

**PUBLIC DELIBERATION ON SINGAPORE'S  
FISCAL POLICIES AND NATIONAL RESERVES**

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## IPS Working Papers No. 51

### Public Deliberation on Singapore's Fiscal Policies and National Reserves<sup>1</sup>

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# IPS PUBLIC DELIBERATION ON SINGAPORE'S FISCAL POLICIES AND NATIONAL RESERVES

## EXECUTIVE SUMMARY

### Background

What the government spends on and how they fund such spendings are fundamental aspects of a country's fiscal policies. Situating this within the framework of Singapore, our fiscal policies play a pivotal role in the ongoing Forward Singapore initiative, which aspires to foster a rejuvenated "social compact". This social compact refreshes and strengthens the shared understanding between all segments of society on their respective roles and responsibilities, and how they relate to one another.

The IPS Public Deliberation on Singapore's Fiscal Policies and National Reserves ("IPS Reserves Workshop") aims to delve into the exploration of fiscal policies within the ambit of an intergenerational social compact in Singapore. More specifically, it has a focus on Singapore's national reserves, given that it is a crucial and unique shared resource that is essential to our fiscal policy. Through a series of presentations and a budget game, the workshop aims to provoke questions surrounding the definition of fairness and justice in the context of understanding the needs of different generations, and how such needs should be financially addressed in a fair and just manner.

### Methodology

The IPS Reserves Workshop was designed as two one-day workshops to maximise participant engagement and deepen the discussion on fiscal policy and intergenerational equity in Singapore.

The first workshop comprised a presentation on Singapore's fiscal system and key issues related to Singapore's national reserves. There was also a panel discussion featuring policy domain experts, including perspectives from the

private sector and from a young Singaporean. A survey was also carried out to establish the participants' baseline knowledge and attitudes of the issues before the workshop began. Another one was done after the two workshops to determine whether participants' attitudes shifted. In total, 68 paired responses were analysed.

The second workshop featured a budget game, where all the participants were asked to fund hypothetical expenditure items from various funding sources. These items are a mix of policies that have different targeted beneficiaries and payoffs in terms of benefits expected. The aim of this was to encourage deliberations involving fairness and justice across generations. Some of the items were also designed to be exceptionally expensive funding needs that cannot be covered simply by tapping one funding source such as raising taxes. The aim of this was to have participants think about how they would justify the use of currently protected sources such as the reserves and investment returns from that.

Participants were placed in eight groups, differentiated by their age and housing profiles. The aim was to explore if demographic backgrounds shaped one's thinking of fiscal policies.

## Findings

From the pre- to post-workshop surveys, we found that the balance of opinion **shifted from using more investment returns to raising taxes to fund new government programmes**. This was consistent with observations from the budget game, which revealed a strong inclination towards a fixed ordering approach to funding sources, undergirded by the principle of prudence.

The game also revealed **that the framing of expenditure was important in determining how participants chose to fund the item**. This could explain the differences between the survey findings and observations from the game. In the former, the respondents maintained that the 50-50 Net Investment Returns (NIR) framework should not be changed. However, during deliberations in the

game, participants were more open to consider using more of the investment returns from reserves if these were spent in ways that would generate clear and measurable returns, whether financial or social. The game participants were also willing to spend from reserves when they identified the spending to be a mere change from financial to physical assets of the reserves. This was consistent with the survey findings that showed a softening of the position that the reserves should strictly be accumulated and used for emergencies.

Lastly, the active participation of the citizens throughout and even after the sessions demonstrated that they are willing to be engaged in this area of public policy. It also showed a need to establish a systematic and regular way to discuss various crises and how various resources might be activated to address them, including the reserves, to prime the Singaporean public around the most important role of this asset — securing the long-term future of the country.



## **IPS PUBLIC DELIBERATION ON SINGAPORE'S FISCAL POLICIES AND NATIONAL RESERVES**

### **1. INTRODUCTION**

Taxes have been described as “a nexus of state-citizen relations”, “an intrinsic part of a social contract”, and tools that “construct social and political relations” (Sheild Johansson, 2020). This principle is equally applicable to all fiscal resources of a nation, given that they fundamentally represent varying forms of taxation; a state imposes a tax on the future when it borrows, and it utilises the tax contributions of prior and present generations when drawing upon national reserves.

In essence, a nation’s fiscal structure underpins its social contract, delineating the responsibilities and obligations shared between the state and its citizens. Situating this within the framework of Singapore, our fiscal policies play a pivotal role in the ongoing Forward Singapore initiative, which aspires to foster a rejuvenated “social compact” that is universally accepted as equitable by all the key stakeholders in our society, including the government itself, citizens, workers, employers, the elderly, young individuals, and families, among others.

This paper endeavours to delve into the exploration of fiscal policies within the ambit of an intergenerational social compact in Singapore. It provokes questions surrounding the definition of equity, fairness and justice in the context of understanding the needs of different generations, and how such needs should be financially addressed.

The principle of intergenerational equity encapsulates these dialogues concerning fairness and justice across different generations. In IPS Working Paper No. 32, Shih focused on Singapore's national reserves, outlining how its management intersects with the principles of intergenerational equity (Shih, 2018). Building upon this theoretical framework, Pawa and Gee delved into the subject of public debt through the lens of intergenerational equity in the IPS Working Paper No. 38 (Pawa & Gee, 2021).

In light of these theoretical debates, the IPS Governance and Economy Department convened a two-day public deliberation exercise, intending to examine the perspectives of ordinary Singaporeans on these critical issues. The project was titled “IPS Public Deliberation on Singapore’s Fiscal Policies and National Reserves” (hereon, called “IPS Reserves Workshop”).

## **Fairness and Equity in Singapore’s Fiscal Policies**

In Singapore, the annual budget delineates the public needs of the nation, demarcates funding allocation, and designates the sources of these funds. One could organise public expenditure into five broad categories: spending on social, infrastructural, economic, security programmes, and governmental administration. Each domain includes a multitude of specific items. For instance, social spending includes funding for education-related needs, which in turn comprise school construction projects and the SkillsFuture programme for lifelong learning; or funding for health-related needs to cover research and training as well as financial assistance through schemes such as MediShield.

Refreshing the social compact might necessitate a re-evaluation of current and prospective needs to ensure that we are a Singapore that is increasingly equitable for all.

## **2. PROCESS**

The IPS Reserves Workshop was designed as a two-day workshop to maximise participant engagement and deepen the understanding of and discussion on fiscal policy and intergenerational equity in Singapore.

The first day consisted mainly of a series of presentations that introduced participants to the basics of Singapore’s fiscal policies, and those related to the management of the country’s reserves; to debates surrounding these; and fiscal trends facing the country in the coming years.

## 2.1 Day One Proceedings

The first day of the workshop began with a pre-workshop survey. Participants used a self-selected three-digit code to ensure their responses remained anonymous, but the research team could use it to match the pre-workshop survey against the same participant's post-workshop survey.

Following the survey, a series of presentations were delivered by IPS Senior Research Fellow, Christopher Gee. These presentations covered key issues related to Singapore's national reserves, its fiscal system, as well as trends and challenges for the future. Participants were encouraged to engage actively, raise questions, and contribute their thoughts throughout the presentations.

This was followed by a panel discussion featuring policy domain experts, including Mr Lim Siong Guan, Professor in Practice at Lee Kuan Yew School of Public Policy; Mrs Tan Ching Yee, Permanent Secretary of Ministry of Finance; Ms Selena Ling, Chief Economist of Oversea-Chinese Banking Corporation Limited; and a young Singaporean leader, Mr Tan Kuan Hian, Vice Curator of Global Shapers Community (Singapore Hub). Representatives from the Ministry of Finance were also present to respond to specific policy issues and questions raised during the discussion. The objective of the discussion was to provide an opportunity for participants to be exposed to divergent views on the topics and pose the questions they might have to enrich their grasp of the issues.

The first day concluded with small group discussions to allow participants to discuss their views and to invite them to share what questions they would like the research team to address to help them understand Singapore's fiscal policies better when they meet the next time.

## 2.2 Day Two Proceedings

On the second day, IPS team arranged the 92 participants into eight groups, each consisting of approximately 11 to 12 individuals for the activities of the day. The groups were constructed based on a few defining characteristics:

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By Gee C., Yap J., Choo, E. & Koh, G.

- **Younger** participants (40 years old and below)
- **Older** participants (41 years old and above)
- Participants of mixed ages **living in private housing**
- Participants of mixed ages **living in public housing**
- Participants of **mixed ages and mixed housing types**

The intention behind these classifications was to uncover potential differences in perspectives attributable to factors such as generational differences and socio-economic conditions as indicated by housing type. However, it should be noted that the choice of 40 years as the age cut-off and the number of groups for each characteristic were constrained by the demographics of the participant pool.

The day began with a short presentation of the responses to questions from participants that were collected at the end of the previous day. The issues discussed were the ways that reserves are used to fund the government's current budget, the capability of investment returns from reserves to help these reserves maintain their value in the midst of inflation, the inclusion of land sales as revenues, and the implementation of SINGA in 2021.

This session concluded with a quick recap of the upcoming demands on Singapore's fiscal resources, leading into an explanation of the budget game. Here, the groups deliberated on their preferred methods and principles of utilising different funding sources for different needs, enhancing the interactive nature of the workshop and promoting deeper engagement with the issues at hand. What they discussed was noted by rapporteurs.

Their deliberations and decisions were shared with other groups after the game. Participants were asked how their groups decided on funding for the items that were assigned to them, and views were sought across the room after that. An open-ended discussion followed before the workshop was called to a close.

### **3. PRE- AND POST-WORKSHOP SURVEY FINDINGS**

At the start of the first day, participants were invited to complete an online survey which comprised questions on the facts as well as opinions on policies related to the management of Singapore's national reserves. There were 87 respondents to this pre-workshop survey.

After two days of discussions, they completed another survey with the same questions. There were additional ones that focused on the levels of trust they had in different groups that shape opinions on these policies, and their final position on the use of the national reserves. There were 84 respondents to this post-workshop survey.

To achieve this comparison, participants were asked to tag their responses using a three-digit number of their choosing in the first survey, remember it and use it again in the second survey. There were several duplicate numbers in the first survey and unpaired numbers in the second survey. As such, there were 68 successfully paired surveys that could be used for analysis.

#### **3.1 Overview of Findings**

From the pre- to post-workshop survey, the balance of opinion on how to fund new government programmes tilted from spending more of the investment returns to raising taxes, but there was a weakening of support for building-up the reserves to prepare for unexpected crises.

There was stronger affirmation of the government's actions when participants were asked if it had spent the reserves well during the pandemic and if it had been wise in using the reserves. The participants were more likely to believe there were adequate processes to ensure the reserves are well managed, and that the public has sufficient information on the reserves.

Almost nine in 10 felt that the sale of state land and buildings should be at fair market value to maintain the value of the reserves, and not sold at historical or no cost, with just a slight shift towards agreeing with this after the workshops.

On whom participants would trust for views on Singapore's policies regarding its national reserves, the top ranked groups were the PAP government (in this case, it was about trusting it to manage the reserves), scholars, family members and friends, business leaders, financial analysts and then fellow citizens.

## 3.2 Specific Findings

### 3.2.1 Use of national reserves

On the question of how the participants prefer the government to meet the need to spend more on public programmes and schemes, after the workshops, *there was a 14.6 per cent shift towards raising taxes* rather than tapping more than 50 per cent of the investment returns that is currently allowed. Ten out of the 68 paired responses had changed their position. This meant that while the majority view before the workshops was to tap more than the 50 per cent of investment returns, the majority view switched to the taxation option after the workshops.

On the question of support for the policy of maintaining the 50-50 allocation between present and future generations in the use of the investment returns, there was *no change* in the responses between the two surveys. Specifically, 69.1 per cent, or 47 of the 68 paired responses, indicated support for the status quo of the 50-50 allocation; 22.1 per cent, or 15 participants, wanted to spend more now and grow the reserves slower; and 8.8 per cent, or six participants, expressed the preference of spending less of the reserves now and grow them faster.

On the statement of whether it is important to build up Singapore's reserves so that present and future generations are prepared for any unexpected crises,

there was a slight softening of the position — three people among the 68 respondents moved away from “strongly agreeing” with this, after the workshops.

### 3.2.2 Assessment of the government’s management of the reserves and state land

On the statement of whether the government had made good use of the reserves during the COVID-19 pandemic, there was a *slight shift away from disagreeing and strongly disagreeing with it to being neutral or strongly agreeing with it*. By the second survey, five more respondents were neutral, and three more participants strongly agreed with the statement. In other words, there was positive sentiment towards the government’s use of the reserves during the public health crisis.

On whether the government had used the reserves wisely, there was a *14 per cent shift among respondents towards either agreeing or strongly agreeing with the statement* after the workshops — that is, 10 more respondents — and fewer respondents being neutral when compared with the first survey.

On the statement about whether the government has adequate processes to ensure investments made with the reserves are well-managed, there was a *shift of 13 per cent or nine participants who strongly agreed* with the statement after the workshops, with fewer being neutral or merely agreeing with it compared with the first survey.

On the statement about whether, overall, participants believe that the reserves were well managed, there was a *10 per cent shift towards agreeing or strongly agreeing with the statement* after the workshops, that is, seven more respondents.

As for the sale of state land and buildings which are considered part of Singapore’s reserves, there was barely any change. Here, *3 per cent, or 2 participants, shifted towards the view of the current policy position*, which is to

sell these at fair market value to also maintain the value of the reserves, which translated to the high 90 per cent of respondents who took this position.

### 3.2.3 Information about the reserves

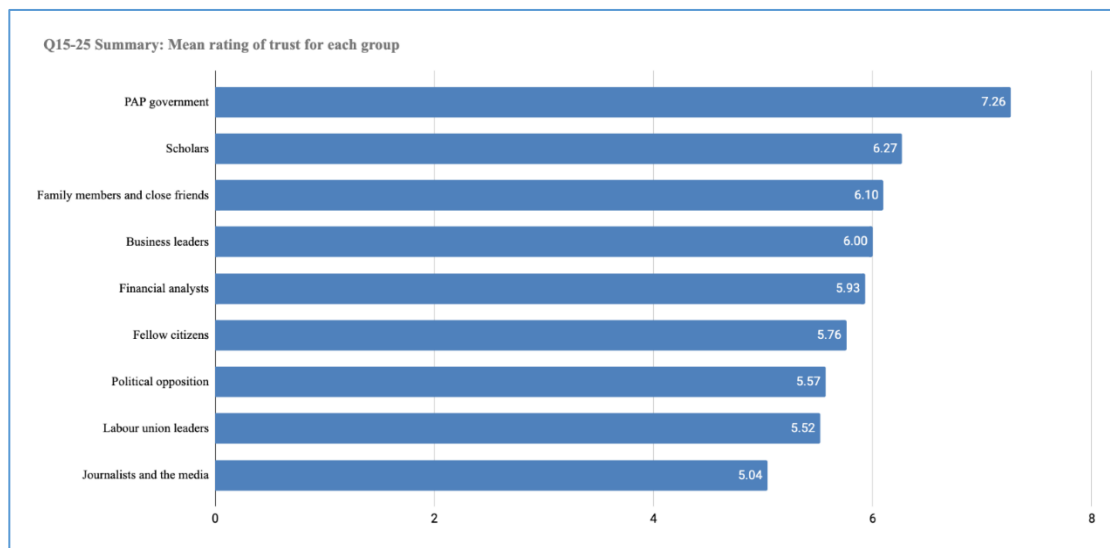
On the statement about whether, overall, participants believed that they had sufficient information about the reserves, *11 per cent of the responses, that is, seven respondents shifted away from “strongly disagree” after the workshops. There was an 8 per cent shift to the neutral position, or five respondents, who made this change.*

Should the government reveal the full size of the reserves? For this question, there was *a small shift towards not revealing the full size of the reserves — 6 per cent of the paired responses, that is, four respondents changed their position after the workshops.*

## 3.3 Trust for Input on Reserves Policies

Finally, a new battery of questions was introduced in the post-workshop survey. These aimed to capture the level of trust participants had in various actors in the governance system for their capacity to provide input in the management of the reserves. In the case of the PAP government, the statement was modified to refer to the level of trust in it to manage the reserves. Participants were to rate how much they trusted each category from the range of 1 (“don’t trust at all”) to 10 (“trust completely”).



