional spending a year. The needs they address cannot be met just by squeezing more out of every dollar.

How Should We Finance Our Needs?

B25. Having explained why we need to spend more, let me now talk about how we plan to finance this in a fair and sustainable manner.

B26. Ms Tin Pei Ling and other commentators have asked if we could fund the increased spending for the future with a windfall surplus like the one we had in FY2017.

B27. The surplus in FY2017 was largely due to one-off, exceptional factors that we do not expect to occur every year.

- a. The main increase came from an exceptional Statutory Board Contribution from MAS due to unexpected currency translation gains and investment gains from a global rally in equity and bond markets.
- b. The increase in Stamp Duty collections was generated by the recent property market pick-up.

B28. We cannot fund our plans to secure Singapore's future on the basis of episodic windfalls. If we are fortunate to have these occasional windfalls, we should do the responsible thing and save most of it for our future needs. We should not plan for our future in the hope that markets will always continue to move in Singapore's favour.

B29. That is why we are reserving the bulk of the FY2017 surplus for future needs like MRT development plans and ElderShield subsidies. The Government is also sharing some of the surpluses through the SG Bonus.

B30. Let me explain at this point our approach to financing our needs. There are essentially three ways of doing so:

- a. Raise taxes;
- b. Borrow; or
- c. Draw on our reserves.

B31. Each of these ways serves a purpose; each involves risks and trade-offs.

B32. We have decided on our approach only after deep and serious study – first of our spending needs, followed by the options available to fund them.

B33. Mr Louis Ng can be assured that in the process, many public officers from MOF, MOF agencies like ACRA, Customs and IRAS, and other agencies spanning different policy and operational areas debated the ideas rigorously with me and their own bosses. And in the process, they pushed back on many ideas but also gave me fresh perspectives and feedback. They were certainly not afraid of speaking up or disagreeing with me, or with the other Ministers for that matter.

B34. Let me now turn to the role of each of these methods – taxes, borrowing and reserves.

Raising Taxes: Funding Broad-Based, Recurrent Needs

B35. Let me first explain why we have decided to raise taxes.

B36. This is not an option that we have taken lightly. Not just because raising taxes is unpopular, but because the Government should as far as possible avoid taking people's hard-earned money and deciding on their behalf how the money should be spent, unless it has to do so for critical social, economic or national needs.

B37. Certainly, we should not shy away from addressing the need for taxes, where we see areas of collective need that can be better met by Government provision. These include areas like healthcare,

supporting the elderly and retirees, investing in our people through preschools and SkillsFuture, and strengthening our security.

B38. As Mr Liang Eng Hwa reminded us, many Members in this House have fought for the Government to do more in these areas. But we should also consider the costs and how to fund them.

B39. Looking ahead, we have needs that occur year after year. The responsible way for us to fund such spending is to raise taxes. As Er Dr Lee Bee Wah pithily reminded us, you don't fund recurrent spending needs by hoping to strike 4D. Or by borrowing with your credit card.

B40. Each generation should strive to pay for its own spending through sustainable means, instead of drawing down more than is prudent from the reserves or by borrowing and passing on the cost of current spending to future generations.

B41. In particular, for the broad-based needs that I have mentioned, a broad-based tax like the Goods and Services Tax (GST) is appropriate. As then-Minister for Trade and Industry, Mr S Dhanabalan, said at the Debate on the GST Bill back in 1993, it is critical to have a "tax system that will make an immediate and direct connection between demands for public service and the private purse". This is important so that we understand that whenever we increase demands for public services, we should also pay more. Mr Lim Biow Chuan gave us a timely reminder that when the Government pays, it is the taxpayers who pay.

B42. Let me now address some key questions that have been raised with respect to the GST increase and other tax changes:

- a. First – how we decided on the timing of the GST increase and its announcement.
- b. Second – how we sized the GST increase relative to our needs.
- c. Third – how we take care of our lower-income and ensure that our overall taxes and benefits system remains progressive.
- d. Fourth – how the tax changes will affect our competitiveness.

Timing of the GST Increase

B43. First, there have been questions on the timing of the GST increase that I have announced.

B44. In planning our finances, we take the long view. We seek to understand major trends holistically, and how they may affect Singaporeans. We assess carefully what we need to do in response, and how we should find the resources to support our plans. This is how we had determined that we will need to raise GST sometime in the period from 2021 to 2025.

B45. By announcing the GST increase early, we are being honest and upfront about our national needs, and setting out what needs to be done. We are giving ample notice to citizens and businesses that we will need to raise GST. MPs such as Mr Lim Biow Chuan and Assistant Professor Mahdev Mohan have spoken about why we need to do this, to set out a clear direction for the future.

- B46. I hope that it helps everyone to understand our shared challenges in the coming years. And indeed, we must have such important discussions about our future, well in advance.
- B47. This is important because it is not just Government finances that will be impacted by trends like ageing, but individual citizens and their families. We must all prepare for what is to come. This will also help us to better determine an appropriate offset package that can help with the adjustment.
- B48. But we know that there are always uncertainties. That is why we have given a timeframe of 2021 to 2025 as to when this increase would need to take place.
- B49. I would like to assure members that just as the decision to raise GST was not made lightly, the Government will exercise care in deciding the timing of its implementation. Before we move to raise the GST, we will carefully assess the prevailing economic conditions as well as our needs at that point.

How the GST Increase is Sized

- B50. Second, let me address questions over how the GST increase is sized relative to our needs.
- B51. As mentioned, a 2%-point increase in GST rate is expected to raise revenues worth about 0.7% of GDP per annum. This estimated amount is before we account for the amount needed to fund the enhanced GST Voucher.

B52. On the other hand, the expenditure drivers that I earlier mentioned – healthcare, security, and preschools – already exceed this amount. These are serious commitments that we must budget for, and there are risks that overall spending could rise further.

B53. So the 2%-point GST increase will not fully cover our expenditure needs, but only make the fiscal gap more manageable, in conjunction with other measures to manage expenditure. It is thus the prudent and responsible approach to raise GST in good time, instead of hoping for expenditure to fall.

Ensuring Fairness and Progressivity

B54. Third, let me address concerns over the fairness and progressivity of an increase in GST.

B55. I understand that some are worried about the impact of a GST increase on the cost of living, not just among the lower-income, but also among many middle-income households.

