

**MOF COMMITTEE OF SUPPLY DEBATE 2010  
COS SPEECH BY  
SECOND MINISTER FOR FINANCE, MRS LIM HWEE HUA**

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**A. INTRODUCTION**

A1. Mr/Madam Chairman, let me first thank Honourable members for their comments and suggestions. Given the constraint of time, I shall endeavour to elaborate on the policy intent and address specific comments wherever possible.

A2. The issues that Members have raised reflect the opportunities and challenges that Singapore faces today, and how the Government will ensure that as an economy, we are well equipped to tap these opportunities. These centre around four broad areas:

- First, the need to ensure high government performance, efficient resource utilisation and accountability;
- Second, suggestions to enhance our tax regime, in particular leveraging on it, to achieve social and environmental objectives;
- Third, measures to aid businesses in their economic expansion and transformation; and

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- Fourth, preparing for the future through the next wave of e-Government innovation.

A3. Sir/Madam, I will address each of these areas in turn, and if time permits, the related issues that some Members have raised during the Budget Debate last week but were not addressed in the Budget Round-up Speech.

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### **B. Government Performance, Resource Utilisation and Accountability**

#### **B(1) High Performance Government**

B1. MP Jessica Tan asked about the government's plan to drive productivity and innovation within the Public Service.

B2. Sir/Madam, there are many aspects to productivity growth. Here, I quote DPM Teo who said "the factors which contribute to productivity include the quality of the systems, processes, technology, organisation and workforce within enterprises, the attractiveness of their products and services to their markets, and leadership and management to bring all these factors together". Hence we know that productivity growth requires everyone to play his part – not just the individual but also the enterprise. The Public Service too has to play its part.

B3. DPM Teo has also mentioned that Head Civil Service will be overseeing the Public Service's productivity drive and that the public sector will continue to emphasise training and improvements to processes and to the delivery of quality service to the public. The government recognises that the public service can itself be more productive; and as a regulator and facilitator, the Government can continue to play a role to help businesses enhance their productivity. In the context of this afternoon's debate, however, let me explain how MOF is ensuring effective allocation and use of resources.

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B4. Sir/Madam, MOF has instituted mechanisms to drive productivity growth through the **optimal allocation of resources**:

- **Reinvestment Fund.** Every year, a budget is set aside for investment in new areas that support Whole-of-Government strategic outcomes, cross-agency collaboration and innovation. This is a mechanism which prioritises and redistributes resources to ministries with proposals for new and worthwhile projects on a competitive basis. Through the Reinvestment Fund, the government has provided around \$1 billion a year over the last three years to fund new Government initiatives. This includes for example the ABC Waters Programme that is helping to transform our water-bodies and parks into aesthetically pleasing and vibrant places that everyone can enjoy.

- **Value Management** is a process that seeks to achieve better value by scrutinizing the specifications of large infrastructure projects upfront at the conceptual design stage. One such example is the Downtown Line 1, where the Value Management process yielded savings of about \$200 million through the use of the most optimal method of

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constructing tunnels between the Chinatown and Cross Street stations.

- **Block Budget, Manpower Management Framework and Economy Drive** are examples of measures designed to instil discipline over the use of resources by public agencies, while according them maximum flexibility and autonomy to derive best value from these resources. I will elaborate on the Block Budgeting system later on in my speech.

B5. Further, MOF continues to work with public agencies to achieve higher productivity by **pooling resources at the Whole-of-Government (WOG) level**.

- For example, as a consumer, the government **aggregates demand** for economies of scale through joint procurements.

To illustrate, service-wide demand aggregation of contracts for the supply of fuel and of office furniture led to cost savings of 12% and 20% respectively.

- Likewise, agencies are able to learn from each other's best practices and enjoy cost savings by coming together to develop shared IT systems and applications.

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B6. Sir/Madam, it is important for me to highlight that productivity improvements, in the context of the Government also includes **innovation**. This is at the heart of our productivity drive.

- MOF introduced a Public Sector Innovation Framework in 2008 to encourage experimentation, test-bedding and capability building within ministries and statutory boards.
- We are also seeking to enable productivity growth in the economy at large via partnerships with the Private Sector through the **Co-Innovation Platform**, and **e-Government**. I will elaborate on these areas further on in my speech.