**Figure 1: Mean Scores on Trust for Input on Reserves**

Note: The figure above provides the mean scores for each category, between 1 (“don’t trust at all”) and 10 (“trust completely”).

The highest trust level was accorded to the PAP government. Scholars ranked second, and family and friends ranked third based on the mean scores. Fellow citizens fell in the middle band among this range of actors, followed by members of the political opposition. Journalists and the media had the lowest mean score. This is likely because participants believe that journalists merely “report” and provide little independent or expert opinion on the matter. It is also possible that because the workshops were being conducted by scholars, this may have influenced participants to feel that the researchers were a credible locus of information.

It is instructive to note that the range of means scores — 5.04 to 7.26 — is not large; nonetheless, it suggests a pecking order of trust in this policy arena among the 68 paired responses.

#### 4. PANEL DISCUSSION

The public deliberation was enriched by the insights of invited experts, each representing a unique domain, to contribute to their knowledge on fiscal issues and reserves. Hailing from a diverse range of backgrounds, panellists from

academic, public, private sectors and even a representative of the youth sector, offered their perspectives.

#### **4.1 Establishing National Reserves and Fiscal Strategy**

The establishment and management of national reserves emerged as a topic of discussion. Revisiting the end of 1990s, the discussion shed light on how the Singapore government was equipped with substantial reserves, prompting a review of how the reserves should be made accessible to feed into the current budget of the government of the day. The introduction of the NII/NIR framework aimed to balance the interests of the current and future generation of Singaporeans in how the reserves are used. Half of the investment returns were designed to be reinvested into the reserves, serving as a safeguard to grow the reserves or perhaps more ambitiously, build them up to the extent that some notion of their “real value” is maintained, upholding a principle of intergenerational equity and fairness. It delicately balances the financial needs of the present and future generations — reducing the reserves’ value could unfairly favour the current generation at the expense of the future one, whilst increasing the value would mean saving more in the present generation for the benefit of their successors.

#### **4.2 Assessing Size of Reserves Amidst Economic Volatility**

The panel acknowledged the challenge of determining an optimal size for the reserves, particularly given the vagaries of the global economy. The need for public understanding of trade-offs inherent in government spending and the complexities stemming from tapping alternative funding sources were also emphasised.

#### **4.3 Addressing Demographic Challenges**

The panel discussed the importance of addressing the low fertility rate in Singapore. Having more care infrastructure, such as drop-off care for young

children, would be helpful. Immigration was also raised as a technical solution but would have its limitations.

#### **4.4 Complexities of Government Allocation Decisions**

The public sector panellist acknowledged that, though the game was a stylised treatment of government allocation decisions, it provided valuable exposure to the tensions faced by the government. Government spending is often considered on a portfolio basis, unlike in the game where items were discussed individually.

#### **4.5 Investing in Research**

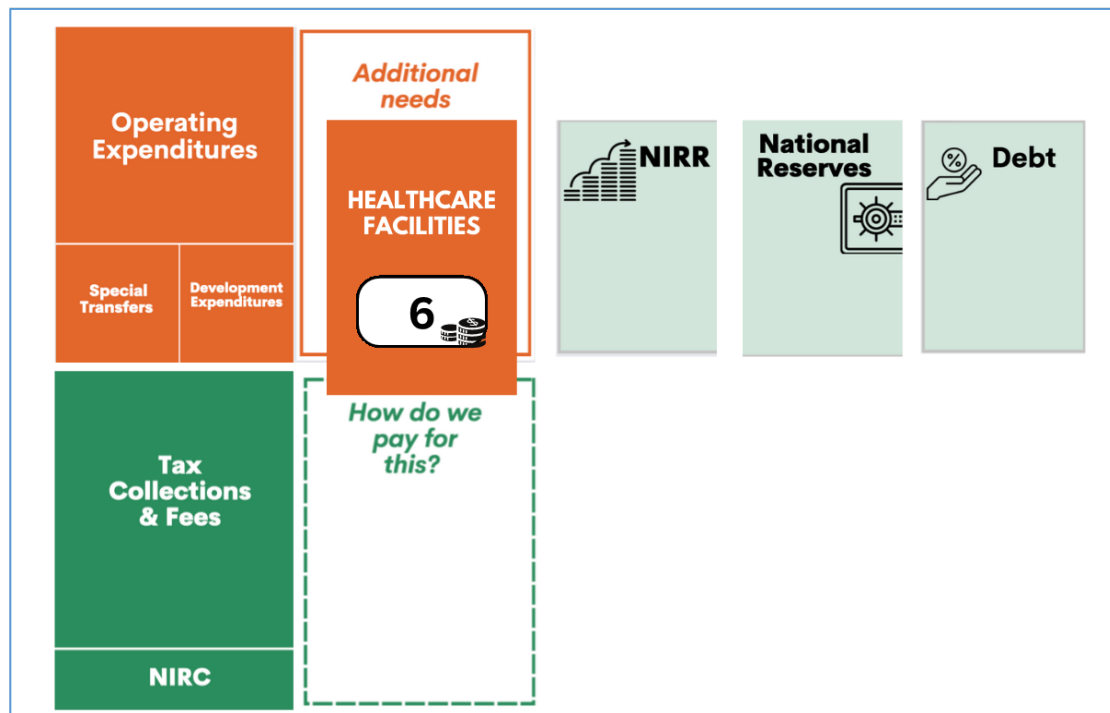
Although the groups had touched on the uncertain nature of the research enterprise, the panellist noted that government investment in biomedical research had tangible outcomes, such as creating jobs, and with being given access to COVID-19 vaccines at an earlier timeframe.

#### **4.6 Funding Sources as Taxes Across Time**

A panellist also noted that the various funding sources are really taxes in one form or another. Reserves were accumulated from past taxes; present budget expenditure was funded with current tax revenues; while debt would be repaid from future taxation. In addition, the expert reminded the audience that with growing healthy life expectancy, it could very well be that the “future generations” might still include ourselves, just later in time.

## 5. BUDGET GAME

Figure 2: Example of set-up of budgeting game



The budget game simulates a national budgeting scenario. In this interactive exercise, participants were presented with a series of hypothetical expenditure items that required funding. Their task was to deliberate and reach decisions regarding which financial resources to utilise for each item, along with the rationale behind their choices. This format was devised to encourage thoughtful and active participation, and to stimulate real-world decision-making experiences among the participants. This was to familiarise themselves with the policies related to government budgeting and the current rules related to the use of state resources. It was also to help them experience the strategic choices, the management of the demands of different stakeholders in formulating a national budget. Each team went through four rounds of deliberation on how to fund four hypothetical expenditure items.

The rounds were facilitated by an IPS staff. One note-taker was attached to each team to document all the deliberations.

There were three main components that made up the budget game:

1. Possible funding sources
2. Expenditure items to fund
3. Principles

## 5.1 Overview of Possible Funding Sources

The “buckets” from which the government or rather the participants can tap to fund expenditure generally fall into five categories:

1. Taxes and fees
2. Net Investment Returns Contributions (NIRC)
3. Net Investment Returns Re-invested (NIRR)<sup>2</sup>
4. Reserves
5. Debts

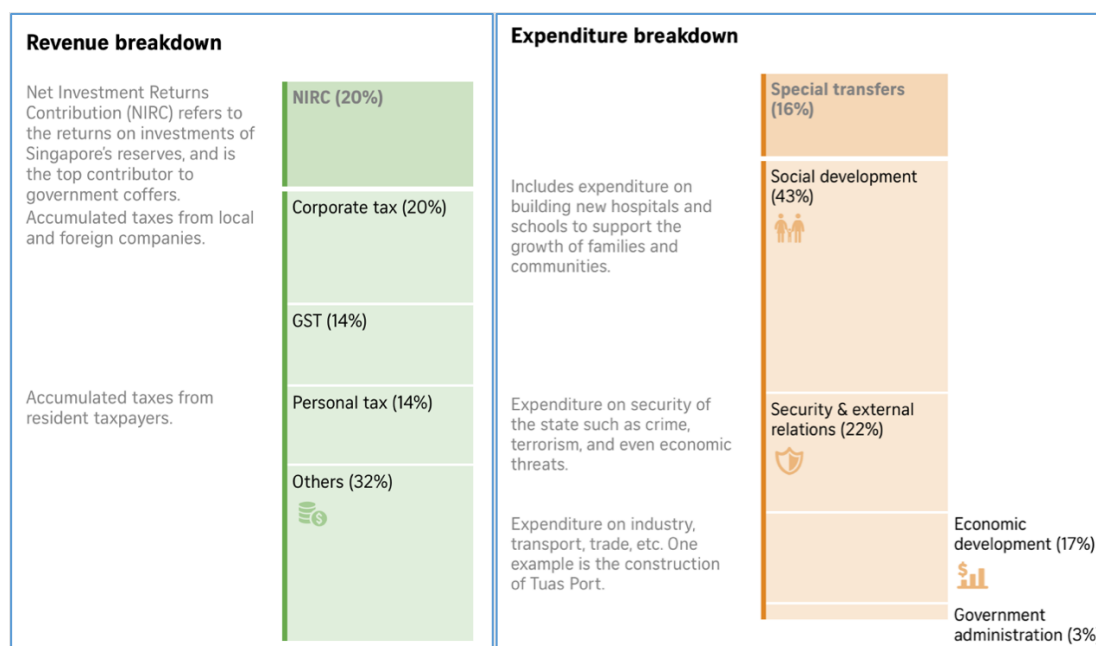
This section briefly explains what each of the buckets comprises and the situations under which the funds could be tapped.

### 5.1.1 Taxes and fees

Revenues from taxes such as Corporate Income Tax (CIT), personal income tax, Goods and Services Tax (GST) and stamp duty make up the bulk of Singapore’s budget. In 2023, the total revenue from taxes and fees is expected to amount to about S\$96.70 billion. Of this, about S\$24.26 billion was expected to come from CIT, S\$16.84 billion from personal income taxes, and S\$17.38 billion from GST collections. These direct and indirect taxes are drawn from companies and consumers, both Singaporeans and foreigners who spend and carry out activities here.

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<sup>2</sup> This is not an official term. It was coined by the IPS team for the purposes of this workshop.

**Figure 3: Budget revenue breakdown (2023)**

Source: The Straits Times (2023)

### 5.1.2 Net Investment Returns Contribution (NIRC)

The Net Investment Returns Contribution (NIRC) are returns from investments in the reserves and are made up of two parts:

1. Up to 50 per cent of the Net Investment Returns (NIR) on the net assets invested by GIC, MAS, and Temasek; and,
2. Up to 50 per cent of the Net Investment Income (NII) derived from past reserves from the remaining assets.

The NIR component was introduced in 2009, which allows the government to spend up to 50 per cent of the expected long-term real returns from the net assets invested by our investment entities. These investment returns from our national reserves provide additional resources for government spending to develop and improve the country.

The ability to tap investment returns from the national reserves is a significant financial advantage for Singapore. This situation is unlike that in many countries that have to service their debts and other liabilities from their budgets on an annual basis, and hence either raise taxes for that purpose or engage in further

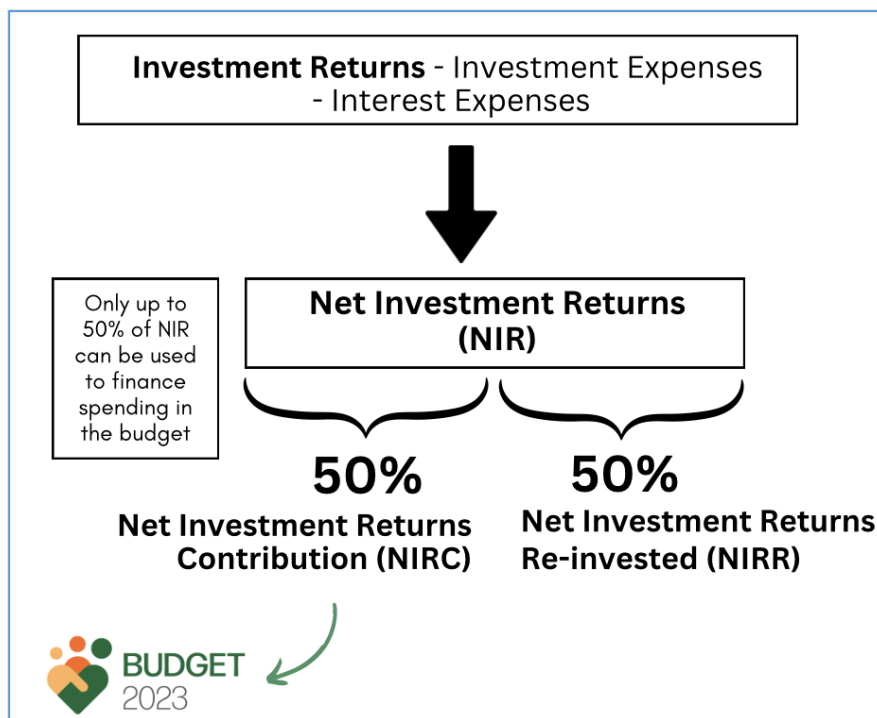
borrowings to service current borrowings. Utilising investment returns reduces the fiscal pressure on needing to raise taxes, which in turn helps Singapore maintain its economic competitiveness.

The NIRC is estimated to be S\$23.5 billion in FY2023 and constitutes about 20 per cent of the government's annual national budget. At the IPS Reserves Workshop, it was clarified that it is safe to assume that the full 50 per cent of reserves investment returns is already appropriated for the government's annual budgets.

### 5.1.3 Net Investment Returns Re-invested (NIRR)

The "NIRR" is not an official term but coined only for the purposes of the workshop. NIRR refers to the 50 per cent of the NIR, which cannot be used. Instead, it forms a part of past reserves, which is protected by the Constitution, and is re-invested to grow the reserves.

**Figure 4: Summary of Net Investment Returns (NIR)  
from the national reserves**



#### 5.1.4 Reserves

Singapore’s reserves are the savings that have been accumulated over the years. The Constitution defines past reserves as “those that were not accumulated by the government during its current term of office, including relevant accretions” (singaporeinfopedia, n.d.). Technically, reserves should also be understood as the total assets minus liabilities of the government. Assets include physical ones such as land and buildings, as well as financial assets like cash, securities and bonds. Government liabilities are largely made up of the Singapore Government Securities (SGS) and Special Singapore Government Securities (SSGS) (MOF, n.d.).