B56. Let me assure everyone that we are mindful of the impact of tax changes on households, particularly the lower-income, and will help them to adjust while maintaining a fair and progressive system of taxes and transfers.

B57. As I have mentioned in my Budget Statement, the GST should be seen together with the rest of our taxes and transfers system, including the GST Voucher scheme.

B58. The Government provides structural GST offsets through the GST Voucher.

B59. For the lower income, we provide substantial offsets. This is a targeted way of making the GST package a progressive one. For retiree households⁷, they also get significant GST offsets.

B60. In addition, we have schemes and programmes to support the less well-off. This includes the Workfare Income Supplement and Silver Support. From education, to healthcare, to housing, our social programmes provide higher levels of support for the lower- and middle-income households than they do for the well-off, with lower-income households benefiting the most.

B61. We also provide support for the middle-income.

- a. First and foremost, our approach to supporting the middle-income is to create good economic growth, as the best form of social security is a good job.
- b. Second, we keep the tax burden low, so that Singaporeans get to keep as much as possible of what they earn.
- c. Finally, in recent years, we have expanded the support for Singaporeans to take care of their children, and aged parents, easing the burden on the “sandwiched generation” which Mr Desmond Choo spoke about.

B62. When you look at the overall balance of taxes and transfers, lower- and middle-income households receive significantly more benefits from transfers than what they pay in taxes. The middle-income

⁷ Retiree households refer to households comprising solely of non-working persons aged 60 years and above.

group⁸ gets \$2 in benefits for every dollar of tax that they pay. The lower-income group⁹ gets about \$4 in benefits for every dollar of tax.

B63. As I have mentioned in the Budget Statement, we will continue to absorb GST on publicly-subsidised education and healthcare.

B64. When we eventually raise the GST, we will enhance the permanent GST Voucher scheme to provide more help to lower-income households and seniors. We will also implement a transitional offset package, with lower- and middle-income households receiving more support, to help them adjust.

B65. Mr Lim Biow Chuan and Er Dr Lee Bee Wah also asked if we intend to set up a Committee Against Profiteering (CAP) to combat any illegal profiteering due to GST hikes. When we last raised the GST in July 2007, most businesses did not use GST as an excuse to raise prices beyond the GST increase. The then-Committee Against Profiteering looked into the complaints to manage profiteering.

B66. Similarly, when we raise the GST to 9%, we expect businesses not to exploit the situation and use the GST as a cover to raise prices. If necessary, the Government is prepared to convene a similar Committee Against Profiteering.

B67. There have also been concerns that consumers may choose to shop abroad for daily products and there will be more attempts to evade GST. Today, we limit the value of goods that can be brought

⁸ Refers to the 41st- 60th percentile of citizen households, based on ranking by household income from work (including employer CPF contribution) per household member.

⁹ Refers to the 1st- 20th percentile of citizen households, based on ranking by household income from work (including employer CPF contribution) per household member.

into Singapore for their personal use without GST. Customs and ICA officers enforce this, and we will continue to have an appropriate level of enforcement when the GST is raised.

B68. While we have announced the GST increase this time, we continually consider all other taxes and sources of revenues to meet our expenditure needs.

B69. Some Members have asked if we are doing enough to tax wealth, and if those with higher income are contributing a fair share.

B70. Dr Intan Mokhtar has suggested raising personal income taxes (PIT). We have raised personal income taxes in recent years to further enhance progressivity.

a. We increased the marginal tax rates for higher income earners with chargeable income exceeding \$160,000, and raised the top marginal rate from 20 to 22% for those with chargeable income exceeding \$320,000. This took effect from YA2017.

b. We also introduced a cap of \$80,000 on personal income tax reliefs, taking effect from YA2018.

c. Under the present PIT structure, about half of our workers do not pay personal income tax. Among those who do, the top 10% pay about 80% of our personal income tax revenue.

d. Any review of personal income taxes must ensure that Singapore remains attractive. Just yesterday, Hong Kong has announced a reduction in personal income taxes in their Budget. We will be moving in the opposite direction if we are to raise

personal income taxes when all jurisdictions are competing for talent, including our Singaporean talent.

- e. We will continue to monitor and review our rates, but for now, our view is that existing PIT rates are reasonable for us to remain attractive given the intense global competition for talent.

B71. Mr Ong Teng Koon and Mr Yee Chia Hsing suggested that we look closely at wealth taxes.

B72. Aside from taxing income, our current approach to taxing wealth is mainly through taxes on assets that cannot be tax-planned away easily, unlike other methods like estate duties.

- a. That is why we have enhanced our property tax regime in the last decade to make it more progressive, and to meet our spending needs. For residential properties, 86% of property tax collected comes from non-owner-occupied residential properties, and owner-occupied residential properties with annual value of \$30,000 and above.
- b. In this Budget, we have made moves to improve the progressivity of our stamp duty regime, so that those who can afford a higher-value residential property pay more taxes on their purchase. I thank Mr Seah Kian Peng and Mr Yee Chia Hsing for their strong support for this move.
- c. On average, we collected about \$8 billion in recent years from property tax and stamp duty. This is a significant proportion of our revenues.
- d. We will continue to review this area closely.

B73. Mr Yee Chia Hsing and Ms Foo Mee Har suggested to review taxes on alcohol and gambling. We regularly review such duties, and will take these suggestions into consideration.

B74. On the introduction of GST on imported services,

a. Mr Thomas Chua mentioned the \$225 billion worth of imported services reported by the Department of Statistics. I wish to clarify that this includes all business-to-business (B2B) services, and vastly overstates the imported services which we will introduce GST on. Our move to levy GST on imported services will not affect most businesses. This is because most businesses can claim full refund of the GST they incur on inputs that they procure for their businesses, including imported services. Thus, businesses affected by the GST on imported B2B services are primarily financial institutions and residential property developers which do not get such full refund.

b. Mr Pritam Singh asked if this will yield additional revenues. We estimate that it could yield additional revenue of about \$90m per year. But let us be clear that this is a move to defend our current revenue base from being eroded as more transactions move online.

Staying Pro-Growth

B75. Finally, let me talk about keeping our fiscal system pro-growth.

B76. Dr Intan Mokhtar has raised suggestions to raise corporate income tax rates, particularly for MNCs and large firms.