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### B(II) Government Accountability

B7. Sir/Madam, let me now move on to MP Low Thia Kiang's question on the amount of information in the Annual Budget Books and how we strike a balance between budgetary autonomy and accountability.

B8. The primary purpose of the Budget Book is to provide the annual estimates of revenue and expenditure of the government, as required by the Constitution. In fact, the Constitution does not require the Government to publish programme descriptions in the Budget Book, but MOF has chosen to include these, along with key performance indicators (KPIs).

B9. Explanations for material changes in the Ministry's expenditure from the previous year can be found under Section III of the Budget Book entitled "Expenditure Estimates By Heads of Expenditure". The information provided in this section is intended to help readers understand how the sums voted to each head of expenditures have been appropriated.

B10. In addition, Members who wish to know further line-item details of spending by ministries can obtain the information from the "Expenditure Control Document", copies of which are found in the Parliament library.

B11. Sir/Madam the Budget Book also includes KPIs which provide information on the agencies' achievement of objectives through their programmes. Over time, these indicators have

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evolved from being input-based to outcome measurements, wherever possible.

B12. Recognising that the issues facing the public sector are becoming increasingly complex and intertwined, MOF has been working with Ministries to identify key strategic outcomes at the Whole-of-Government level. These will be published in the Singapore Public Sector Performance Report, which will be released some time this year. The report would provide an overview of how well the Public Service is collectively achieving Whole-of-Government (WOG) strategic outcomes.

B13. Furthermore, MOF has a Budget website to reach out to a wider audience. In this website, you can find a write-up summarising the spending trends of the year based on the four sectors of Security, Social, Economic and Government Administration. In addition, each ministry publishes a summary of their spending highlights on this website.

### Consolidation of Public Sector Accounts

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B14. Mr Low also suggested that the Budget Book be used as a consolidated public document with aggregated information from the annual reports of various public sector agencies. Allow me to explain why it would not be meaningful to do so. The accounts of the Government are maintained on the cash basis of accounting, as required by the Constitution. On the other hand, Statutory Boards follow an accrual basis of accounting in accordance with the Statutory Board Financial Reporting Standards (SB-FRS)



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prescribed by the Accountant-General. There is therefore limited direct comparability between these financial documents.

B15. Notwithstanding the different accounting treatments, there is transparency in the functioning of each Statutory Board and accountability to its parent Ministry. Moreover, Statutory Board accounts are tabled in Parliament annually.

### Block Budget Accountability

B16. Sir/Madam, I would now move on to elaborate how MOF's **block budget system** ensures an optimal balance between budgetary flexibility and accountability. At its core, Block budgets, which have been the basic foundation of Singapore's budgetary framework for the last ten years, seeks to establish limits to ministries' expenditure by capping their spending as a pre-determined percentage of GDP.

B17. These limits are tied directly to Singapore's economic performance, which is also the key determinant of Government's revenues. By pegging ministry budgets to the GDP, MOF ensures that the Government as a whole spends only as much as it expects to collect in revenues on a sustained basis.

B18. Compared to the line-item method of budgeting we practised in the past, block budgets accord ministries greater certainty on the funding they can expect to receive over a three to five year period. Furthermore, ministries will take responsibility for optimizing and re-prioritising their programmes within their allocated block budgets.

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B19. Notwithstanding these budgeting flexibilities, sufficient frameworks and checks have been put in place to ensure proper accountability for expenditures.

B20. First, MOF reviews and evaluates the strategic expenditure plans for each agency on an annual basis against the desired outcomes set out.

B21. Second, major development projects require the approval of the Ministerial Development Planning Committee.

B22. Third, ministries are subject to the Manpower Management Framework, which limits the growth of their headcounts by the smoothed Resident Labour Force growth rate. This ensures that growth in public sector manpower does not outstrip that of the economy at large.

B23. Next, the Accountant-General's Department undertakes regular Value-for-Money audits to assess programmes and projects of ministries; and

B24. Finally, the Auditor-General is constitutionally empowered to audit and report on the accounts of the Government. This includes reviews of key financial systems and controls.

B25. Sir/Madam, this House plays a role too. Parliament has its own Estimates Committee which scrutinises the Government's budget, questions the Government on its budget estimates and processes for managing expenditure, and suggests improvements. Moreover, the Parliament also has a Public Accounts Committee

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which examines various accounts of the Government, including the Auditor-General's Report.