While the expected returns from investments make up the NIRC, of which a portion of it could be used for current spending, the principal sums of the reserves can only be drawn down under extraordinary circumstances. The COVID-19 pandemic was one such circumstance. Between 2020 and 2022, the government sought the permission of the president to dip into Singapore’s past



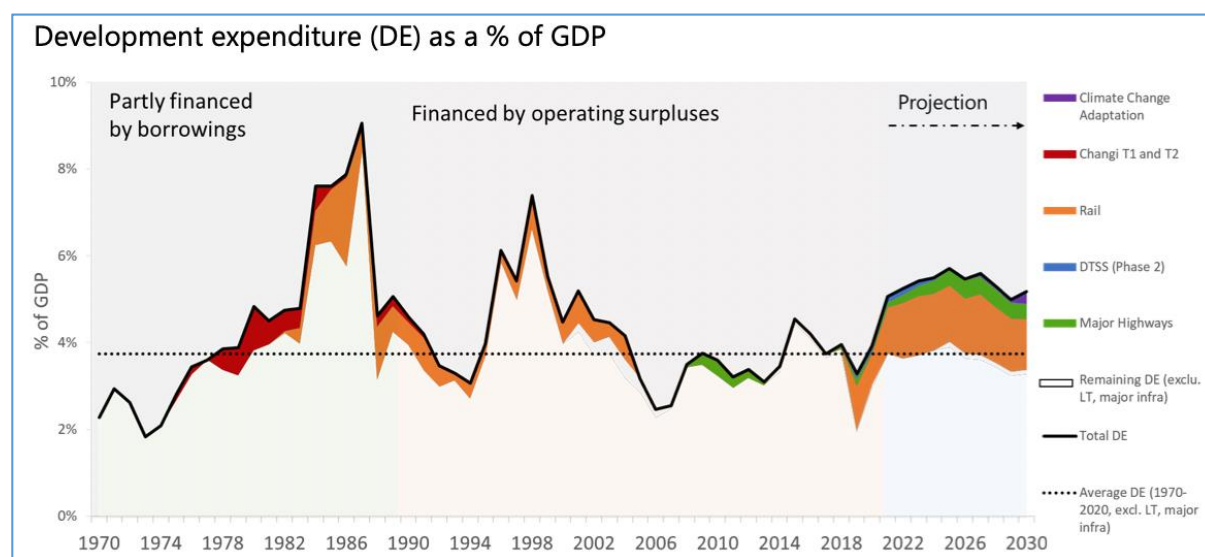
reserves and drew a total of about S\$40 billion (Tham, 2022). The only other time when the government withdrew money from the reserves to fund the Budget was in 2009, when the nation had to respond to the 2008 Global Financial Crisis.

### 5.1.5 Debts

Debts refer to the government's liabilities, which in Singapore's case refer to the SGS, SSGS and Singapore Saving Bonds (SSB). These are all domestic debt securities which are used for investment and cannot be used to meet the government's fiscal needs. This is in line with the government's disciplined approach to maintaining a zero net debt whereby borrowings are only allowed for long-term infrastructural projects.

In Singapore's nascent years in the 1960s, the country borrowed from the World Bank and Asian Development Bank to finance industrialisation and economic development in the country. In the 1980s, the government also borrowed to build Changi Airport Terminals 1 and 2, as well as the first MRT lines. Since the 1990s when the government has been able to run healthy budget surpluses, expenditures have no longer been funded through borrowing, and previous debts were also paid off (Parliament of Singapore, 2021).

**Figure 5: Development expenditure over the years**



Source: MOF (2021)

### 5.1.6 Introduction of SINGA

In Budget 2019, the government announced a policy shift that government debt would become an option to finance long-term infrastructure projects. This was the Significant Infrastructure Government Loan Act (SINGA), which was introduced and debated in Parliament in April 2021.

Before SINGA, infrastructure costs were financed using revenues and fully expensed upfront in the annual budget. The proposed bill was to allow the government to borrow up to S\$90 billion to pay for major infrastructural projects. Such projects must cost a minimum of S\$4 billion and will have to last for at least 50 years. Two main reasons were put forward for the proposal to borrow as opposed to tapping reserves. The first is that borrowing is efficient because Singapore's AAA ratio allows the government to tap the debt market at favourable interest rates. The second is that refraining from drawing from reserves allows them to continue to be invested to earn returns (MOF, 2021).

Infrastructural investments that would be funded under SINGA include the new MRT lines — the Cross Island Line and the Jurong Region Line — targeted for completion in 2030. The Deep Tunnel Sewerage System and other coastal protection infrastructures would also be eligible for funding through SINGA.

### 5.1.7 Funding sources for the budget game

Specific to the workshop, the participants were invited to deliberate over four funding sources instead of five. Other than simulating the fiscal gap that calls for further tapping funding sources, we also adopted the assumption that NIRC has been used to its maximum capacity. In other words, in order to further utilise returns from investments in reserves, participants would have to consider the use of the other half of the NIR, which is the NIRR. The four available funding sources are therefore 1) taxes; 2) NIRR; 3) reserves; and 4) debts.

The existing rules, conditions and implications attached to the use of these funding sources were explained throughout the presentations in the workshop. For example, the constitutional rules surrounding the use of NIRR and drawing on reserves were explained, and participants were reminded of the official processes that have to be followed when opting to tap these. Other implications such as the slowdown of growth of the reserves were also articulated for the use of NIRR and reserves. For funding sources such as raising taxes, effects on different groups across society were mentioned and it was then left to participants to decide if the trade-offs were justifiable. Lastly, for the use of debts, participants were reminded of effects on the country's existing credit rates as well as the burden that is passed on to future generations to pay off the borrowings.

Nonetheless, it should be emphasised that the implications explained for tapping each of the funding sources were not exhaustive. Instead, the participants were encouraged to consider and articulate other consequences of using each of the sources and deliberate on how they view these consequences as a group.

## 5.2 Expenditure items to fund

Having gone through the mechanism of the funding sources, participants were presented with the following expenditure items as hypothetical needs requiring funding.

**Table 1: Expenditure items for hypothetical needs requiring funding**

Small expenditure items		Large expenditure items
Short-term benefits	Medium- to long-term benefits	
<ul style="list-style-type: none"> <li>• GST Vouchers</li> <li>• Top up of Pioneer and Merdeka Generation funds</li> </ul>	<ul style="list-style-type: none"> <li>• HDB BTO flats</li> <li>• Healthcare facilities</li> <li>• Universal pre-school</li> </ul>	<ul style="list-style-type: none"> <li>• Defence</li> <li>• Biomedical R&amp;D: Cancer research</li> <li>• Coastal and flood protection</li> </ul>

<ul style="list-style-type: none"> <li>• HDB community care apartments</li> <li>• Workfare Income Supplement (WIS)</li> </ul>		<ul style="list-style-type: none"> <li>• MRT lines</li> </ul>
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The expenditure items were written by the IPS team with several key considerations in mind. First, policies that are generally easily understood by the public were chosen. Ideas such as funding a universal basic income were floated but left out in the end as it might be controversial and difficult for participants to grasp a policy that is not yet implemented. Second, a range of policies with different payoffs in terms of benefits expected to be reaped were deliberately chosen. The aim was to encourage deliberations involving fairness and justice across generations. Lastly, as organised in the table above, “small” and “large” expenditure items were chosen, referring to the hypothetical size of the items’ costs. The large items were designed to be exceptionally expensive funding needs that cannot be covered simply by tapping one funding source such as raising taxes. The aim of this was to force participants to think about how they would justify the use of currently protected sources such as the NIRR and reserves.

### 5.2.1 Hypothetical costs of items

To demonstrate the size of the expenditure items relative to one another and to the size of the available funding sources, each item was given a number representing the cost needed to fund the item. The funding sources were also each given a number representing the amount of funds available for use.

The tables below show the numbers given to the expenditure items as well as the funding sources. Each unit was represented by one Lego brick in the game.

**Table 2: Hypothetical expenditure items and funding sources**

<b>Cost of expenditure items</b>	
Smaller expenditure items	6 to 8 units
Large expenditure items	40 units

Available funds in each funding source	
NIRR	10 units
Reserves	20 units
Debt	Unlimited
Additional taxes <sup>3</sup>	One to two units per participants, depending on size of expenditure item. (About 12 to 24 units per team)

### 5.3 Key Principles

The overarching goal of the session was to extract a spectrum of principles that Singaporeans consider in deciding equitable fiscal policies. A particular focus was given to exploring conceptions of intergenerational fairness and equity. To assist participants in their deliberations, four guiding principles were suggested. These principles were adopted from the IPS Working Papers No. 32 (Shih, 2018). The participants were also encouraged to craft and advocate for any other principles they felt strongly about.

The four suggested principles were as follows:

- **Benefiter Pays:** The idea that each generation should bear the cost for the benefits they receive through a government project or programme.
- **Minimum Threshold:** The principle that each generation is entitled to a certain baseline of resources and liberties, most times, from the government.
- **Reducing Inequality:** The belief that fairness is achieved by minimising inequality both within and across generations.
- **Reciprocity:** The conviction that each generation has an obligation to give back or pass forward the benefits they have received.

Through this hands-on budget game and the ensuing discussions, the workshop aimed to yield insightful perspectives on the trade-offs and decisions

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<sup>3</sup> In the context of the game, this refers to disposable incomes that belonged to each citizen. If additional taxes are called upon, this disposable cash will be tapped as part of their tax contribution.

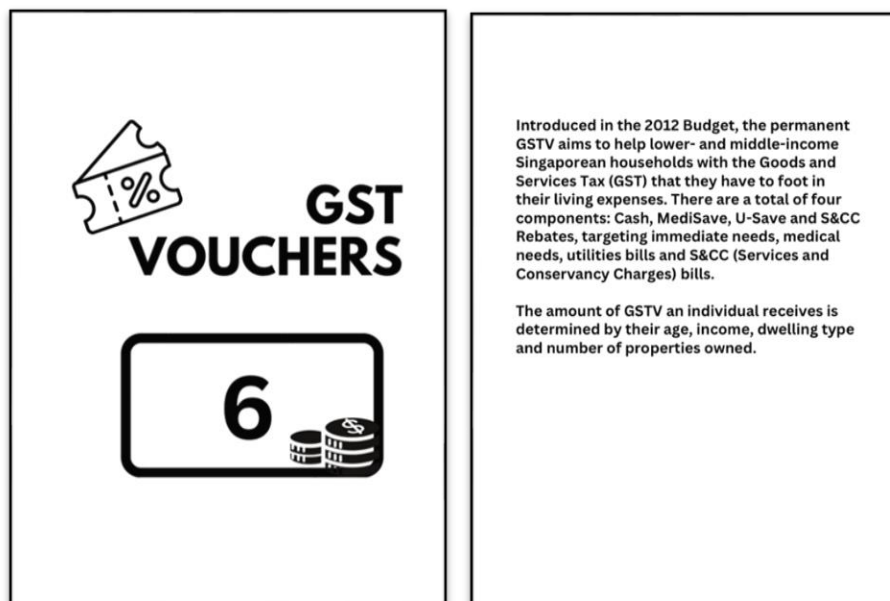
involved in fiscal policymaking, particularly in the context of these principles underpinning intergenerational fairness and equity.

## **6. OBSERVATIONS FROM BUDGET GAME**

This section summarises key observations drawn from deliberations carried out by the groups that considered how they would fund the different expenditure items that they were presented with.

## 6.1 GST Vouchers

**Figure 6: Description of expenditure item given to participants.**



For this expenditure item, participants discussed how they would continue to fund the distribution of GST vouchers which largely benefits citizens of the lower income groups.

Assigned groups:

- Participants of mixed ages **living in public housing**
- Participants of **mixed ages and mixed housing types**

There was general agreement that taxes should be the primary source of funding for this initiative. Specifically, the groups held similar views on raising taxes on those of higher income. This shared viewpoint underscores recognition of taxation as an effective mechanism for redistribution and tackling socio-economic inequality.

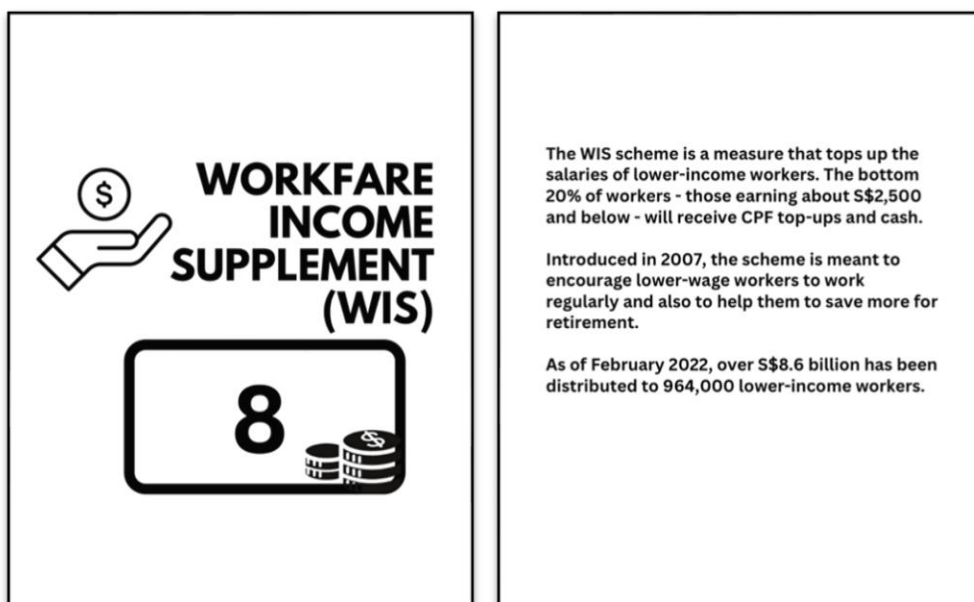
Participants from the mixed age group also proposed the supplementary use of the NIRR to offset a fraction of the total expenditure. The main reason for tapping NIRR was due to concerns over the limits of raising taxes. The group recognised that raising taxes further may inflict an overwhelming burden on individuals and companies, resulting in the unintended consequence of them

leaving the country. These concerns suggest an implicit understanding of the principle of maintaining a minimum threshold, aiming to alleviate the impact of escalating taxes.

According to those that suggested tapping NIRR, their rationale was that times of good investment returns mean an overall larger pie that should be redistributed through the GST vouchers. The “dynamic” nature of NIRR was seen to make it suitable for redistributive policies.

## 6.2 Workfare Income Supplement (WIS)

**Figure 7: Description of expenditure item given to participants**



Assigned groups:

- **Younger** participants (40 years old and below)
- **Older** participants (41 years old and above)
- Participants of **mixed ages and mixed housing types**

While the groups largely supported the use of taxation to fund a hypothetical expansion of the WIS, they argued that it should be applied only to a specific group of the population. This was mainly due to discussions over the causes driving the need for WIS. According to them, businesses were pushing down the wages of Singaporean workers with their preferences for foreign labour.

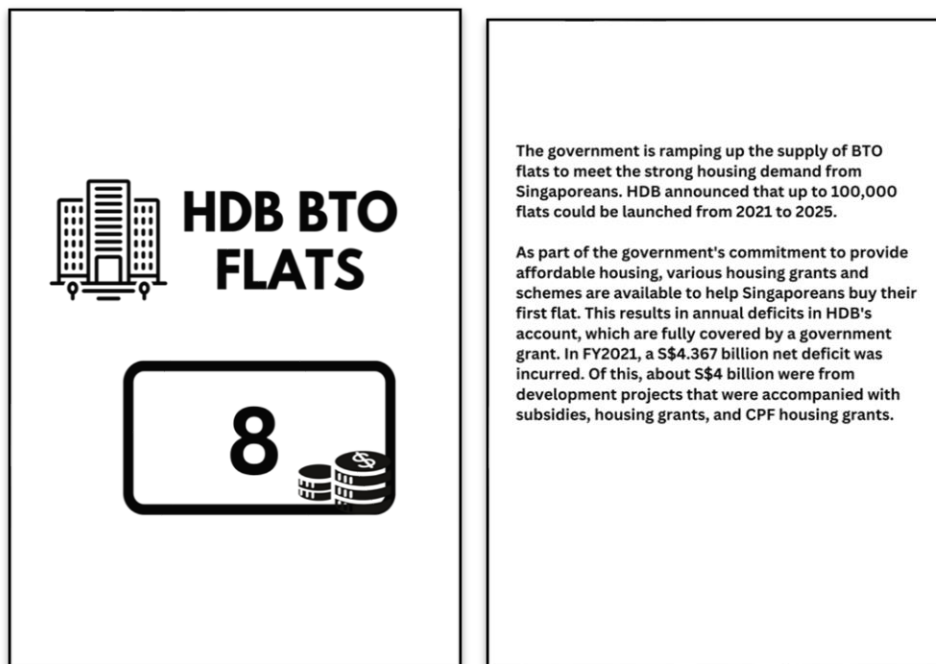


Therefore, many participants believed that businesses should be the main contributors to the remedy of a situation. This led to the suggestion of imposing taxes such as a foreign worker levy.