B77. Let me elaborate more about our environment today. Around the world, there are significant changes and uncertainties in the global tax environment:

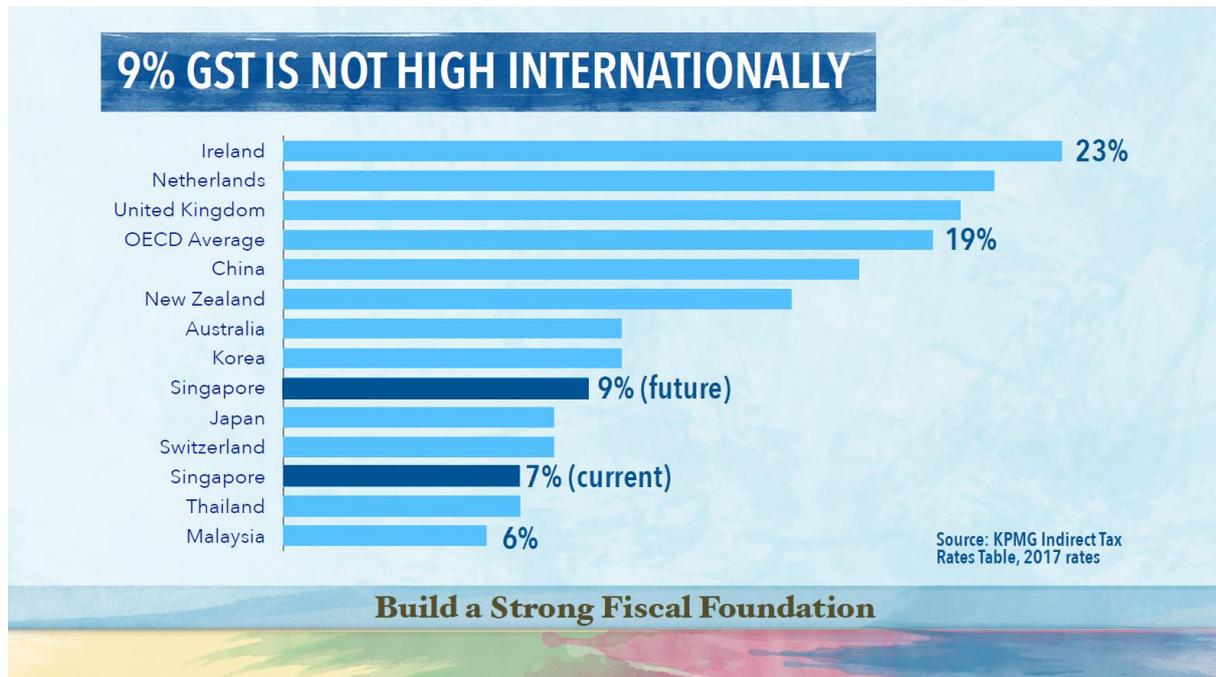
a. There is ongoing discussion worldwide on international tax rules for combating tax avoidance under the Base Erosion and Profit Shifting (BEPS) project.

b. In 2018, the US reduced its headline corporate income tax rate from 35% to 21%. It also made other changes to make it more attractive for US companies to invest at home. This may spur cuts in corporate income tax rates around the world.

B78. Singapore must remain sensitive to these global trends that impact us. We are a small and open economy, subject to the full forces of competition in a globalised economy.

B79. It is important for us to remain a competitive and business-friendly location. In 2017, \$9.4 billion of fixed asset investments and \$6.5 billion of total business expenditure were committed. When the projects are fully implemented, about 22,500 jobs will be created.

B80. The increase in the GST is not expected to impact our competitiveness significantly, which is a concern raised by Dr Lim Wee Kiak.



B81. The future GST rate of 9% is not high by international standards as this chart shows.

- a. The OECD average is 19%. So our new rate is less than half of that.
- b. Among countries in the region, many others have GST standard rates that exceed 9%.
- c. Some countries are also contemplating raising GST. Japan, for example, plans to raise its consumption tax rate from 8% to 10% in October 2019.

B82. In summary, we have taken a principled approach to meet the general population's future needs through a broad-based GST increase, while ensuring that our overall system of taxes and transfers remains fair and progressive, and is supportive of growth.

Borrowing: For Long Term Investments

B83. I have spoken at length on the first way of financing our needs through taxes for recurrent needs. Let me now move on to the second way, which is borrowing.

a. Borrowing is a reasonable option for long-lived capital investments with high capital expenses, because the benefits of these assets are enjoyed mainly by future generations many years down the road. This is an option that we are pursuing for major long-term projects like Changi Terminal 5.

B84. Ms Tin Pei Ling and Mr Saktiandi Supaat raised concerns on whether borrowing will result in unsustainable debt and interest payments.

a. They have raised an important point: indeed, we aim to live within our means. We should not over-borrow and burden future generations with unsustainable debt, as we have seen in other countries.

b. The stark difference is that unlike some other countries, we borrow not to spend on recurrent needs like healthcare, education and security, but to invest in long-term infrastructure. Such long-term investments will continue to yield economic benefits and position Singapore well for the future.

B85. We are strategically leveraging the strength of our financial position to optimise our borrowing.

- a. To reduce financing costs, the Government is considering the provision of guarantees to back borrowings by our Statutory Boards and Government-owned companies.
- b. The Government is consulting the President's Office and the Council of Presidential Advisors on this proposal, including the details of how it will be structured. So, many of the points that Mr Saktiandi mentioned earlier will be discussed in great detail.
- c. This way, we tap on the Government's triple-A credit rating and the strength of our reserves without directly using it. This is how we are helping the current and future generations.
- d. We are able to do so only because we have planned our finances soundly and accumulated strong reserves. We are one of only 11 countries in the world, and the only Asian country, which has a triple-A credit rating, which represents the solid foundation and safety net that our forefathers left for us.¹⁰ We do not and cannot take our credit rating for granted.
- e. I am glad that Members, like Mr Sitoh Yih Pin, Mr Liang Eng Hwa and Mr Ong Teng Koon, think that this is a sensible approach and recognise the value in this.

Reserves: Safeguarding Future Generations

B86. Now I will talk about the third way we have been financing our needs, which is our reserves.

¹⁰ At present, 11 countries have S&P's AAA rating: Australia, Canada, Denmark, Germany, Liechtenstein, Luxembourg, the Netherlands, Norway, Singapore, Sweden and Switzerland.