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**B(III) Optimising Land and Building Assets**

B26. MP Cynthia Phua spoke about the need for government agencies to be aware of the opportunity cost of using prime land for bus interchanges.

B27. Sir/Madam, allow me to share some history behind bus interchanges. In the past, bus interchanges were built by HDB as part of its town planning and infrastructure provisions. Many are thus located within the town centres so as to facilitate the transfer of passengers between trunk and feeder bus services.

B28. Today, as part of its efforts to optimise land use, LTA works with URA and HDB to redevelop the bus interchange sites from stand-alone developments into **integrated developments** (i.e. commercial development with a bus interchange on the ground floor). Such integration achieves the twin objectives of setting aside prime space within our estates for key infrastructure, while enhancing their value by capitalising on the steady stream of public transport commuters. The redevelopment also allows LTA the opportunity to right-size the space required for the bus interchanges.

B29. To determine the appropriate size for a bus interchange, LTA applies a set of **space norms** for the various components such as driveway and bus park lots. These space norms are reviewed regularly to optimise land take, while ensuring that operating requirements would continue to be met.

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B30. This is an example of how the government has continuously reviewed our land use to unlock the productive yield of our land assets.

B31. Every 10 years, URA also conducts the Concept Plan Review to plan ahead for the future so as to optimise land use, taking into consideration inputs from various stakeholders. The Minister for National Development elaborated on this during MND's COS debate.

B32. On MOF's part, we have put in place measures that encourage the optimisation of land use, and the realisation of maximum value. Land cost, at market rate, has been made explicit to ministries through the application of the **Resource Management Framework**. Under this framework, public agencies are charged an imputed rent on the land so that they are mindful of the cost of the space of property they use. Should there be development potential beyond the current use, as a bus interchange in this case, MOF would certainly review, with the public agency concerned, the possibility from an optimization perspective.

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### **B(IV) Management of Government Investment Companies**

B33. MP Inderjit Singh has suggested more conservative mandates for GIC and Temasek as their investment outcomes directly impact the reserves of Singapore.

B34. Sir/Madam, in May 2009, in response to a Parliamentary Question, the Minister for Finance had explained to Members before that there is a distinction between the investment approaches of Temasek, GIC and the Monetary Authority of Singapore (MAS). Let me recap. The MAS is at one end of the risk spectrum. As a central bank, it is the most conservative, with very significant holdings in liquid, mainly fixed income instruments. GIC is fairly conservative, with a globally diversified portfolio spread across asset classes, mainly in the public markets. Temasek is at the other end of the spectrum. It is largely an equity investor, a value-investor aiming at long-term returns. Temasek is exposed to significantly higher risk than GIC and MAS but has also delivered higher returns over time as expected. In contrast, MAS will have more stable but lower returns over time.

B35. The respective boards of MAS, GIC and Temasek make their own decisions on asset allocation but the Government regards the whole-of-Government assets from a holistic perspective. The Government regularly monitors and reviews the overall long-term performance and risk profile for the whole-of-Government assets, at various points in a market cycle.

B36. Sir/Madam, moving to a more conservative mandate as a knee-jerk reaction to the recent downturn would not be prudent, as

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this could risk compromising the ability of GIC and Temasek to deliver long-term sustainable returns. And both GIC and Temasek have thus far delivered creditable returns.

B37. It is important for GIC and Temasek as long-term investors to be able to maintain their long-term orientation, and ride out market cycles. Nonetheless, **the execution of their mandates, through specific investment strategies and approaches will evolve and adapt to structural changes in the investment environment.** For example, while Temasek re-iterated its focus on long-term value in the updated Temasek Charter released in 2009, it has increased its exposure to Asia, excluding Singapore, due to its belief in the deep potential of these markets.

B38. The Government is also assured that the boards of GIC and Temasek have in place robust **risk management frameworks** and the proper processes to take risks prudently, while maintaining their long-term orientation.

### **GIC's investments**

B39. Sir/Madam, MP Ho Geok Choo has requested for an update on GIC and its investments. Let me begin by noting that the recent financial market crisis brought about the sharpest stock market fall since the Great Depression. Investments of GIC, as well as other investors worldwide, were inevitably affected.