Mixed and older age groups also suggested tapping the NIRR to complement the use of taxation for funding. The opinions surrounding this were more divergent. Participants from the older age group voiced concerns about depleting resources, and the risk of NIRR being used as a mechanism for political gain by disbursing benefits. On the contrary, the mixed age group maintained that NIRR, with its ability to continually generate returns, is a financially sustainable source to fund long-term projects such as WIS. This perspective prioritises the practicality and sustainability of the funding mechanism. Nonetheless, participants from this group also identified an inherent conflict in this issue. They acknowledged the tension between providing for current low-income workers and safeguarding resources for the benefit of future generations. The groups converged on using taxes in the main. This presents a challenge of striking a balance between protecting the minimum thresholds for different generations.

### 6.3 HDB Built-To-Order (BTO) Flats

**Figure 8: Description of expenditure item given to participants**



Assigned groups:

- **Younger** participants (40 years old and below)
- **Older** participants (41 years old and above)
- Participants of mixed ages **living in private housing**
- Participants of mixed ages **living in public housing**

While there was consensus that housing is a fundamental need that should be supported, there was divergence in the proposed means of financing it. All groups agreed on the principle of benefiter-pays, asserting that those benefiting from the BTO flats should contribute via taxes.

**Younger participants were willing to increase taxes while older participants chose to tap NIRR.** Younger participants proposed that the expansion of HDB BTO flats should be entirely funded through taxes. Other than the benefiter-pays principle, the participants also thought that other funding sources should not be tapped since raising taxes amongst themselves would be sufficient to fund the need. This implicit assumption of a functional

ordering of funding sources where taxes should be tapped first before other sources is explained in the later sections of the paper.

In contrast to the younger participants, older participants preferred to tap on NIRR to cover half the cost. They supported their argument with two primary arguments: first, the perceived capability of the state to finance housing, given Singapore's large GDP (Gross Domestic Product); and second, the notion of generational responsibility, whereby the older generation contributes to this basic need through the reserves. An important assumption held by this group was that the reserves belong to the older generation, since they had contributed to the reserves for many years. Therefore, their form of contribution would come in the form of consenting to drawing from the reserves to finance this kind of expenditure that would benefit the younger generation (in the spirit of a bequest from the older to younger generation).

The principle of minimum threshold also resonated with all the groups who saw that the ability to afford one's first flat is a necessity. In contrast to other smaller expenditure items such as funding WIS and GST vouchers, there was a stronger view that inability to adequately deliver affordable HDB BTO flats was a crisis that could even justify tapping sources such as the reserves.

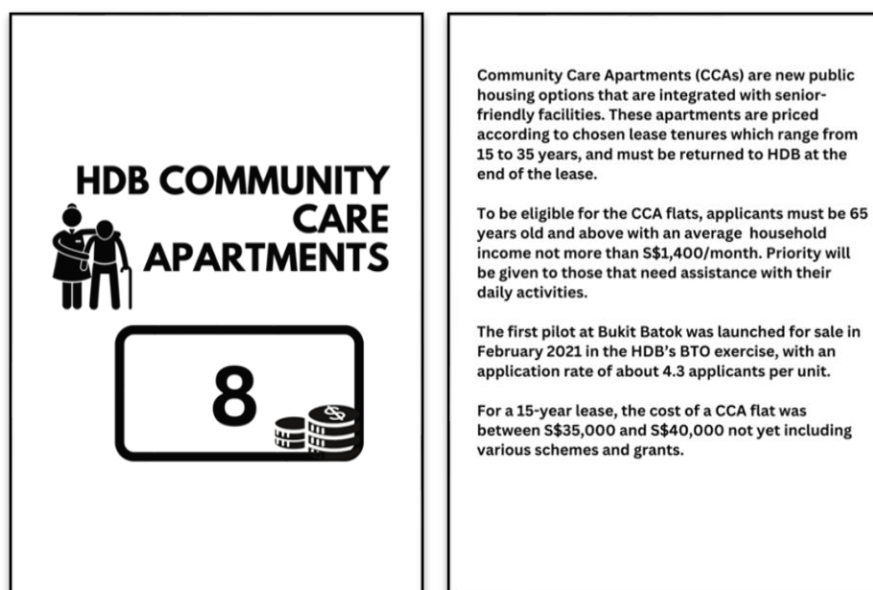
**Consensus among those in public housing but more divisions within those living in private housing.** As with the two groups of younger and older participants, the mixed age group that was characterised by their public housing dwelling type agreed that HDB BTO flats should be largely funded using taxes. Within this group, there was dissatisfaction expressed towards the current housing situation, with opinions that the current system has been “abused”, whereby some benefited more than others. On grounds of fairness, NIRR was raised as a way to fund BTO flats going forward instead of levying taxes on all people.

In the group that comprised participants living in private housing, all the above funding sources and corresponding justifications were also mentioned with general agreement. However, there was no broad agreement as to which

funding method could be preferred over others. The facilitator noted only a general inclination towards taxing those with higher incomes to ensure the provision of basic housing for all citizens.

#### 6.4 HDB Community Care Apartments

**Figure 9: Description of expenditure item given to participants**



Assigned groups:

- **Older** participants (41 years old and above)
- Participants of **mixed ages and mixed housing types**

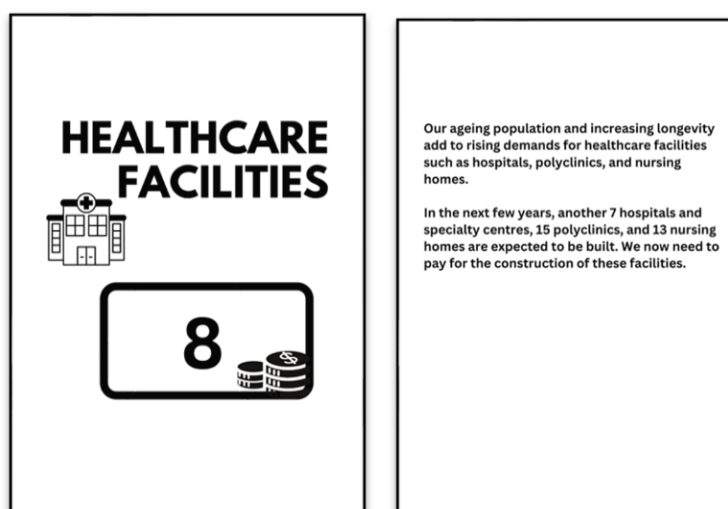
In the discussions about the financing of Community Care Apartments, there was general agreement about the suitability of using taxation as a funding source. Principles of “benefiter-pays”, “reciprocity”, and “reducing inequality” were all thought to support the raising of taxes to fund these apartments. Across the groups, there was agreement that the present tax-paying generations should support the needs of older citizens who had contributed to Singapore’s growth. Amongst the groups of mixed aged participants, there was also willingness to increase taxes on grounds of “benefiter-pays”. This stems from the belief that care apartments also have benefits for younger generations. One view is that care apartments could lighten the burdens of citizens supporting

older parents. The other view is that the current tax-paying generation will eventually benefit from the care apartments when they are of age to use them.

A slight divergence was noted in the group that consisted of older participants. This group advocated for much of the funding to be derived from the NIRR. This perspective was underpinned by the belief that older generations, having previously contributed to the reserves, should see their needs met through resources drawn from the NIRR and reserves, through a principle of “contributor-receives”. This principle could also be seen as a form of “benefiter-pays” where older Singaporeans who benefit from the care apartments pay for them through the reserves. Again, here lies the assumption that the nation’s reserves belong to the older generations on the basis of their past contributions.

## 6.5 Healthcare Facilities

**Figure 10: Description of expenditure item given to participants**



Assigned groups:

- **Younger** participants (40 years old and below)
- **Older** participants (41 years old and above)
- Participants of **mixed ages and mixed housing types**

In discussing the funding of healthcare facilities, there were similarities across groups in how they perceived the benefits, but distinct perspectives emerged in

their interpretations and application of the “benefiter-pays” principle. Compared with other smaller expenditure items, there was much more willingness to tap into debt to fund the building of healthcare facilities. Unique to this issue of public healthcare was also the role of businesses, which was brought up by participants across the groups.

**There were different interpretations of “benefiter-pays” that pointed to increasing taxes.** Younger participants advocated for borrowing as the principal mechanism for funding healthcare facilities. They viewed these institutions as benefiting both the present and future generations and addressing a broad range of needs, including mental health, cancer and special needs. In addition, they deem healthcare facilities as critical infrastructure that could be financed via mechanisms akin to the SINGA bonds. This approach rests on the idea that healthcare facilities, due to their extensive societal impact, warrant collective investment.

Nonetheless, there was resistance towards the use of debt as participants believed that for crucial spendings, “[they] should just use [the] reserves first before moving on to debt.” For another group, they noted that raising taxes for all members of the group would be sufficient to cover the cost required, and therefore taxation should be utilised before considering debt. Both reasonings again point to an implicit ordering of funding sources whereby one should be used up completely before moving to another. The debt bucket seems to be a last resort for many participants. This idea will be elaborated in the later sections.

Compared with the younger group, the older participants opted to utilise all four resources, with a heavier reliance on taxes. Concurring with their younger counterparts, raising taxes was justifiable on the basis of “benefiter-pays”. Whilst the younger participants saw healthcare facilities as catering to a wide range of needs beyond those pertaining to old age, the older participants saw that healthcare facilities eventually benefit all groups of people at different points of time. Therefore, raising taxes would be a fair way of having all benefiteres pay their share.

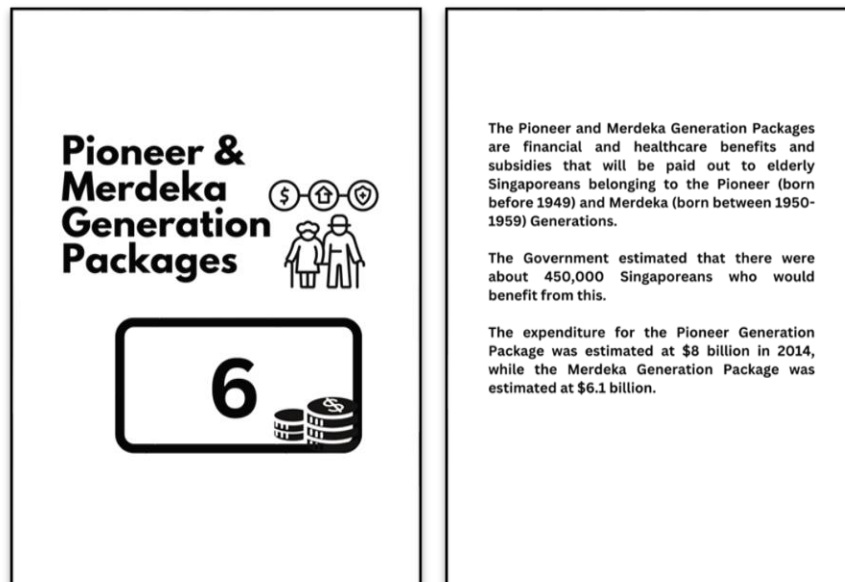
A group of older participants, along with the other mixed groups, also drew on the point that healthcare facilities should be viewed as investments or businesses that would reap financial returns. This outlook contributed to the view of using debt as a funding source.

**There were different views of public healthcare that justify the use of reserves.** The funding of healthcare facilities was one of the few expenditure items for which participants seemed more comfortable with tapping the national reserves. According to the perspective that healthcare facilities are mainly for the older population, the use of reserves was justifiable on the basis of “benefiter-pays” as reserves were seen as resources belonging to the older population.

Another group also considered tapping reserves to fund healthcare facilities according to the rationale that the established infrastructure will benefit future generations. On the same principle of “benefiter-pays”, this group differed from the above-mentioned group in seeing reserves as belonging to future generations; and therefore, their contributions would come from tapping this source.

## 6.6 Top-Up of Pioneer and Merdeka Generation Package

Figure 11: Description of expenditure item given to participants



Assigned groups:

- **Older** participants (41 years old and above)
- Participants of mixed ages **living in private housing**
- Participants of **mixed ages and mixed housing types**

For this expenditure item, participants were invited to consider how they might fund the need to top up our existing Pioneer and Merdeka Generation Packages. These are programmes benefit a specific cohort of Singaporeans who had contributed to the country in its nascent years.

Participants belonging to the mixed, older and privately housed groups all considered the utilisation of the NIRR and national reserves — in tandem with taxation — to finance these packages. The rationale for raising taxes was mainly one of reciprocity and was specifically articulated through the idea of “filial piety”, which advocates that children should look after their parents as a reciprocation for the care they had received during their upbringing. Thus, the tax contribution from the current generation of working adults was perceived to support the eldercare packages.

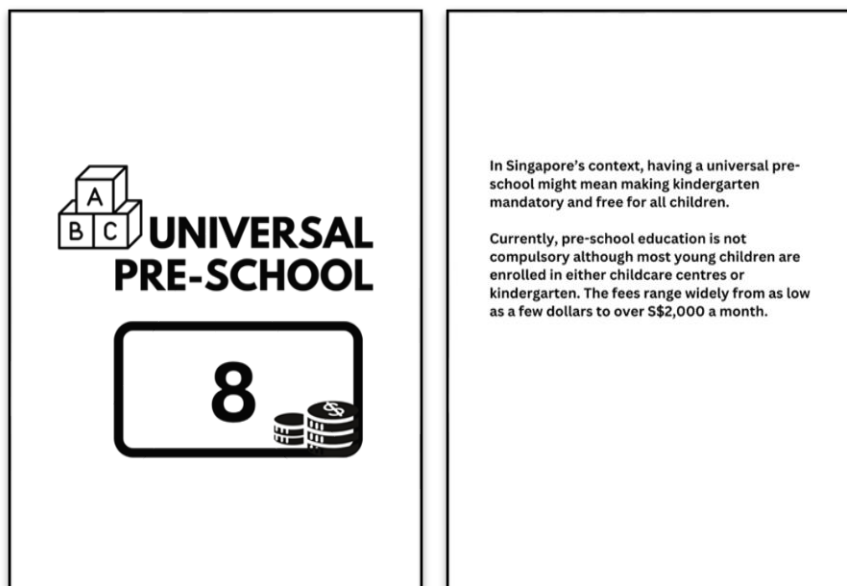


**There was a willingness to spend from reserves and NIRR.** The justification for using the NIRR and reserves was also closely tied to the principle of “benefiter-pays” or more aptly termed in this case, “contributor-receives”. It was acknowledged that today's elderly population had significantly contributed to the reserves during their working years. Therefore, drawing from the reserves to fund these packages was deemed fair. Again, this points back to the assumption that the reserves are a resource that belongs to the older generation of Singaporeans; and hence paying for programmes out of the reserves is akin to having these older Singaporeans pay for their share.

The preference to tap reserves and NIRR over raising taxes also came about over concerns for the current “sandwich generation”. This mainly refers to the existing tax-paying working generation that bears the burden of caring for their elderly parents and young children. On the basis of protecting the minimum threshold of this generation, further straining the tax burden of this generation was not favourable. The reserves and investment income of the reserves were seen as more suitable alternatives to tap which will not inflict immediate pains on the current generation.

## 6.7 Universal Pre-School Education

**Figure 12: Description of expenditure item given to participants**



Assigned groups:

- **Older** participants (41 years old and above)
- Participants of mixed ages **living in private housing**
- Participants of mixed ages **living in public housing**

On financing universal pre-school education, differences between the groups were stark. This was largely due to differences in the ways in which the policy of a universal pre-school was perceived.