- B87. Our reserves have been painstakingly built up over half a century by our pioneers and previous generations. We have inherited this nest egg and must act as responsible stewards.
- B88. That is why over the years, we have carefully deliberated and developed a comprehensive set of rules to safeguard and manage the use of reserves.
- B89. Our Constitutional rules protect our financial assets and land as past reserves. As land sales convert physical assets into financial assets, the proceeds from land sales are rightly fully protected as past reserves as well.
- B90. This principle of asset conversion is sound. It is irresponsible to mislead people that the principle suddenly does not apply when we use 20% instead of 100% of land sale proceeds.
- B91. Mr Pritam Singh made such a suggestion. And if I may use an analogy: suppose our forefathers left us five plots of land and each year we sell one plot, 20%, and use that money. In five years, there will be no land left. So that is the fallacy of using 20%.
- B92. Instead of using the proceeds of land sales, or any part of it, for spending, the proceeds of land sales are added to our reserves, which are invested in a globally diversified portfolio. From the returns, we take 50% as NIRC to supplement our budgetary needs. This achieves a balance between supporting the needs of the current and future generations.
- B93. Today, contributions from reserves are already the largest contributor to our revenues. If we did not introduce the NIR

framework, we would have had to double our personal income tax collection or our GST collection to raise the same amount of revenues.

- B94. Yet, some have suggested increasing the NIRC spending cap from the current 50% to 60%, or using a portion of land sale proceeds for recurrent social spending.
- B95. All these sound very tempting – it seems relatively painless to do so compared to raising taxes. And you may be wondering why I do not take a painless way. But is it the right thing to do? Certainly not.
- B96. The rules on reserves were debated and agreed in this house. We enshrined them in the Constitution. We deliberately introduced rules on land sales and the 50% NIRC cap so that we do not succumb to the temptation to draw more from our reserves to fund current expenditure or eat into the principal sum.
- B97. To amend the rules as a first resort is ill-disciplined and unwise. This would defeat the purpose of enshrining the 50% cap in our Constitution.
- B98. Moreover, if as soon as we need more money, the first thing we do is to relax the rules, that is the surest way to change Singapore's basic orientation – from saving and building for the future, to living for today and letting tomorrow look after itself. We must not give in to the temptation to chip away at our strategic national asset.
- B99. Indeed, as many members agreed – we should not over-rely on NIRC, which is already the largest source of our revenues. An over-

reliance will hurt our ability to respond to changing circumstances in the future.

B100. We are stewards of the reserves for our future generations, as what our forefathers had been for us.

- a. It was thanks to the astute Dr Goh Keng Swee and other forefathers, who had the foresight of investing our reserves in a long-term and diversified portfolio early, that Singapore has built up a nest egg.
- b. Since then, each generation of Singaporean leaders has upheld that discipline – of running balanced budgets, setting aside surpluses, having professional managers manage our reserves for long-term gain. Our founding generations resisted the temptation to spend more from our reserves.
- c. What if Dr Goh and our forefathers had said “we are saving too much of our surpluses”; “we should spend more on ourselves and leave less for our children and grandchildren”? Would we have this inheritance which we are now benefiting so handsomely from and debating how to use more of it? We would have nothing.

B101. Today, the constitutional arrangements for the use of reserves represent this discipline we have set for ourselves.

- a. As the Prime Minister said in 2008, it is about “our commitment to continue growing our reserves, while allowing the Government to tap on part of the investment income for current spending”. Deviating from these rules in a sustained way will put this critical

balance at risk, and may compromise the long-term health of our reserves and the country. Be it NIRC or land sale proceeds, we must uphold the discipline in tapping on our reserves in a sustainable way.

B102. And to be clear, we prepare for the future not only within our own lifetime, but our children's and children's children. Now, today, the average life expectancy of a Singaporean child born today is over 80 years. A lot can happen in such a lifetime. Just think about what the world has gone through in the last century.

- a. In the first 50 years of the 20th century, a person would have lived through two world wars and the Great Depression, the advent of nuclear weapons and the establishment of the Bretton Woods system that governs the international financial order today, including the setting up of the IMF and the World Bank.
- b. In the next 50 years of the 20th century, a person would have lived through the Vietnam War, the formation of ASEAN, major advances in technology such as the space race and the Internet, the rise and fall of communism, and the Asian financial crisis.
- c. As we now move into the 21st century, we are moving from a unipolar world to a multipolar one, with growing tensions between major countries and concerns about global and regional stability.

B103. If anything, developments that we are witnessing today remind us that the future is ever-changing and uncertain, as recognised by Mr Liang Eng Hwa and Mr Henry Kwek. What is clear is that in the

aftermath of a crisis, be it financial or geopolitical, there are usually many years of subsequent weak economic performance. Employment and economic output tend to fall for a sustained period.

B104. For example, the US unemployment rate only recovered to pre-Global Financial Crisis levels last year. It took a decade. Unemployment rates in some European Union countries have not recovered even after 10 years.

B105. In turn, with crises like these, Government revenues are likely to decrease, at the very moment when we need resources to support our people and economy, a view shared by Associate Professor Randolph Tan. That is why our reserves are critical to help us overcome such challenges, especially since we have no natural resources.

B106. Ms Kuik Shiao-Yin raised the IMF's general guidance on reserves adequacy. IMF's guidance is meant to specifically address capital flight risk, which is the risk that Singapore Dollar deposit holders will switch out into foreign currency because there is a loss of confidence in our currency. That is but one of many scenarios which our reserves have to deal with.

B107. So the examples I gave from the last century, and all the major events and their potential impact, should serve as a very important reminder about the role of our reserves. And also, even major countries, very well developed countries, whether it is the US or the EU, are not immune from financial or economic crises. In fact, ironically, the last global financial crisis originated in the most

developed parts of the world. But its impact was felt all around the world.

B108. So, however much Singapore develops, however much the world develops, we must be cognisant and we must be prepared to deal with unforeseen events, to deal with crises which can have very significant impact on Singapore and around the world. So we need to be prepared for crises that go beyond just a currency crisis.

B109. More importantly, we must have the humility to recognise that we can never predict what will happen in our lifetime, much less our children's lifetimes or their children's lifetimes. So what we must do is to give them the best chance of a better life, whichever way the winds of change may blow.