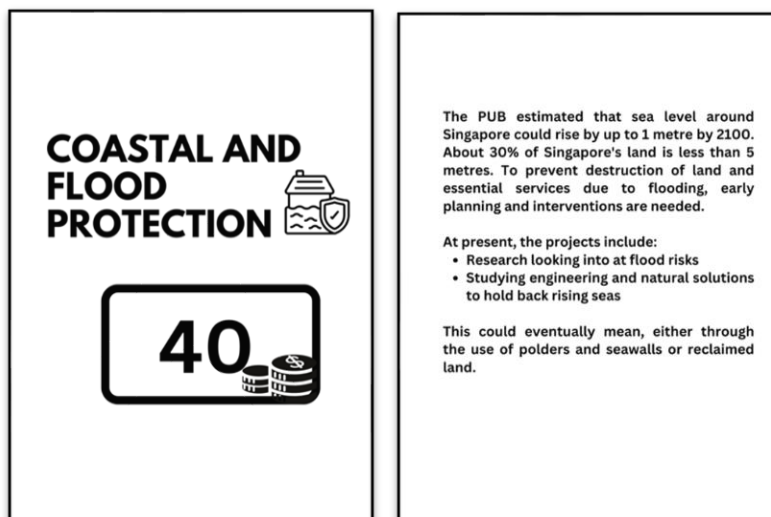
**On the one hand, universal pre-school was seen as an investment and a social leveller.** Amongst participants from groups living in private and public housing, they agreed that raising taxes should be the primary source of funding. They also perceived pre-school education as an investment and advocated using a portion of funding from the NIRR. The groups saw universal pre-school as a potential measure to curb the preference for private schools and rectify perceived flaws in the existing form of meritocracy. Therefore, they viewed it as a collective good that should be funded by taxes.

Among participants living in private housing, there was a strong willingness to tap into national reserves. This inclination was attributed to the awareness of the high tax burdens already placed on some parents, leading them to suggest using the reserves to promote balance and reduce inequality. On the other hand, participants from public housing preferred to fund the need through borrowing. This approach was based on the idea that future generations, who stand to benefit more from universal pre-school, should bear more of the financial burden.

**On the other hand, universal pre-school could be seen as non-essential, “good to have”.** The group with older participants expressed strong resistance against the idea of universal pre-school. If such a system were to be implemented, they maintained that it should only be accessible to Singaporean children, underscoring a sense of prioritising national interest in this matter. Some members of this group perceived an emphasis on high-quality pre-school education as “excessive” due to the rigour of Singapore’s primary education system. As a result of uncertainties over the necessity and effectiveness of such a policy, one of the groups defined universal pre-school as a “good to have”. This is contrasted with more essential “must haves”. According to this group, less essential “good to haves” should be funded out of taxes and not sources like the reserves.

## 6.8 Coastal and Flood Protection

Figure 13: Description of expenditure item given to participants



Assigned groups:

- **Younger** participants (40 years old and below)
- **Older** participants (41 years old and above)

When deliberating over funding mechanisms for coastal and flood protection, both groups arrived at a similar funding allocation: a 75 per cent reliance on debt and 25 per cent on reserves. However, despite this convergence, their justifications uncovered differing perspectives on shared responsibility, intergenerational equity, and risk management.

**Perspectives on shared burdens across past, present and future generations were shared by the group with younger participants.** They articulated a strong endorsement of debt financing. Their primary rationale was grounded in the “benefiter-pays” principle, arguing that current and future beneficiaries of these protection measures should shoulder a sizeable portion of the costs. More especially, the group identified climate change as a progressive problem and therefore future generations should be paying a larger share since they will benefit more from the infrastructure.

Furthermore, they saw borrowing as a strategic hedge against potential risks, including the uncertainties associated with climate change. Uniquely, this group also recommended that debt funding should extend beyond immediate measures to also support research and development, highlighting a long-term, forward-looking mindset.

Other than borrowing, this group also agreed that a smaller portion of the cost be taken out of the reserves. An idea of “negative reciprocity” was expressed as participants argued that the climate situation necessitating this expenditure item was contributed by past and present generations. Therefore, as a way of “paying back” for the harm that has been caused, the reserves should be drawn to pay for flood protection infrastructure. A comment from observing groups resonated with this argument and posited that more should be drawn from the reserves as “it is what the older generations owe to us.” Implicit to this argument, however, is the assumption that the reserves belong to past and present generations, which is contestable.

Notably, this group displayed a unanimous objection to taxation, perceiving it as an unjust burden on the present generation.

**The perspectives of older participants focused on the existential nature of climate change justifies the use of our “rainy day” fund.** The group with older participants came to the same conclusion as their younger counterparts on the use of debts and reserves to fund coastal and flood protection infrastructure. They posited that climate change is a national existential problem that necessitates the utilisation of national resources, including the reserves. They also shared the younger group’s concern about overburdening the current generation with taxes and suggested that a mix of debt and reserves would more evenly distribute the financial load.

Similar to the way this group saw healthcare facilities as business ventures, they identified climate change infrastructure as a business or investment venture that could generate profits. For them, this justified the use of reserves since potential returns could be returned to the reserves.

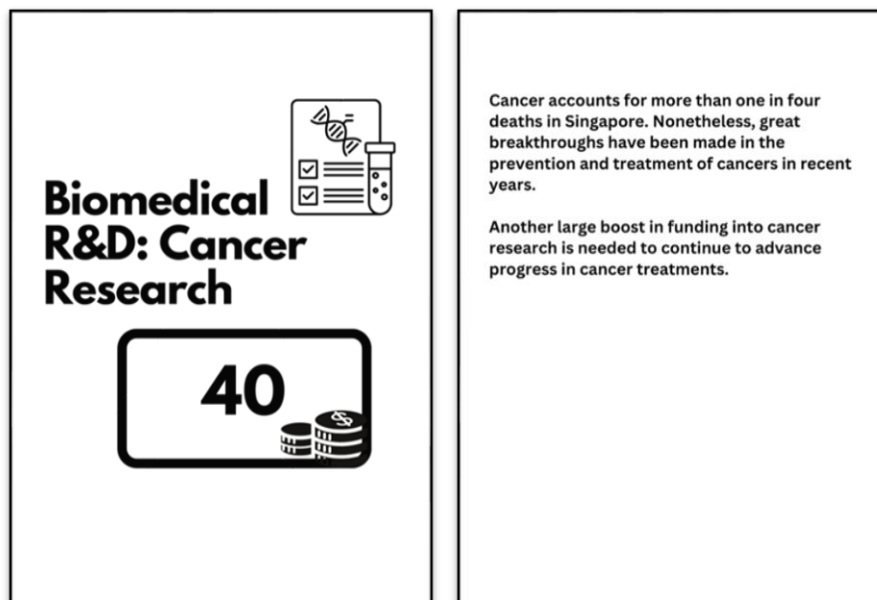
**There was also discussion on the use of tax to encourage behaviour change.** On grounds of benefiter-pays and reciprocity, there was broad agreement that tapping reserves and borrowing are fair means of funding infrastructure that protects against climate change. However, when considering the issue of climate change more broadly, participants from other groups posited that there were other reasons which could justify raising taxes.

For example, regardless of whether the present generation is liable for climate change or will benefit from the infrastructure, requiring this group to pay additional taxes might bring about changes in behaviours that could slow down climate change. According to this view, raising taxes specific to countering climate change will inflict pain on the present generation and force more responsible use of resources.

Another reason for raising taxes has to do with accountability. According to a participant who raised this, ensuring present generations pay taxes for climate change infrastructures will allow them to “have a skin in the game”. In other words, having some form of reliance on today’s taxpayers is aimed at preventing careless calls to borrow for items of which the needs and pay-offs are uncertain.

## 6.9 Biomedical R&D: Cancer Research

Figure 14: Description of expenditure item given to participants



Assigned groups:

- **Older** participants (41 years old and above)
- Participants of **mixed ages and mixed housing types**

Amongst the range of expenditure items considered, the case for funding biomedical research such as into cancer was most poorly received. Both groups had strong views that the government should not be spending resources on such expenditures that have great uncertainty over its returns. Participants also felt that Singapore was too small a country to attempt to achieve any meaningful impact in this space. However, when the discussion was opened to other groups, there were voices stressing the importance of all countries contributing to medical research. The idea of reciprocity in a global context and amongst nations was expressed in these views.

**Debt cannot be used to fund expenditures that have uncertain returns.**

When pressed to then decide how biomedical R&D might be funded, both groups agreed that debt should not be incurred. The main concerns were for the future generations who will struggle to service the debt if the investment

proves to yield little fruit. Nonetheless, the groups were not completely closed off to using debts. Instead, they emphasised that debt should be used in later stages of the research process when more certainty about research outcomes is established.

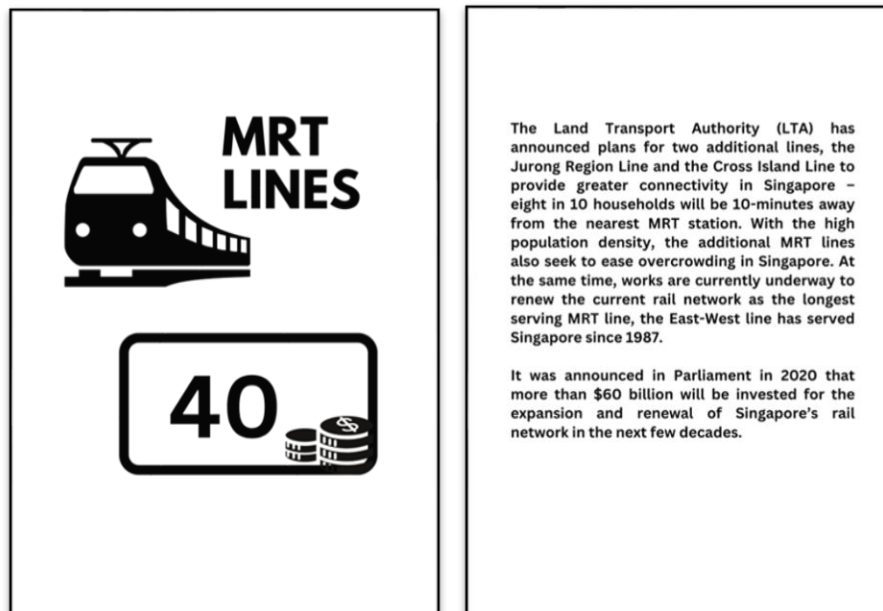
Another argument for tapping debt was to use it as a way of hedging risk. The idea was that some funds would be drawn from each of the funding sources to reduce risks involved in heavily relying on one source. In particular, the participants from the older age group, favoured a mixed use of funding sources to support substantial, long-term investments.

**Use of tax to ensure accountability.** As with the discussions on funding climate change infrastructure, participants were willing to raise taxes as means of managing the risks involved in the uncertain natures of these expenditures. According to this argument, when taxes are raised to fund research, they could hold the government accountable for the research processes. This was preferred to leaving important R&D in the biomedical sphere entirely to private funders who might influence agendas away from needs that benefit the larger public.



## 6.10 MRT Lines

Figure 15: Description of expenditure item given to participants



Assigned groups:

- Participants of mixed ages **living in private housing**
- Participants of mixed ages **living in public housing**

On the need to fund the expansion of our MRT lines, the two groups had different sentiments to begin with. For example, the first response of participants living in public housing was that there is no need to further expand the MRT system as the current set up is sufficient. On the other hand, those in private housing expressed support for expanding MRT lines with care to not impose further burdens on the current generation.

**There was alignment between groups to tap debt as the primary funding source.** Despite their differences in how they viewed the necessity of expanding Singapore's MRT system, both groups agreed on borrowing if it must be built. Taxes were also to be raised to pay for a portion of the cost.

To justify their reasons for tapping debts, both groups cited the existing SINGA as a modus operandi that they agree with. The idea of benefiter-pays was

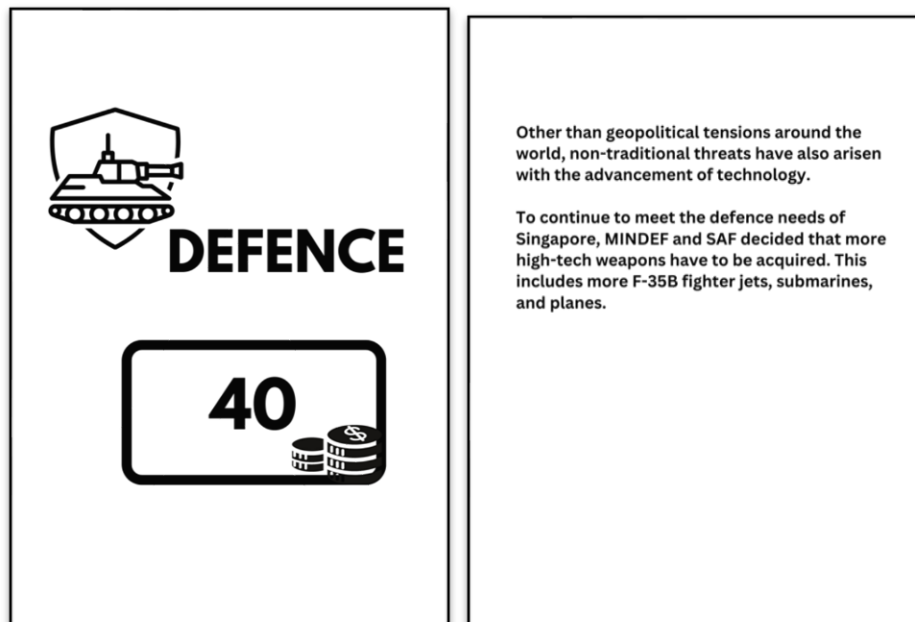
especially strong as they saw MRT lines as long-term infrastructures spanning across generations and therefore, future Singaporeans should be paying most of the cost. The group characterised by their private housing types also raised the principle of reducing inequality to justify the use of debt more than funding it out of the government's yearly budget. According to this group, spreading the cost across future generations ensures current taxpayers are not overly burdened. They caveated this argument with the emphasis that present generation should not be overly burdened to pay for items that other generations would also benefit from. Therefore, the idea of benefiter-pays appears to be most salient.

Interestingly, both groups were willing to raise taxes to pay for at least 25 per cent of the cost of expanding MRT lines. However, both groups were relatively muted on their justifications for it. The decision seemed to be arrived at by two considerations: 1) it is not ideal to be entirely reliant on debts; and 2) it is not ideal to tap reserves or NIRR. Therefore, taxes were tapped as the last reasonable source instead of being due to any underlying principles.

**Participants cautioned about the use of reserves or NIRR to fund infrastructures.** As mentioned, both groups considered the use of reserves or NIRR but were generally opposed to it. The group of participants were especially concerned about setting a precedence for using reserves for infrastructure expenditure instead of emergency situations. This viewpoint is indicative of a more cautious approach towards fiscal management, highlighting a concern for maintaining a safety net for future generations.

## 6.11 Defence

Figure 16: Description of expenditure item given to participants



Assigned groups:

- Participants of **mixed ages and mixed housing types**

Compared with other large expenditure items, there was much less dissonance over the need to fund Singapore’s defence capabilities. Both groups agreed on the “non-negotiability” and “existential” nature of defence. However, while the 40 units that represented the cost needed to fund defence expenditures was hypothetical, there were substantial discussions about whether this was too high a cost. The participants would have compared this amount to the cost of smaller expenditure items (six to eight units) as well as the number of units they own (two units each representing their disposable income). The participants also pointed to the real budget where defence spending takes up the largest proportion and expressed that while they were willing to fund whatever is required to maintain Singapore’s security, the government should make continuous efforts to “cut down and prevent any future increases” in our defence spending.

**There was broad agreement to tap taxes and debt.** Both groups of participants agreed on using taxes and debt as primary funding sources. The rationale for raising taxes was based on the simple principle of benefiter-pays that every citizen ought to pay for the security of their country. There was especially strong convergence on the idea that taxes should be raised for defence spending during peacetimes. Other funding sources such as reserves should only be considered in times of war or when threats are much more materialised.

They also considered that the building and maintenance of a robust defence system is also a long-term effort and that future generations should also shoulder some responsibility. On this basis, both groups chose borrowing as a main way to fund the cost. One of the groups suggested that the model of SINGA could be applied to this expenditure item as defence spending could be seen as building up a form of infrastructure that have long term benefits.

**There was divergence when considering the trade-off between the use of debt and reserves.** While both groups that deliberated on this expenditure item agreed that borrowing had to be one way of funding Singapore's defence needs, one group was much more cautious than the other. This group pointed to huge debts incurred by other countries that borrowed excessively and was concerned about Singapore opening this "floodgate" to borrow for defence. Some resistance towards borrowing heavily also surfaced when they considered that doing so equates to depending on other people (i.e., future generations) to pay for today's defence. The question for reflection was whether it is ever a wise bet to depend on someone else to pay for our defence. Because of these drawbacks and uncertainties about borrowing for defence spendings, there was also extensive consideration for tapping reserves.

On the use of reserves, the participants were much more willing to draw on reserves if the call for additional defence spending took place during a real security crisis. They considered the impact of a crisis on incomes and people's ability to pay extra taxes, as well as the impact on their morale if taxes were

levied. This way of reasoning shows their support for the current way things are done, whereby reserves would be drawn down during times of emergencies.

However, there was also the sentiment expressed by some that the reserves are a crucial defence resource and that it should only be deployed at a strategic point of time in a crisis. For example, the view expressed was that “the larger your reserves, the better you can hold out in war.” Therefore, while there was agreement that reserves could and should be used for security reasons, it might be difficult to come to consensus on the extent and the right timing of a crisis in which the reserves should be used.

## **7. REFLECTIONS AND KEY TAKEAWAYS**

In this section, we highlight eight key reflections and takeaways from the engagement with ordinary Singaporeans on the government’s fiscal policies. These are common themes that were surfaced repeatedly, or they were unusual ways of thinking about them that we thought were worth noting.

### **7.1 A Fixed Ordering to Use of Funding Sources**

First, there appears to be a sequential approach to the use of funding sources, where each source is utilised before the subsequent sources are tapped. This is a guiding principle that appears for allocating the various funding sources.

### 7.1.1 Principle of Prudence is Fundamental

The order is first, taxation, which is traditionally the most straightforward means of generating funds for public expenditure. This is followed by the NIRR, and then the use of reserves. The use of debt is considered as a final resort. This sequence takes precedence before the specifics or nature of the expenditure items are considered. There are exceptions to this order as well, particularly in instances of potential long-duration expenditures.

We identified a principle of prudence: the belief that the current generation should bear the financial responsibilities of their needs as fully as possible, thereby minimising the burden passed onto future generations. Reserves that will inevitably be inherited by the next generation should only be tapped when all other resources have been exhausted. Often, it was mentioned that these should be saved for “emergencies”, as ought to be the case.

Various groups expressed these principles in different ways. For instance, those in the younger age group suggested that taxes alone could adequately cover expenses, thereby negating the need to draw on NIRR and reserves. Although participants understood that drawing from the NIRR equates to slowing the growth rate of the reserves, they also thought it should be a complementary tool designed to alleviate the direct burden of taxation.

It was also suggested that the NIRR could be used for “investments”, which refer to activities or social infrastructure that nonetheless seem capable of generating commercial returns. When it came to reserves, participants were more protective over it and only considered tapping it either as a resource for supporting retired or elderly generations or a fund preserved to address existential crises. Debt, on the other hand, was seen as a suitable tool for financing projects that are long-term or have a high potential to yield a return. This structured approach to managing financial resources aims to strike a balance between meeting the needs of the present and those of the future.

### **7.1.2 Raising Taxes as “First-in-Line” Mechanism**

In considering fiscal policy, participants looked beyond the immediate goal of bridging the fiscal gap, recognising other compelling reasons for levying taxes. They identified two central purposes of taxation, both of which add depth to its traditional role as a primary funding source.

The first of these roles situates taxation as a "first in line" mechanism to meet funding needs. This means that for our participants, tax revenue is treated as a primary source of funding to rely upon before resorting to other forms of sources such as reserves or debt.

The second role of taxation, in the minds of our participants, is its capacity to act as a lever to influence, steer and therefore mitigate issues that will necessitate funding to remedy them. For instance, certain taxes might be introduced to discourage behaviours that are detrimental to society or the environment, or to avoid the “free rider” problem where individuals unfairly benefit from resources or services they do not contribute to.

This point was brought up in the discussion over HDB Community Care Apartments, where taxation was advocated for all groups to prevent people from taking undue advantage of such schemes. From this perspective, even principles like “benefiter-pays” might argue against taxing current generations for benefits they will not reap within their lifetimes, as taxation could still be justified as a tool to influence and alter present circumstances. This broader understanding of the role of taxation underscores its potential as not merely a source of revenue, but also a potent tool for behavioural and societal change.

### **7.1.3 Willingness to Draw on Reserves and NIRR before Incurring Debt**

When it was perceived that taxes were not a viable or suitable tool to be used, the next funding sources considered were the reserves and NIRR. Several conditions for the use and extent of which they should be used were articulated.

First, one of them was to see the use of the reserves or NIRR for time-bound expenditures. This refers to endowment funds such as the Pioneer and Merdeka Generation Packages, that cater to the needs of specific cohorts, the size of which will decline over time.

Second, participants would countenance the use of reserves or NIRR if they were to be spent on items that would generate returns. This point will be fleshed out in greater detail in a section below.

Third, participants felt that the reserves or NIRR should be spent if it was to address what they thought were existential threats, on “must haves” and not merely “good to haves”, etc. This too will be elaborated in a following section.

Fourth, across the groups, older participants seemed generally more willing to tap reserves or NIRR. Their reasoning stems from the idea that the older generation have a claim on the reserves as they had contributed to it far more than the younger population has. For example, the group comprising older participants suggested tapping the reserves to pay for HDB BTO as their support for the younger generation. Nonetheless, it was clear that there was little consensus across all groups. Another prevalent view for example, was that the reserves were accumulated and passed down to the current generation, who therefore have the right to use it instead of maintaining the accumulation rates of the previous generations. A final perspective was that reserves belong to the future generation and hence has to be protected and continually built up. While the different perspectives do not necessarily result in radically different implications, they do weigh on how willing participants are to tap reserves or NIRR according to how much each generation would benefit from the spending.

Lastly, the participants’ willingness to tap into reserves also seemed to be underpinned by a belief in a form of “sufficiency”. This belief holds that the reserves are adequately large, and therefore it is justifiable to use them. This belief is echoed in sentiments such as, “we do not need to grow the reserves at the same rate as we used to in the past; we have enough to tide us through



rainy days” and “the reserves will continue to grow as long as there are land sales”.

These views underscore a view of the role and potential uses of reserves, extending beyond what the country will need to draw only to help the country ride through tough times. Rather, they view it as a strategic resource, potentially usable for targeted, high-impact investments and critical needs, while maintaining a prudent approach towards preserving national wealth for future generations.

#### **7.1.4 Debt as Last Resort**

The general mode of thinking was that the government should only borrow if the previous few funding sources are exhausted or are not viable.

Nonetheless, there were notable differences between the views of older and younger participants. Amongst the former, debt was seen as a valuable tool to be employed judiciously, particularly for essential public services such as healthcare. They also pointed to Singapore’s robust credit rating as a significant factor that validated the use of debt, along with the potential for accruing financial returns. In contrast, the younger participants were much more cautious, comparing it to a “floodgate” that should remain firmly closed, particularly in funding areas like defence. Compared to the older participants, the younger ones generally displayed more willingness to fund public expenditure by raising taxes instead.

## **7.2 Categorising Expenditure under Four Themes**

The facilitators identified four themes under which the participants had tended to categorise the expenditure items:

1. “Must haves” vs “good to haves”
2. Investments vs consumption
3. Recurrent vs one-off

#### 4. Certainty of returns vs uncertain

**A distinction was made between “must have” and “good to have” expenditure items.** Differentiating expenditure items into categories of “must haves” and “good to haves” formed a central part of the participants' deliberations on their funding. The “must haves” are directly tied to national imperatives and existential threats, carrying a high level of urgency. On the other hand, the “good to haves” represent desirable but non-essential areas of public expenditure.

However, the distinction between these categories is not agreed upon amongst the various groups involved in the discussion. For example, the group with the older participants identified universal pre-school education as a non-essential “good to have”. However, a mixed age group saw it as a “must have”.

Where there were agreements over the importance of an expenditure item, there was another layer of inconsistency over how it should be funded. For instance, when the older participants posited that universal pre-school was a “good to have”, they argued that it should be financed through taxation. Resources such as the reserves ought to be protected from financing these non-essentials. However, this same group considered the funding of healthcare facilities which they saw as “must haves”. Interestingly, they also found that taxes should be raised to fund this expenditure. This inconsistency could be explained by different perceptions surrounding taxation. On one hand, they are seen as additional income that is more disposable than other funding sources and hence can be tapped to fund non-essentials. On the other hand, they are also seen as a way of ensuring everyone in society contributes. Therefore, taxes should be raised to fund national imperatives that benefit everyone.

This illustrates the challenges and complexities inherent in delineating the funding mechanisms for various public expenditures, a process which often hinges on nuanced interpretations and subjective views of necessity.

**Is an item of expenditure an investment or for consumption? How certain are we of the return if it is the former?** When deciding on the different funding source to use, participants also invariably went on to discussing not just the importance of the funding needs, but also whether they should be considered investments or consumption.

For expenditure items deemed to be consumption-related, there was agreement that these cannot be funded continuously through borrowing, as that would be imprudent. It was suggested that the NIRR could be used for consumption items that benefit both younger and older generations. With the funding of defence as an example, there was also agreement that taxation should be the primary source of funding for these consumption items. When it comes to investment expenditure, there was openness to tapping the reserves or resort to borrowing. This will be elaborated in the later parts of this section.

The nature of investment suggests the possibility of returns, which legitimises the use of these funding sources, in contrast to items perceived to be consumption-related. It was argued by some participants that recurrent expenditures can be addressed through the NIRR, as investment returns ensure the sustainability of this form of funding. Taxation is also seen as a suitable source of funding for recurrent costs. In contrast, for one-off expenditures, the use of the NIRR may not be appropriate, as it does not justify a constitutional amendment. The use of reserves, however, can be considered. For expenditures that are classified as “lumpy”, such as defence, debt financing may be warranted. This group’s definition of “lumpy” expenditure is related to the substantial monetary cost associated with the item and due to the perceived short duration in which the money is expended.

When dealing with expenditures with uncertain returns or necessity, several perspectives were put forward. Some proposed the use of taxes to modify behaviours and thereby create more certainty by reducing the need for expenditure. This includes taxation to make individuals more aware of their environmental impact, thus decreasing the need for climate change protection measures. The use of taxes might also be justified to hold current generations

accountable for the burden that they would impose on future generations. However, from the perspective of the benefiter-pays principle, taxes should not be raised to fund projects that taxpayers might not benefit from directly. Spreading costs over multiple generations can be seen as a form of “hedging uncertainty”. However, the same possibility of return failure means that debt should not be taken on to fund uncertain projects, unless there is clarity about the prospects of financial returns.

The use of the NIRR could potentially be viewed as an equity source that should be utilised to fund projects of uncertainty. The wide range of views illustrates the intricacies of matching funding sources with expenditure items, underlining the importance of careful consideration and prudent fiscal management.

### **7.3 Budget Surpluses**

One of the points brought up in the panel discussion about intergenerational equity was that fairness requires every generation to have equal access to the reserves in real terms. What this requires is a commitment to ensure that every generation must contribute to the reserves in a significant way to play their part in maintaining their real value. This would also imply that the government would be obliged to manage fiscal policy to ensure that there could be contributions on a regular basis to the reserves.

Budget surpluses are one way to do that and was an aspect that could have been developed further during the workshop. Budget surpluses in Singapore are an intergenerational commitment — a promise to later cohorts of Singaporeans that there would always be funds set aside that they could use to tide through difficult times. At the same time, through the NIRC, future generations would always have something they can use for other recurrent needs.

This connection between budget surpluses and the accumulation of reserves is often overlooked. The reserves are not merely increasing for the sake of increase, i.e., not “growth for growth’s sake”. Rather, the growth in the principal

is critical to maintain the value of the reserves in real terms, preventing devaluation from inflation.

We hope this exercise demonstrates the complexities of fiscal policy. They relate to horizontal tensions (i.e., tensions across policy domains) as well as tensions across time. What might seem to be overcautious planning or “over-taxation” has turned out to create the reserves that future cohorts — us in the present and future generations — will be able to enjoy because of past prudent policies. In addition, the creation of the reserves has also moderated the pressures to further increase tax rates. In the absence of the NIRC, tax rates would likely to be even higher. In this overall sense, budget surpluses are an important feature of Singapore’s fiscal policies, but there has been little appreciation and political support for the government to plan or achieve budget surpluses.

#### **7.4 Use of Reserves and NIRR for Expenditure that can Generate Returns**

As mentioned in point one of this section, the participants were not averse to tapping reserves or NIRR even though they were reminded of the constitutional rules and norms surrounding the use of these. Instead, one idea that surfaced several times was that reserves and NIRR could be used if they are to fund expenditure items with the potential for returns. This involved not just financial investments, but also what could be termed “social investments” —outlays that, although not generating immediate financial returns, result in significant social benefits. For instance, certain forms of social spending, such as preschool education, were viewed by the participants as investments due to their long-term benefits in human capital development.

These conditions reflect a nuanced understanding of the role of NIRR, indicating that it is not simply a fund for immediate expenditure, but a strategic resource that could be leveraged for targeted spending or investment.

A challenge to this perspective was that the government should be borrowing instead of tapping reserves or NIRR to fund investments. Clarity in views came through discussion over funding needs for which the payoffs could be highly uncertain, such as that of funding biomedical R&D. For such risky investments with little certainty of returns, it was argued that reserves or NIRR should be tapped before debt. The reference to personal or corporate practices of funding riskier investments from the perspective of equity capital was used to explain this view. On grounds of fairness towards future generations, it was also broadly agreed that debt should only be tapped to fund investments that have much more certainty of returns, such as the expansion of MRT lines.

### **7.5 Use of Reserves Justified if “Spending” Refers to a Mere Change from Financial to Physical Assets**

Other than tapping the reserves for expenditures that can generate returns, the idea of “borrowing from reserves” was also strongly put forward by the participants. This is similar to the above point about drawing on reserves for investments with expectations of making some returns on the reserves.

As the idea was further considered, there was also a recognition that there is currently no policy about repayment to the reserves if the money was used to build something that would also be considered as an asset of the reserves in the end. In other words, if reserves were used to build infrastructure that becomes part of the reserves once completed (e.g., reclaimed land), it would represent a conversion of financial to physical assets of the reserves. As there is no net change in the overall reserves, there is no need to consider this as “borrowing from reserves” but merely effecting a change in the form of the reserves from one type of asset to another, with the social and economic developmental returns from that infrastructure justifying the deployment of the reserves in this way.

This argument came across particularly strongly in the hypothetical case of funding flood and coastal protection infrastructure. The participants argued that processes involved such as the reclamation of land and construction of polders

are ultimately physical assets protected under the reserves. Therefore, using financial resources from the reserves to fund the building of this infrastructure would not be considered depleting the reserves.

## **7.6 Interpretations of Intergenerational Equity**

The participants' discourse displayed a range of interpretations of key principles, including the "benefiter-pays" concept and various forms of reciprocity.

**Should we be looking at "benefiters" on an individual or generational level?** The principle of "benefiter-pays" could be seen as one that was most easily understood and resonated with most participants. There was little or no disagreement that people should contribute to something from which they enjoy benefits.

However, there were debates surrounding who these "people" are or should be. For example, if a policy benefits a specific group of people belonging to the current generation, should this current generation as a whole be paying for the policy or only those specific beneficiaries?

**There were different ways of understanding the principle of reciprocity.** The principle of reciprocity was also seen as important given the frequency in which it was referred to when participants justified their positions. There were at least five ways in which this broad principle was interpreted and used by the participants.