B110. What we have inherited from the past, we also owe to the future. That is our moral obligation.

Providing for Our Future Together

B111. Members of the House, what I have elaborated on is the overall approach that we are taking to fund our growing needs.

B112. Now I have listened carefully to the speeches of members of the Workers' Party to see if they could offer an alternative approach. But as far as I can tell, the Workers' Party supports the thrusts that I spoke of. In fact, no one has asked the Government to cut back on any specific item.

B113. On the contrary, they have asked the Government to do even more. Associate Professor Daniel Goh asked the Government to do more in many areas, like giving Silver Support to those living in large flats.

Mr Dennis Tan asked the Government to enhance elderly care support. Ms Sylvia Lim spoke about inequality and what we must do.

B114.It is easy to ask for more. But not a single one of the MPs, except Mr Pritam Singh, even mentioned what it would cost, nor how to fund it. In fact, not a single one mentioned how much it would cost for each of the ideas that you articulated.

B115.Only Mr Pritam Singh spoke about other ways of funding it. Mr Pritam Singh offered a few options.

- a. He suggested using revenues from land sales and increasing the NIRC cap. I have explained earlier, clearly, why we cannot, and should not, use this.
- b. He asked if we can rely on GST on imported services. I have explained that the yield is small, less than \$100 million, and that we need to do this to protect our revenue base.
- c. He even suggested that through our Smart Nation efforts, we can increase tax collection from self-employed hawkers and taxi-drivers!

B116.Mr Pritam Singh cannot be serious. Any serious-minded person will appreciate that not one of these is a viable alternative to a GST increase. These are distractions. And Mr Low Thia Khiang asked us not to be distracted. Instead of taking a principled stand, Mr Pritam Singh would rather withhold his support for the GST increase by adopting a “wait-and-see” posture.

B117.It is easy to fall back on politically expedient options and pretend that they will solve our long-term challenges. But this is a dishonest and irresponsible approach. If we were to do this, future generations of Singaporeans could easily end up in serious deficit. Then, we will be having a very different conversation about our future.

B118.I think the Workers' Party should come clean to the people. Do they want the Government to increase healthcare or social spending? Does the Workers' Party want the Government to increase healthcare or social spending, as all your MPs have spoken?

B119.If yes, how does the Workers' Party propose to pay for the increase?

B120.I am glad that Mr Low Thia Khiang, who is not here today, appreciates our longer term challenges, and the significance in positioning Singapore as a Global-Asia node. But I was puzzled that he characterised the GST debate as a distraction, and that he would rather debate this at election rallies. The Workers' Party MPs have been elected into Parliament. You are sitting in Parliament! Parliament is exactly the place to debate serious issues affecting our nation's future.

B121.I have set out, as clearly as possible, why our spending needs will rise, and the options for meeting these needs. All your MPs have spoken and said let's do even more. I have also given very clear notice, way in advance, of the need to raise GST. And I am prepared to answer your queries.

B122.So I really hope that the Workers' Party MPs, having run on a slogan of a First World Parliament, are not just using attractive election

slogans, with no real intent to take your Parliamentary responsibilities seriously.

B123. I hope that when the elections come around, the Workers' Party will not turn around and use the GST to distract people from the longer-term issues that we face. These are serious long-term challenges that we should do our best to address, and not take this as electioneering or political play. We owe it to Singaporeans to do the right thing.

B124. Ultimately, as many MPs and NMPs have pointed out, our fiscal approach is about giving expression to our shared values:

- a. Embracing the virtue of work and responsibility – where each generation works, earns and contributes its share.
- b. And being good stewards of what we have been given today, and doing our part to leave behind something better for our children and grandchildren.

B125. This approach reflects who we are as a society:

- a. Not one based on narrow notions of individualism, where each generation lives for itself and demands a chunk of the pie;
- b. But one based on notions of family and mutual support, where all generations take care of one another, and come together to build a better, stronger nation.
- c. As the Malay saying goes: "*Serumpun bak serai, sesusun bak sirih*" – we are stronger when we come together as one.

C. GROWING A GREEN AND LIVEABLE CITY

- C1. Another way in which we safeguard our future is to ensure that future generations of Singaporeans inherit a green and liveable city.
- C2. With the introduction of a carbon tax at an initial rate of \$5 per tonne of emissions from 2019 to 2023, we join many countries that have done the same to step up global efforts to address climate change.
- C3. Dr Lim Wee Kiak asked about helping businesses to reduce carbon emissions. We will set aside funds from 2019 to 2023 to support them in improving energy efficiency. This will help businesses lower their energy costs and potentially more than offset the impact of the tax.
- C4. By taking early action, companies that improve energy efficiency and reduce emissions can become more competitive internationally. And there are many exciting opportunities in the cleantech sector.
 - a. When DPM Teo and I visited the Energy Research Institute @ NTU (ERI@N) last year, we were very encouraged to see that our support for R&D was enabling our researchers to do good work, like on perovskite cells, which Mr Leon Perera mentioned. These cells have the potential to be cost-effective in generating solar energy.
- C5. These efforts will allow us to compete and collaborate with companies around the world that are making a big push on the green economy.
- C6. Households can also do their part to reduce energy consumption.

- C7. I hope that these moves will foster a change in mind-set and our energy consumption habits, and evolve into a wider green movement that will make Singapore a cleaner, greener and even more liveable city, as Dr Teo Ho Pin mentioned.
- C8. The Minister for the Environment and Water Resources will share more on our efforts on environmental sustainability and the Year of Climate Action at COS.

D. TRANSFORMING THE ECONOMY

- D1. While the announced increase in GST rate has received the most attention, let me remind everyone that the most critical challenge that we are facing is in transforming our economy. Growing our economy is not only the best way of ensuring strong and sustainable revenues, it is also the most important way for our people to realise their aspirations.
- D2. This task is growing more urgent by the day, as structural changes in the global economy and technological advances disrupt the status quo, as pointed out by Mr Ang Wei Neng.
- D3. Our strategy is to position Singapore as a Global-Asia node of technology, innovation, and enterprise, which Mr Lee Yi Shyan spoke about and supported:
- a. This means fostering pervasive innovation throughout our economy;
 - b. It means building deeper capabilities in our firms and our people;
 - c. And it means forging stronger partnerships at home and abroad, to build scale and ride on the region's growth together. As Mr Henry Kwek pointed out, ASEAN presents good opportunities, with over 640 million people and a GDP of over US\$2.5 trillion.
- D4. I am glad that many Members, including Mr Sitoh Yih Pin and Associate Professor Randolph Tan agree with our strategies to position Singapore for the new global economy.

D5. Members have raised thoughtful questions on the progress of our economic transformation, and preparing our workers for the jobs of tomorrow.

D6. Let me address these in turn.

The Changing Face of Our Economy

D7. We are seeing encouraging signs of progress.

D8. In the recent Singapore Business Federation's (SBF) National Business Survey, nearly 3 in 4 companies reported that they introduced new processes or training to improve efficiency. More than 8 in 10 said that they had expanded their operations overseas, up from under 6 in 10 in 2016.

D9. As Ms Foo Mee Har highlighted, we need to urgently press on with the implementation of our Industry Transformation Maps (ITMs), to achieve economic transformation.

D10. I urge all stakeholders – businesses, trade associations and chambers, the Labour Movement, and Government agencies – to double down on transformation efforts, and to communicate the importance and urgency of transformation to their members.

D11. Some of our companies are developing know-how to move into higher-value markets. Take Esco Group for example. From a clean room supplier for MNCs in 1978, it has re-invented itself as a developer of innovative medical devices, such as the Miri Time

Lapse System, which is used to improve the success rate of IVF procedures.

D12. We have seen how companies in traditional industries are transforming their businesses through innovation. One example is LHT Holdings, which started off as a sawmiller in 1977. With support from A*STAR, it became the first company in Singapore to commercialise RFID-tagged wooden pallets in local and overseas markets.

D13. Our start-up scene is also taking off. In 2017, about US\$1.4 billion (S\$1.85 billion) was invested in the local start-up scene, more than 10 times the amount invested five years ago.¹¹ This means more resources for our start-ups to scale.

D14. One success story is PatSnap, which has developed innovation intelligence software that uses deep learning artificial intelligence to decipher global trends in innovation. PatSnap's founder, Jeffrey Tiong, interned in the US as part of the NUS Overseas College Programme. There, he found intellectual property (IP) due diligence extremely cumbersome. In 2007, Jeffrey set out to develop a platform that would make IP due diligence cheaper and simpler, with support from NUS Enterprise and some initial grant support from the Government. PatSnap now has over 4,000 clients in over 40 countries, tapping on the engineering talent from across the globe.

D15. Another example is M-DAQ, a homegrown fintech company headquartered in Singapore, which has developed cutting-edge foreign exchange solutions to process local currency transactions

¹¹ Source: Pitchbook

for some of the largest global e-commerce platforms. The company processes more than \$3 billion worth of transactions per year from this line of business alone.

D16. Behind these successes lie the spirit of innovation that Mr Azmoon Ahmad and Ms Chia Yong Yong spoke about. We must press on with our efforts to support a culture of innovation, as Ms Denise Phua reminded us.

D17. Internationally, people are paying attention to the increasingly vibrant innovation scene in Singapore. This year, Singapore climbed three places in the Bloomberg Innovation Index, to become ranked as the third most innovative economy globally.

D18. Google has substantial operations in Singapore, with more than 1,000 staff in functions such as engineering and R&D. Just yesterday, in collaboration with NTU, Alibaba opened in Singapore its first joint research institute outside China, to undertake research on artificial intelligence.

D19. These are encouraging signs of progress, and we must build on this momentum.

Supporting SME Transformation

D20. Over the years, our broad-based schemes have built awareness about productivity and innovation. In 2016, about 85% of small SMEs¹² in the Singapore Chinese Chamber of Commerce and Industry's Annual Business Survey reported that they adopted

¹² Defined by SCCCI as having \$1 million to \$10 million in revenues a year.

productivity measures such as automation, digitalisation and upgrading worker skills. In 2017, this increased to almost 93%.

D21. We are making a push for firms to deepen their capabilities at every stage of growth, through a comprehensive range of targeted support.

D22. And even so, we must always bear in mind that the Government grants are meant to catalyse companies' transformation, and should not become permanent support.

D23. Mr Murali Pillai and Dr Lim Wee Kiak asked about the Wage Credit Scheme (WCS). It is a transition scheme that we extended but will taper down. It provides temporary support for businesses that raise wages for Singaporean workers, while they press on with efforts to transform and become more productive, as Mr Chong Kee Hiong mentioned.

Supporting Our Workers

D24. We must continue to invest in our people and ensure they are equipped with relevant skills to take advantage of new opportunities, as Ms Sun Xueling and Ms Cheryl Chan observed.

D25. Arif Rahman has made good use of such programmes. After his O-Levels, Arif took various odd jobs. Last year, he underwent a Tech Skills Accelerator Web Development Immersive boot camp. Today, he is a full-time front-end web developer at Indorse, a social network for professionals to showcase their skills.

D26. The effort to upskill and reskill our workers requires close partnership among employers, the Labour Movement, and the Government, as Mr Heng Chee How, and Mr Patrick Tay highlighted. This tripartite approach is a key strength of our system.

D27. I am happy to see our efforts to support workers gain momentum. The number of placements through Professional Conversion Programmes (PCPs) in 2017 is about 3,700, more than double the placements in 2016.¹³

D28. Even as we support Singaporeans in the pursuit of opportunities, we ensure that Singaporean workers remain sufficiently protected, as Mr Ang Hin Kee and Mr Ong Teng Koon spoke about.

a. For those who are self-employed by choice, we aim to better address their concerns and challenges, for instance in legal protection, social security and skills development. For those who would prefer regular employment, we are keen to help them do so.

b. The tripartite workgroup we formed last year has identified several key common challenges that self-employed persons faced. MOM has accepted the recommendations in the workgroup's report, which was released last week, and will further elaborate on their strategies at the COS.

D29. Mr Zainal Sapari and Dr Intan Mokhtar have brought up the situation of low-wage workers, and suggested reviewing employer CPF contribution rates for older workers.

¹³ Source: MOM

- a. We support low-wage workers by encouraging sustainable wage increases underpinned by regular work and productivity growth. We provide additional support for low-wage workers through Workfare and assistance for healthcare, housing and their children's education. For older workers, we support their employability through the Special Employment Credit and Adapt and Grow programmes, and their training through SkillsFuture.
- b. However, in mandating higher CPF contributions for older workers and better benefits for low-wage workers, we must be mindful not to impose too many barriers to their employment.