One interpretation identified was "negative reciprocity", where those who have contributed to a problem are held accountable for funding the resolution. Examples cited included flood protection, the WIS scheme, and healthcare-related expenses. Another aspect of reciprocity explored the relationship between the rich and the poor within the nation, or socio-economic reciprocity. In this view, the wealthy bear a responsibility to pass on benefits to those less affluent. Participants also discussed generational reciprocity, i.e., "paying back"

to older generations. This could include raising our own taxes to accommodate rising societal needs, rather than relying on reserves that previous generations have contributed to. This perspective could also be interpreted as a form of “contributor-receives” reciprocity, acknowledging the entitlement of older generations to benefit from reserves they have helped build. Finally, participants also considered the principle of global reciprocity between nations, reflecting the increasingly interconnected nature of world economies and what that means for the way we should view and fund different expenditures.

These nuanced interpretations of key principles highlight the depth and complexity of public sentiment on matters of fiscal responsibility and intergenerational fairness. Far from considering these principles as “fixed”, participants actively engaged in the interpretation, debate, and application of these ideas to address contemporary fiscal challenges.

## **7.7 Public Education on Threats and Opportunities Facing Singapore’s Future for Context for the National Reserves**

This exercise was conducted among participants from higher socio-economic backgrounds, who are better informed citizens, and more sceptical of the government’s management of the reserves. The impression was also that they were more prepared to differ from state orthodoxy, especially in relation to the 50-50 allocation of long-term investment returns between current government expenditure and re-investment; and between current and future generations of Singaporeans. Just 70 per cent of the participants took that position, while close to 22 per cent were comfortable with spending more now even at the cost of slowing down the rate at which the reserves will grow, and close to 9 per cent took a more conservative stance of spending less now to grow the reserves faster. There was no change in the proportion of responses between the two surveys.

The detailed and balanced set of facts and perspectives, the conceptual scaffolds of the four principles, and the budget game might have shifted respondents towards some policy orthodoxies. This included the switching of



the majority view towards raising taxes to fund new government programmes, the selling of state land at market rate, and the position of not revealing the full size of reserves. What was notable was the stronger affirmation of the government's management of the reserves after the workshop.

On the other hand, in the budget game, while the trade-offs in using each bucket of fiscal resource were clear, there was a readiness among respondents to contemplate the use of the NIRR for social and fiscal investment in Singapore's future. What was absent was an appreciation of a key route by which the principal sum of the reserves grew as has been mentioned earlier, i.e., budget surpluses.

What is also notable is the slight softening of opinion around the need to build the reserves for future, unexpected crises. Nonetheless, about 85 per cent of the respondents agreed that it was important to build up the reserves for that reason.

**There is potential for future public engagements.** The interest that participants displayed in this area of public policy points to the potential of providing more information for deeper engagement with the citizenry.

A more systematic but simpler engagement programme featuring voices from the government, as well as third-party academics and financial analysts may be helpful, given that the national reserves are in the spotlight on policy discourse for various reasons.

What is also critical is a systematic and regular way of discussing the traditional and non-traditional threats to human security in Singapore; and connecting this directly with what the reserves are needed for in terms of scale and, paradoxically, unpredictability of when and how these threats can emerge. This has to do two things: first, to emphasise how trends interact to create crises, which is why there is unpredictability; and second, to emphasise the role of agency and the resources that allow for it, which includes the reserves. This may be an expansion, extension and mainstreaming in public discourse of what

the Centre for Strategic Futures (CFS) does — with a bonus in that it does not only focus on the negative, doomsday scenarios that Singapore could face but on the opportunities that Singapore can take advantage of. The hurdle is whether the CSF's remit can be expanded and resources raised to play this role. A second consideration is whether a more open and less government-aligned approach might be beneficial to achieving the goal of drawing in a broader pool of third-party views as well as effectively disseminating the material to the public. The material needs to be deemed as useful, balanced, accessibly-written reports on the future that strengthen public support for building up and protecting the value of the national reserves — the “rainy day fund” — in an era of long perfect storms and polycrises.

Another alternative is for the Parliament of Singapore to set up an on-going committee that convenes an annual review of the medium- to long-term threats and opportunities, as well as the specific threat events that Singapore must prepare for. It can conduct a season of public consultation annually and publish a report after the consultation that draws from expert as well as government input. This would also normalise or socialise all political parties represented in Parliament as well as the public to these threats and opportunities. It will also be a valuable resource that young Singaporean leaders and students across many domains can refer to for their contemplation of policy development around a resilient Singapore.

This process needs to be carefully calibrated so that knowledgeable and activist segments of the population do not feel that it is an attempt to breed the siege mentality or reinforce what has been termed the “veil of vulnerability”. It will be unfortunate if this is mired in a debate about whether such a mechanism, structure or programme is an attempt to shore up the power of the political incumbents, and to scare the public into supporting the political status quo or policy orthodoxies. The key elements that counter this could be: the open call and diverse sources of input; the quality of engagement that feeds the material that is put out; the sense of agency behind the desire to publish information and findings, including how the national reserves help to achieve the national goals of resilience; and the acknowledgement that this is but one attempt to update

the public on the perceived threat as well as the opportunities for development that Singaporeans can draw on and debate.

## **7.8 Comparing Game Observations with Survey Results**

In Section Two of the report, we summarised the key points on the knowledge and attitudes of the participants on Singapore's fiscal policies and national reserves. Here, we compare how the results from the 68 successfully paired surveys were reflected in the deliberations.

One of the key shifts in attitudes recorded from the pre- to post-workshop survey was the increase in preference to raise taxes over tapping NIRR. This is consistent with the point 7.1 in this section where we identified a typical ordering of funding sources -- participants seem inclined to raise taxes before moving on to other sources. Participants who came to the workshop without this mindset might have been convinced of this prudent approach and chose to raise taxes where possible before considering any other funding sources.

Another conclusion from the survey was that after the workshop, there was no shift in the decision to shift the 50-50 framework on the net investment returns on the reserves. This departs from the observations of the budget game. On almost all expenditure items, participants who had to work together to achieve some understanding and perhaps even consensus to place the "units" of value on the board to pay for the expenditure items were willing to consider tapping NIRR even if raising taxes was generally the first option.

As mentioned in this section, when participants considered the context, perhaps that the spending of the reserves constitutes an investment with possible returns, they were supportive of drawing on NIRR. In such cases, they were more desirous of using the investment returns rather than increasing the tax burden. The difference between the survey results and observations of the game could be due to the lack of context in the former. When posed a general question on the funding sources they would tap, participants followed the typical ordering of funds. However, they recognised that various contexts brought on

different principles for consideration, which then informed their decisions on what were fair ways of funding the different items.

Lastly, the survey showed a slight change in pre- to post-sessions where about three participants softened their positions that the reserves should be continually built up. This also matches the conclusions we drew from the game deliberations where we found participants advocating for the drawing of reserves for what could be construed as a national investment, or for those that will build up the physical assets of Singapore (see 7.4 and 7.5). Context matters, but there were also participants who tried to be imaginative about how to put what they deemed to be a precious collective resource to “better use”, perhaps because there were several objectives that could be met directly in doing so.

## **8. CONCLUSION**

Singapore’s national reserves are a critical and unique shared resource which is fundamental to our fiscal policy. What we pay for and how we pay for them have important intergenerational and intragenerational implications that undergird our social, economic and political compact.

The two-day workshop showed that there is much scope for public engagement on these issues as well as ideas to change to current modes of funding our needs. Being clear and united on our underlying principles and applying them to our decisions on fiscal policy can not only alleviate the potential fiscal gap to come, but also unlock resources for investments that reap long-term benefits for Singapore.

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## APPENDIX

### 1. Information booklet

To prepare the participants with basic understanding of Singapore's fiscal policies and policies related to national reserves, the IPS research team prepared an information booklet that was circulated about two weeks before the workshop.

The [information booklet and presentation slides](#) used for the workshop are uploaded on our IPS page.

### 2. Demographic breakdown of participants

N=100 sample (based on 2022 data from DOS; citizen population for gender, age and ethnicity using base ex-people below 20 years of age; resident population for proportions in dwelling type)

Sex	Ideal	Participants Attended	
		29 Apr '23	6 May '23
<b>Total</b>	100	91	85
Male	49	56	51
Female	51	35	34

Race	Ideal	Participants Attended	
		29 Apr '23	6 May '23
<b>Total</b>	100	91	85
Chinese	76	76	72
Malays	13	3	3
Indians	8	11	9
Others	3	1	1

Age Group	Ideal	Participants Attended	
		29 Apr '23	6 May '23
<b>Total</b>	100	91	85
20 - 29	16	10	9

30 - 39	19	13	11
40 - 49	18	15	14
50 - 59	18	17	16
60 -69	16	19	18
70 and over	13	17	17

2022 Dwelling Type	Ideal	Participants Attended	
		29 Apr '23	6 May '23
<b>Total</b>	100	91	85
Total HDB Dwellings	78	49	46
HDB 1- to 2-Flats	7	2	2
HDB 3-Room Flats	17	10	9
HDB 4-Room Flats	31	21	20
HDB 5-Room and Executive Flats	23	16	15
Condominiums & Other Apartments	17	22	20
Landed Properties & Other Types of Dwelling	5	20	19

### 3. Post-workshop engagement with participants

At the end of the first Saturday of the public engagement, the participants were invited to share outstanding questions that they had about the content covered in the day. The questions were compiled by the IPS research team who clustered them into themes and responded to them in a document. The

document was then shared with the participants in a follow-up email after the workshop.

The responses were drawn from publicly available information and include some opinions of the team. The participants were pointed to further authoritative information, such as websites of relevant government ministries and organs of state.

### Investment and use of our national reserves

*Question: Net Investment Returns Contribution (NIRC) — What is it? How do we know if NIRR (the portion that is not channelled to the annual budget) is being reinvested into the national reserves to deal with inflation and maintain the real value of the reserves? What are the factors that would encourage the government to rethink the 50/50 NIRC-NIRR split?*

Answer:

The NIRC comprises:

Up to 50 per cent of the Net Investment Returns (NIR) on the net assets invested by the Monetary Authority of Singapore (MAS), Temasek and the GIC Private Limited (GIC); and,

Up to 50 per cent of the Net Investment Income (NII) derived from the remaining assets in the national reserves. (Source: [MOF](#))

The NIR component, introduced in 2009, allows the government to spend up to 50 per cent of the expected long-term real returns from the net assets invested by MAS, Temasek and GIC. Together with the NII, the NIRC is estimated to be S\$23.5 billion in FY2023 and would constitute about 20 per cent of the income element of the government's annual national budget in this financial year.

At the first workshop of the IPS Discussion on Fiscal Policies and National Reserves on 29 April, it was clarified that the government has, in the past, appropriated the full 50 per cent of the NIR and NII to fund its annual budgets.



Hence, these investment returns from our national reserves provide resources for government spending to benefit Singaporeans directly such as through its programmes in education, healthcare, transport infrastructure, research and development activities, and such.

The ability to tap our national reserves in a sustainable manner is a significant financial advantage for Singapore. Our situation is quite unlike many countries that have to service their debts and other liabilities from their budgets on an annual basis either by raising taxes or borrowing further. Utilising investment returns reduces the fiscal pressure to raise taxation levels, which helps Singapore maintain its economic competitiveness and keep the tax burden on Singaporeans from becoming heavier.

The government is able to take in money from the investment returns of our national reserves to supplement our budget on a sustained basis and in keeping with the provisions in the Constitution. The few other countries where governments are able to derive net investment income for public spending are typically those with substantial natural resources such as oil and gas.

Singapore's national reserves are managed by the MAS, Temasek and GIC. In the IPS Public Deliberation on Singapore's National Reserves and Fiscal Policy, the presentation slides for the workshop on 6 May show investment reports of the three entities. These publicly available documents suggest that they make a wide range of investments — from fairly liquid and lower-risk investments like bonds and cash, to developed and emerging market equities as well as inflation-linked bonds.

Read: [Keynote speech by Mr Ravi Menon, Managing Director of the Monetary Authority of Singapore, at the National Asset-Liability Management Europe Conference, Singapore](#), 13 March 2019.

The NIRR is simply the 50 per cent of the NIR and NII that are retained in the pool of reserves; this is not spent but kept to ensure the national reserves maintain their value or grow.

The question of whether the “real value” of the national reserves is maintained, that is, if the national reserves grow more than the rate of inflation, was raised at the panel discussion at the first workshop on 29 April. It is about whether enough is being done to ensure that future generations have at least the same store of real value in the national reserves as the previous generation, in the interest of doing what is “fair and just” for the future generation of Singaporeans. In other words, are we upholding the notion of intergenerational equity? If this is a key principle, then what rules, policies and factors will help us operationalise it?

This is why it is important to consider if, first, the methods of growing the national reserves over the long run is optimal based on a rigorous assessment of the long-term risks and opportunities of the investment landscape and global economy (where accuracy is difficult to achieve); and second, if any use of the national reserves and the expected long-term returns outstrip healthy growth of those reserves. Is the current split of spending 50 per cent of the NIR and NII and saving the other half sufficient for maintaining the real value of the reserves for the future, or should it be more? Are there any other rules that can help if this is indeed an important principle to introduce in the management of the national reserves?

*Question: What are our national reserves composed of? Are there holdings of gold and US treasury bonds in our reserves? Why can't the proceeds of land sales be used as revenue that is fed into the government's annual budget?*

Answer:

The “national reserves” refers to the total assets minus liabilities of the government. The assets include physical assets such as land and buildings, whilst financial assets are cash, securities, and bonds.

As with all other countries, Singapore and in particular the MAS, does hold gold as part of the national reserves. In 2021, Singapore topped up its gold reserves for the first time since 2000, when MAS bought 26.3 tonnes of gold to guard

against the falling US dollar. Nonetheless, as analysts in a *The Business Times* article on this matter agreed, this is not significant taken in context of the overall size of Singapore's official foreign reserves (Source: [The Business Times](#)).

As for land, it is a scarce national resource that is protected as past reserves. When land is "sold", there is only a conversion from physical to financial assets in our national reserves. Hence there is no net increase in them. Even after the land returns to the state after say, the 99 years, there is no gain in the national reserves. This is because the financial asset received from the initial "sale" is meant to cover only the loss of use of land over than 99 years.

Constitutionally, the government is not allowed to spend the principal sum of our national reserves in the annual budget until the plan is put to the president by the government, where the president has the right to veto it. Spending directly from land sale proceeds means we would be doing so from the principal sum of those reserves.

However, one can say that there is an increase in the national reserves when the financial resources received from sale of land are well managed, invested, and thus, growing in size. As mentioned at the start of this document, a portion of this investment income is tapped for the government's annual budget through the NIRC.

*Question: Can public housing be sustained on a subsidy model? Where do the subsidies come from? Why is the government unwilling to reveal the cost of building HDB flats?*

Answer:

The pricing of HDB flats begins with the chief valuator establishing the fair market value of flats; this is determined by variables such as location, attributes, land cost and prevailing market conditions. HDB purchases land at a fair market rate which is paid to the national reserves. (As explained in the section above, in reality this is simply the transformation of part of the reserves from physical

asset to financial asset.) HDB then sells the flats to Singaporeans with grants and subsidies to ensure affordability.

The total development cost, which includes construction and land costs, cannot be fully covered by the total sum of the price that citizens pay for their flats as the latter is highly subsidised by the government by policy intent. Therefore, HDB incurs significant deficits every year as part of its Home Ownership Programme, which are reflected in its annual reports. In the latest FY2021/22, HDB recorded a deficit of about S\$3.85 billion. These subsidies given to the buyers or deficits incurred by HDB are funded through taxes and NIRC from the government's annual budget.

The breakdown of the cost of building HDB flats was released by the government in December 2022. For the details and other background information, read:

MND's media statement: ["Media Statement on HDB's Pricing Approach and Development Costs for BTO Flats"](#), 7 December 2022

Parliamentary sitting on ["Impact sale of state land on reserves and accounting treatment of cost of state land for public housing"](#), 7 November 2023.

Parliamentary sitting on ["factors in determination of value of land for public and private housing"](#), 10 January 2023.

*Question: How does the government deal with a deficit in a financial year or term of government? Is there a draw down on the national reserves, like in the case of the COVID-19 crisis, and will we be paying it back?*

Answer:

The Balanced Budget Rule (as set out in the Constitution of Singapore) requires a government to ensure that deficits in any year are balanced by surpluses from other years within its term in office. Under normal circumstances, an overall deficit in a term of government is not allowed. If there are insufficient surpluses to cover the deficit, the president has the power to veto the budget, as this deficit would have to be funded, presumably, by drawing on past reserves.

Singapore ran deficits in extraordinary circumstances of the 2008 Global Financial Crisis and the recent COVID-19 pandemic. The government approached the sitting presidents for assent to use the national reserves to fund the response to these crises. In that sense, this funded what would otherwise have been large budget deficits.

When the national reserves are drawn, there is no legal obligation to return the amount to the reserves. The S\$4 billion that was drawn in the 2008 Global Financial Crisis was returned to the national reserves by the government of the day in 2011. In the case of the estimated S\$40 billion used to respond to the pandemic, Finance Minister Lawrence Wong said in his budget statement delivered on 14 February 2023 that it is “highly unlikely” to be returned to the national reserves.

#### Accountability and transparency of the national reserves

*Question: How are our reserves distributed for management by MAS, Temasek and GIC? Is there accountability for their performance?*

Answer:

The government sets the overall investment objectives for MAS, Temasek and GIC, and monitors the risk and return profile of the total reserves under their management. The portfolios are subjected to rigorous stress tests by the government and if they are deemed to be too risky, the government provides feedback to the entities. However, the government plays no role in prescribing specific investment decisions by the three entities. These entities are expected to make their decisions purely on professional grounds.

The financial statements of these investment entities are also audited. The main companies in the GIC group as well as MAS’ financial statements are audited by the Auditor-General. The Auditor-General is appointed by the president. The former’s role is safeguarded in the Constitution and the Audit Act.

Temasek's consolidated financial statements are audited by leading international audit firms. In addition, Temasek's financial performance is analysed by bond rating agencies, which have given it a AAA credit rating. (Source: [MOF, "Q11. How have GIC and Temasek performed? What information is available on their investment returns?"](#))

In a world of inevitable uncertainties, risks are always involved in investments. However, a strategic advantage that Singapore has in pooling all its resources is that its scale gives it the ability to take a long-term perspective, and to invest widely to diversify the risks

Read: Parliamentary sitting on "[Impact of FTX's Bankruptcy on Singapore's Financial Markets, Regulation of Asset Classes and Strategies of Investment Entities](#)", 30 November, 2022.

*Question: Can there be more transparency on the size of Singapore's national reserves? What does it mean that our currency and economy can be attacked if we were to be completely transparent about our reserves?*

Answer:

The size of funds managed by MAS and Temasek are published. What is known about the funds managed by GIC is that it is well over US\$100 billion. The government has always said that revealing the full size and nature of Singapore's national reserves will make it easier for markets to mount speculative attacks on the Singapore dollar during periods of vulnerability.

While it is possible to estimate the size of the national reserves, these exercises are likely to yield results that would be very far from actual circumstances owing to different assumptions about "long-term expected returns". It is also worth noting that any estimates using calculations based on the actual Net Investment Returns Contribution (NIRC) to each year's budget would still only yield an imprecise estimate of the component of the national reserves that are held as financial assets and would certainly not include the non-financial components of the reserves such as land, buildings and infrastructure.

*Question: Can we compare our sovereign wealth funds and national reserves with that of Norway's?*

Sovereign wealth funds are investment funds owned by national governments and created with the objectives of stabilising a country's economy through diversification of the investments as well as for preserving and generating wealth for future generations (source: [Investopedia](#)).

GIC is Singapore's main sovereign wealth fund, established in 1981. GIC invests globally in a variety of asset classes, including stocks, bonds, private equity, and real estate. Its portfolio composition can be found [here](#).

The other major sovereign wealth fund in Singapore is Temasek Holdings, which was established in 1974. Temasek invests mainly in Singapore and Asia, but also has some global investments. Temasek's portfolio includes companies in a wide range of sectors, including financial services, telecommunications, media, technology and real estate. As at 31 March 2022, Temasek's net portfolio value was S\$403 billion/US\$297 billion (source: [Temasek Review 2022 Highlights](#)).

Norway's sovereign wealth fund — the Government Pension Fund — comprises two separate organisations. The larger of the two, the Government Pension Fund Global (GPFGL) was established in 1990. GPFGL is primarily funded by Norway's oil and gas revenues and invests in global stocks, bonds, and real estate. The fund is managed by Norges Bank Investment Management, which is a part of Norway's central bank. In terms of size, Norway's GPFGL had assets under management of over US\$1.18 trillion as of end 2022. There is a second sovereign wealth fund called the Government Pension Fund Norway valued at about US\$30 billion in market value, founded in 1967. Its fund originated from surpluses in their national insurance scheme and invests mainly in Norwegian equities. Both organisations were established with acts of the Norwegian Parliament. The Norwegian Ministry of Finance

reports to the Norwegian Parliament on their performance. The latest report for the year 2022/2023 can be found [here](#).

Their respective mandates are laid down by the Norwegian Ministry of Finance. Information about the GPFG can be found [here](#), while information about the GPFN can be found [here](#).

Hence, both Singapore's and Norway's sovereign wealth funds aim to preserve and grow that wealth for future generations, but as indicated, they differ in terms of their size, investment strategies, specific mandates and how those mandates are issued.

### Significant Infrastructure Government Loan Act (SINGA)

*Question: What prompted the shift by the government towards borrowing and creating SINGA Bonds? What is it that cannot be balanced such that we need to introduce SINGA?*

Answer:

In line with the principle of fiscal prudence, the government has set itself rules against borrowing to fund budget deficits, recurring expenditures, and non-major short-term development projects. In 2021, a new bill was introduced to allow the government to borrow up to S\$90 billion specifically for long-term national infrastructure projects.

This idea of borrowing for large long-term national infrastructure projects is not new. When Singapore started its first Development Plan in 1961, the government borrowed from the World Bank and Asian Development Bank to launch a S\$871 million plan to kickstart industrialisation and economic development. In the 1980s, Singapore also borrowed to finance major projects such as building of Changi Airport's Terminals 1 and 2, and our first MRT lines. These debts were paid back steadily and on time.



By the early 1990s, when the economy grew rapidly partly due to a relatively young working population and conditions in the world economy that supported globalisation, small and open Singapore was able to run healthy budget surpluses and there was no longer a need to borrow for infrastructural development.

The present need to rely on borrowing is due the upcoming hump in development expenditure, where needs for expansion of our MRT lines, major highways and coastal protection infrastructure have arisen and at the same time. Compared to the demographic dividend that we enjoyed in the 1990s, Singapore now faces an ageing population for which other costs relating to this trend are also rising.

All in all, the need for intergenerational equity has also called for borrowing to finance these long-term projects. This allows each generation that benefits from the infrastructure to pay its fair share. This and other principles for governing the design of fiscal policies and the use of national reserves was at the heart of the discussions at the two IPS workshops.

Read: Parliamentary sitting on "[Significant Infrastructure Government Loan Bill](#)", 10 May 2021

#### *Managing risks of borrowing under SINGA*

When taking on public debt, an important consideration is to ensure that future generations are not unfairly or unduly burdened to service that debt. SINGA therefore comes with a series of restrictions, other than the specific qualifying requirements of what might be considered a "significant infrastructure" that can be funded out of SINGA.

One of the restrictions is a gross borrowing limit set at S\$90 billion. This sum is meant to reflect the projected pipeline of nationally significant infrastructure over the next 15 years, after adjusting for inflation. This limits the extent to which future governments are burdened with the repayment of the principal sum and interest costs, and that they will be able to fund their own priorities. If this S\$90

billion limit is reached, the government of the day can decide to amend the borrowing limit by passing a new bill in Parliament. In that way, there will be a need to justify further borrowings under SINGA

The second restriction is an effective interest cost threshold of S\$5 billion per annum. This amount, against the S\$90 billion cap works out to be an effective interest rate of 5.5 per cent. The government is then deterred from borrowing when interest rates are high which caps interest costs that have to borne by future generations.

Read: Parliamentary sitting on "[Significant Infrastructure Government Loan Bill](#)", 10 May 2021.

*Question: Can we consider adopting the public-private partnership (PPP) model for financing big infrastructure as an alternative source of funding?*

Answer:

Singapore has utilised PPPs as vehicles of funding for a number of development projects such as waste disposal, water treatment plants, education and other social infrastructure (see pp.95–102 of [Civil Service College Ethos issue 13](#)). The first social infrastructure PPP project in Singapore was the development of ITE College West, which began in 2005 and was completed in 2010. (Source: [PWC](#))

As the Civil Service College *Ethos* article suggests, with the example of the Singapore Sports Hub PPP, there are issues around the stability and continuity of private sector funding for very long-term and large-scale infrastructure projects. The private sector may not always have the capacity to absorb the risks associated with large-scale infrastructure projects with uncertain future revenue streams (p.97 of [Civil Service College Ethos issue 13](#)).

Budget planning, accountability and auditing

*Question: How will we close the projected fiscal gap? What is the increase in expenditure that we cannot afford?*

Answer:

The perspective that MOF takes on the variance between estimated and actual expenditures is not on the size of the difference, but the difference as a percentage of the actual budget. MOF estimates that there is about 3 per cent of variance of expenditure in any given year. In this regard, Singapore's budget marksmanship has been comparable to Hong Kong, South Korea and New Zealand. This conservative approach also helps with not getting into a situation of deficit.

Read: Parliamentary Reply on "[Measures to Reduce Overly Conservative Budgeting](#)", 3 September 2019.

In February 2023, MOF released an Occasional Paper on Medium-Term Fiscal Projections, which projected the government's expenditure and revenue up to the financial year 2030. All things being equal from now till 2030, it projected that there might be a funding gap of 1 to 2 per cent of GDP as expenditure exceeds revenue.

The paper set out that one key driver of this is the increase in health expenditure due to Singapore's ageing population. The need to raise more revenue to match this increase in expenditure comes in the context of an already tight fiscal space with the recent tax reform and the uncertain medium-term global economic outlook.

Read: [MOF Occasional Paper on Medium-Term Fiscal Projections](#)

*Question: How are different ministries held accountable for their annual budgets by MOF? How can we increase efficiency in the use of our resources? Is there accountability when it comes to wastage in public spending?*

Answer:

There are multiple processes in place for ensuring that the government expenditure is properly managed. In the planning stage, there are multiple layers of checks and reviews on the proposed expenditure items. This involves consultations with other ministries. When there is a proposed drawdown on the national reserves, the case for this must be made to the president.

Post-budget, there are also checks on possible loopholes that are being exploited, especially during moments of crisis, such as in the recent COVID-19 pandemic, when there was a time pressure to deliver assistance. When this happens, there is an effort to ensure that the funds are recovered post-crisis. The MOF publishes the *Public Sector Outcomes Review* biennially to take stock of how the business sector and citizens have fared through public programmes. The latest issue can be found here: [Singapore Public Sector Outcomes Review 2022](#).

More critically, there is the organ of the state called the Auditor-General's Office (AGO). This independent body ensures public accountability in the management and use of public funds and resources through its audits that are presented to the president and the public annually. Here is the report for FY 2021/22: [Report of the Auditor-General for the Financial Year 2021/22](#).

The AGO audits government ministries and departments, organs of state, statutory boards, and any other public authorities and bodies like government-owned companies that administer public funds.

It looks at system weaknesses in the management of funds, non-compliance with control procedures or legislation, and instances of excess, extravagance or gross inefficiency leading to waste in the use of public funds and resources. Notable lapses are often picked up by the mainstream media. The reportage helps to spotlight how specific and detailed investigations are, how the lapses occurred and what remediation is needed. *The Straits Times* feature of the findings of the 2022 report provides indication of this ("[Auditor-General's Office report: 8 key findings](#)", 20 July, 2022). These findings can be and often are debated in parliament, which provides a key layer of accountability.

The Inland Revenue Authority of Singapore as well as the Corrupt Practices Investigation Bureau are other organs of the state that ensure a wider range of integrity of the government system and Singapore. Lapses and instances of cheating and corruption are then prosecuted in the court of law.

The elected president has the power to refuse or revoke the appointment of the heads of the AGO and CPIB put forward by the government. This helps to ensure that these leaders manage their bodies and activities without fear or favour.

*Question: Why use percentage of GDP as an indicator of the measurement of the size of funds/national budget? Why not GNP?*

Answer:

For purposes of international comparison, the size of a national budget is most typically referenced to Gross Domestic Product (GDP), rather than Gross National Product (GNP).

GDP is the total monetary or market value of all the finished goods and services produced within a country's borders in a specific time period (Source: [Investopedia](#)). GNP is an estimate of the total value of all the final products and services turned out in a given period by the means of production owned by a country's residents (Source: [Investopedia](#)).

GDP is the better reference point for the relative size of budgeted public revenues and expenditures as it represents the base of taxation for any country and the provision of public goods and services in that country, which is really the domestic economy involving all economic transactions within its borders by residents and foreign corporations and individuals.

A country's GNP is estimated by taking GDP, adding residents' investment income from overseas investments and deducting foreign residents' investment income earned within that country. But the taxing rights on that overseas investment income earned by residents belong to the overseas jurisdiction, whilst the foreign residents' income earned in that country should already have

been taxed locally, so it would be less appropriate to use GNP in comparisons with public revenues and expenditures.

### Taxation, distributive justice and refreshing the social compact

Several questions related to the use of various tax mechanism and if they were fair were raised. There were also many questions about the fiscal implications of efforts to refresh the social compact as part of the ongoing Forward Singapore exercise. The IPS workshops focused on the principles behind the tapping various sources, including taxes, to discuss some hypothetical scenarios. A reference document that relates tax policy to concepts of fairness, equity and justice is IPS Working Paper No.42: Taxation and Distributive Justice in Singapore.

### **Topics for further discussion**

These are questions the IPS team does not have answers for as they are either outside the scope of this IPS project or are recommendations by participants. Many of the topics could fall within the scope of the government's Forward Singapore exercise. These questions include:

#### SINGA

The current use of SINGA is capped at absolute values. Should it not be as a percentage of GDP as it needs to take into account the inflation and needs as the economy grows?

#### Social Compact

How are we planning for the new social compact? How do we know that we have arrived at an appropriate social compact? Is it even possible to arrive at that? Will the social compact continue to be decided by the government?

How will the people's voices be heard? Is the "social compact" going to be what the majority thinks?

#### Health

Why are health expenses rising? Is this beyond expectations? Should this have been better planned for?

Do we have a budget for the healthcare needs of senior citizens? Have we accounted enough for this? How are we going to finance the healthcare needs of seniors? If there is now a longer lifespan, does it mean that more budget has to be allocated to it?

Why did the government design three different healthcare subsidy schemes for the pioneers based on their financial background?

### Housing

The current property tax is a heavy burden on seniors. Why is this so? And why raise it when they are retirees?

### CPF

Why allow people 67 and older to both withdraw and continue putting money in CPF?

Is it possible to tap the national reserves to maintain the value of CPF monies, such as by using it to protect the CPF rates against inflation?

Are we in favour of inflation-indexed CPF interest rates, and if necessary, to tap the national reserves to maintain the pegging of interest rates to match rises in inflation?

### Sustainability

Besides the imposition of a carbon tax, are there any budgetary policies for issues of sustainability of the green environment?

At the opening of the second session of the 14th Parliament, on 17 April 2023, Deputy Prime Minister Lawrence Wong mentioned that the government will make “key shifts” in public policy as “part of our new social compact”. The shifts are in the areas of:

- Re-doubling efforts to help Singaporeans get new skills and raise their employability.
- Broadening the way meritocracy works in Singapore.
- Improving social support for the disadvantaged.

- Caring for seniors.
- Renewing the commitment of one to another — less about “I” and “me”, more about “us” and “we”.

This is an ongoing development. More information can be found at the [Forward Singapore website](#).



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