D30. Ms Thanaletchimi and Associate Professor Daniel Goh have brought up the concerns of women at work, and Ms Thanaletchimi also spoke on flexi-work arrangements.

D31. The Minister for Manpower will share more about the various schemes to help our workers at COS.

D32. Businesses have asked about the role of foreign manpower in Singapore. As Mr Melvin Yong and Mr Heng Chee How highlighted, our ageing population and shrinking resident workforce are major challenges.

D33. Economic growth will slow, unless our businesses make full use of this narrow window, before our workforce shrinks further, to re-double their efforts to raise productivity.

D34. At the same time, we need to allow for a calibrated inflow of foreign workers, especially in areas of critical shortages.

D35. China, the world's most populous country, launched its 'Thousand Talents Plan' or '千人计划' in 2008, to draw in the best talent from around world for strategic projects. Today, China has far surpassed its initial targets.

D36. For us to thrive, we must be equally strategic, to develop our Singaporean talent and to draw in the right complement of international talent. As Ms Foo Mee Har observed, in this way, we can draw in the skills mix to support new industries that create better jobs for Singaporeans.

Making the Shift Together

D37. This is not the first time that we are making a major push to transform and upgrade our economy.

D38. All of us have a part to play:

- a. Singaporean workers, to continually upgrade the skill-sets to be ready for the future;
- b. Businesses, to press on to innovate, and build deep capabilities and partnerships;
- c. Trade Associations and Chambers (TACs), to step up to encourage firms to do more, and do better.

D39. As Dr Tan Wu Meng put it, we must move ahead boldly to safeguard our continued survival and prosperity. Let us have confidence, keep our eyes on the horizon, and move forward together.

E. FOSTERING A CARING AND COHESIVE SOCIETY

- E1. All our efforts to steward our resources and grow our economy are ultimately about forging the kind of society we want.
- a. First, we need to stay cohesive and united, as a society with opportunities for all.
 - b. Second, we need to build a caring society, with people who are passionate about contributing to the common good.
- E2. Ms Chia Yong Yong put it well when she said that Singaporeans should have “minds unafraid to dream”, surrounded by a community with hearts big enough to accept failure.

Staying Cohesive

- E3. Ms Jessica Tan, Mr Ganesh Rajaram, Ms Kuik Shiao-Yin and Mr Kok Heng Leun have talked about the importance of addressing inequality, fostering opportunity and enhancing social integration.
- E4. I agree with them that we cannot allow social stratification and inequality of opportunity to erode our precious social harmony. Singapore must continue to be a society, where everyone, regardless of background, has the opportunity to do well based on personal efforts and talent.
- E5. How we achieve this is inextricably linked to our economic strategy. As Ms Jessica Tan and Dr Tan Wu Meng have pointed out, diversified and broad-based growth creates opportunities for

Singaporeans to pursue their aspirations, and this is the best way to help all Singaporeans progress in life. Rather than focus on how the pie is divided, we should grow the pie so that we can all enjoy a larger slice.

- E6. Mr Ganesh Rajaram shared a powerful story of how he was able to move up in life. Indeed, many in my generation were fortunate to benefit from our system of education and meritocracy. As our economy grew, and our society becomes more settled, the rate of mobility slows too, and we must re-double our effort.
- E7. Our approach is to give Singaporeans a good chance of realising their potential at various stages in life.
- E8. This starts from the early years. We are investing significantly in the early childhood sector, to provide our children with more accessible, affordable and quality preschool. We started the KidSTART pilot in 2016 to provide children from low-income families with early access to health, learning and developmental support.
- E9. We ensure that all our students, whatever their family background and circumstances, have access to a quality education.
 - a. The OECD PISA study found that about half of the 15-year-old Singapore students from the lowest quarter by socio-economic status performed in the top quarter of students in all countries, after accounting for socio-economic status. And that is the extent to which our education system and our parents' efforts have been able to uplift them. In other words, our system and our

collective effort has enabled them to surpass their international peers in a similar socio-economic position in their own societies.

- b. For students in the lowest 20% of households¹⁴ by socio-economic status, half of them in the 1985 Primary 1 cohort progressed to post-secondary education. This rose to 9 in 10 for the 2000 Primary 1 cohort.

E10. We are broadening pathways for success. Our students' interests are diverse. Some have academic interests, some have more specific skills-based interests, others want to be entrepreneurs.

- a. We have been systematically moving beyond fixed streams and excessive focus on exams, towards enhancing the education system to nurture all talents and skills and the holistic development of every student. This has been MOE's approach for many years. Budding entrepreneurs have programmes to support their interest, including the NUS Overseas College that Mr Jeffrey Tiong of PatSnap embarked on. We prepare our students to participate in the global economy through initiatives such as the ITE Global Education Programme.

- b. Mr Saktiandi Supaat can rest assured that we will continue to invest in ITE and offer financial support to students in need.

E11. And beyond the schooling years, we are investing strongly in SkillsFuture. It gives everyone the opportunity to move into new areas of the economy in line with their aptitude and interests.

¹⁴ Households with Primary 1 children

- E12. Ms Sylvia Lim asked about longitudinal studies on social mobility. MOF released two occasional papers in 2012 and 2015 on social mobility. And we found that cohorts from 1969 to 1982 have indeed experienced good social mobility. There is also an ongoing longitudinal study on child cohorts being conducted by NUS.¹⁵
- E13. But bridging social divides is not just a matter of fostering opportunities and closing the income gap. As a society, we must be mindful not to allow invisible, intangible divides to fester. I agree with Mr Ganesh Rajaram that divides can only be bridged if Singaporeans work together to ensure that every child is equipped with perseverance, confidence and resilience to succeed.
- E14. As the Government, we also invest heavily in our common spaces:
- a. The hawker centres which are an integral part of our daily lives and our cultural heritage;
 - b. The parks which bring us together in appreciation of our City in a Garden; and
 - c. The HDB neighbourhoods which 8 in 10 of our resident households call their home.
- E15. Apart from creating common spaces, perhaps the best way to bridge social divides is to nurture our common values, by building a caring society.

¹⁵ NUS is conducting a longitudinal study on how family, childcare, early childhood education, community and the state interact to shape child development and family resilience.

Building a Caring Society

- E16. A good society is not just one where each of us is able to do well for ourselves. It should be one where we all feel a sense of responsibility towards one another, a spirit of caring.
- E17. Just as we have achieved good outcomes in healthcare, education and security by working together, all of us play a part in building such a society.
- E18. It starts with strong families. Mr Gan Thiam Poh and Mr Darryl David spoke about the importance of mutual care and support within the family. Indeed, most of our seniors¹⁶ are able to count on their family for support. And we must strive to keep families strong. The enhancements to the Proximity Housing Grant will help to do so.
- E19. Mr Desmond Choo and Ms K Thanaletchimi spoke about the stress that caregivers face. Caregivers play a vital role in our society, and deserve great respect for the support they give their families.
- E20. We are committed to supporting caregivers. Besides the financial schemes that defray the costs of caregiving, we also offer tangible support to caregivers through respite services in some of our senior care centres and nursing homes, so that caregivers can rest and recharge. We are also expanding the Community Networks for Seniors, which will better link up different stakeholders with needs in the community. PMO, MOH and MSF will say more about Government's support for caregivers at the COS.

¹⁶ In the HDB Sample Household Survey conducted in 2013, the majority of elderly HDB residents were confident that they could rely on their children for physical, emotional and financial support.

- E21. Many members, such as Dr Lily Neo and Ms Chia Yong Yong, spoke of the good work that our VWOs do in the community. We recognise the invaluable contributions they make, and are encouraging more support for them, through the 250% tax deduction for donations made to IPCs, matching grants for donations raised, and the Business and IPC Partnership Scheme.
- E22. As Ms Joan Pereira, Ms Tin Pei Ling and Ms Cheng Li Hui have suggested, we will continue to review our policies to enable our seniors to contribute meaningfully, stay active and independent, and age with confidence.
- E23. But no single stakeholder has the resources to meet the community's needs alone, to address the structural shift in our demographics, or to foster opportunities for all.
- a. The consolidation of senior-related services under the Agency for Integrated Care (AIC), and the continuing efforts to strengthen social service delivery through our Social Service Offices (SSOs) will enable us to do more with the resources we have, and better care for our seniors and vulnerable families.
 - b. As Ms Rahayu Mahzam said, the community's involvement in initiatives like the Silver Generation Ambassadors programme and Community Networks for Seniors is necessary to strengthen our support networks and last-mile delivery.
- E24. That is why this Budget seeks to strengthen partnerships between the Government and the community; and to encourage a spirit of giving in every Singaporean.

- a. We want to foster a caring society through the SG Cares movement, bringing together individuals, informal groups, community organisations, and corporates to partner one another, and better reach out to those in need.
 - b. Ms Denise Phua asked if we can encourage people to donate their SG Bonus. We are studying how to facilitate this and will provide more details later in the year.
- E25. Everyone can be part of this ecosystem of giving, regardless of age or background.
- E26. I met Asyraf at an ITE graduation ceremony. Asyraf had dropped out of school at Primary 4 as his mother was unwell, and did not even sit for his PSLE. NorthLight School gave him a second chance, which he was determined to seize. He did well enough to move on to ITE, continued to excel, received a scholarship in 2014 from the Building and Construction Authority (BCA), and in 2017, graduated from Singapore Polytechnic. Before NS, Asyraf went back to NorthLight School and volunteered his time by supporting the teachers in teaching Facility Technology, and by sharing his experience with his juniors. And he is now on the NorthLight School Alumni Council, even while he serves NS.
- E27. So Asyraf shows us that anyone can give back. And as Ms Denise Phua and Mr Vikram Nair have reminded us, for those who have done well, it is even more important to think about how you can give of yourself to help others.

E28. This partnership and spirit of working together is not just a good-to-have – it is the best way forward, towards a nation which shares a set of common values, and a better home for all of us.

F. CONCLUSION

- F1. Mr Speaker, Sir, let me conclude.
- F2. As I said from the start, this Budget is about our future. Over the past two days and earlier this morning, this House has reaffirmed our vision for the kind of future we want.
- F3. Members have expressed support for measures to position our economy for the future, so that Singaporeans will have opportunities to pursue their aspirations, regardless of where they start.
- a. We have supported moves to foster a more cohesive and caring society so that we can better care for our elderly and the vulnerable among us.
 - b. And there has been broad support for the fiscal measures to provide for our longer-term needs.
- F4. Such a future will not be ours unless we do the hard work for it and make preparations. As Mr Christopher de Souza put it, it starts with being rigorous, and working on options that matter rather than being ideological. Ultimately, the test of what we do is whether it works.
- F5. Our success will depend on our unity of purpose and our collective spirit of enterprise and caring. We can only make it through this journey, if we work together.
- a. It is by working together, that we have become one of the healthiest, best educated, and safest countries in the world, while keeping our spending low.

- b. It is by working together, and pooling our resources, that we have built up a strong fiscal foundation and the reserves to protect and provide for us through the ages.
 - c. It is by working together and deepening partnerships that we can build scale, create value, and ride the growth of the region together.
 - d. And it is by working together, and partnering one another as a community, that we can best reach out to and care for our fellow citizens in need.
- F6. Together, we have built, and are continuing to build, a nation that we can be proud of. We have made lives better for ourselves.
- F7. Together, let us make a renewed commitment to pass on a better country for our children and grandchildren.
- a. A country where a child is given the best start in life, no matter her parents' background.
 - b. Where she can grow up in a green, safe and globally-connected city. Where she can apply her talents in an economy full of exciting, fulfilling jobs.
 - c. Where she can live a long, healthy, and meaningful life with many opportunities to give back to the rest of her community.
 - d. And where she can have some assurance and protection from the vagaries of the world over the course of her life, through the financial provisions that we have made.

- F8. This is the kind of commitment that those before us made, so that we have a better life today, and a strong foundation on which we can build our dreams.
- F9. This is the kind of commitment that I hope all of us, not just in the Government, not just in this House, but Singaporeans everywhere, will come together to make in this Budget, to build a better future for all of us, and give our children the best chance of a better life.
- F10. This is how, together, we can ensure that Singapore will continue to thrive and prosper, generation after generation.
- F11. Thank you.