B40. Nevertheless, as noted in the last GIC annual report released in Sep 2009, the GIC portfolio has recovered more than half of the losses sustained in FY 2008/2009, in line with the broad

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recovery of global stock markets since the market trough in Mar 2009. The performance of the portfolio will be updated after the audited full year results are ready. GIC typically releases its annual report in September/October each year.

B41. The Government will continue to assess GIC's investment performance over the long term, in line with our objective to grow our reserves in a sustainable manner.

B42. As noted previously in this House, the government does not judge the performance of GIC by individual deals but on its **overall portfolio performance**. In this regard, it is not the government's practice to discuss the performance of GIC's individual investment deals.

B43. I should add here that GIC takes very seriously every decline in the value of its portfolio and in the value of individual investments. However, it is not realistic to avoid losses on every investment as that would require GIC to be completely risk averse.

B44. While GIC has made losses on some investments, in this case its investment in Stuyvesant Town/Peter Cooper Village, it has made gains on others. The only reasonable way of evaluating GIC's performance is to look at how the losses and gains stack up, and how its overall portfolio performs across market cycles.

B45. Overall, both Temasek and GIC have so far delivered creditable returns on their portfolios over the long-term as well as during the 6-year cycle between Mar 03 and Mar 09, the lowest



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points of the dot-com bust and credit crisis – in other words from trough to trough.

### **Seatown**

B46. Sir/Madam, Mr Singh has asked how the setting up of Seatown fits into Temasek's overall investment framework. Seatown is a global investment company that is a wholly-owned subsidiary of Temasek with its own board and management. It is no different from Temasek's other investment-related subsidiaries, for example, Fullerton Fund Management Company, which was set up in 2003 as an Asia specialist offering investment products and solutions to its clients.

B47. As shareholder, the government assesses Temasek on the performance of its overall portfolio over the long term. I wish to reiterate that the government neither influences nor interferes in Temasek's investment decisions, which are guided by its own board and management. In this case the board and management of Temasek have considered and approved the setting up of Seatown as part of its overall investment strategy.

### **Temasek II**

B48. Mr Singh has suggested setting up a Temasek II to invest actively in locally-based companies. For GIC and Temasek, the Government's position remains that they should continue to operate on a purely commercial basis in order to provide good long-term gains. Requiring Temasek or GIC to invest so as to fulfil other objectives would distract them from their respective

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mandates. In any case, Temasek is not precluded from making its own decision to invest in local enterprises where there are attractive opportunities, such as its investments in Hyflux, Fraser and Neave(F&N) and Olam International.

B49. Even if the proposal is for a company to be set up independently of GIC and Temasek, such an approach may not be the best way to nurture local companies. Rather, the Government should identify and bridge market gaps, where they exist, so as to support a thriving ecosystem of locally-based enterprises, and leave the private sector to take the lead in identifying worthy investment opportunities. It would be neither sustainable nor appropriate for the government to step in to finance local enterprises that cannot locate private funding, since our ultimate goal is to nurture globally competitive companies.

B50. Indeed, the Economic Strategies Committee (ESC) considered the matter carefully and sought to identify financing gaps in the market to nurture globally competitive companies. It recommended that the Government create conditions to catalyse, rather than supplant, private financing for SMEs in doing so.

B51. The Government has accepted the recommendation and announced the Co-investment Programme as part of Budget 2010. Under this programme, the Government will mobilise up to **\$1.5 billion of growth capital** by seeding a range of funds over 10 years, for which the Government will contribute up to half the capital or \$750 million. A key feature of this programme is that it

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will leverage private equity expertise in evaluating, making and managing investments to ensure market discipline.

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### **Enhancing Tax Regime to Support Social and Environmental Objectives**

#### C(l) Property Taxes for HDB Flats

C1. Sir/Madam, I would now turn to the taxation issues raised by the MPs.

C2. First, I would like to provide some clarifications to Mr Chiam See Tong's concern that property taxes for HDB flats have increased this year. Sir/Madam, property tax is imposed on the ownership of properties in Singapore, including HDB flats, and is based on the **Annual Value** (AV) of each property. Annual Values are determined yearly, according to the prevailing market rents that each property can fetch. The property tax for HDB flats in a given year is based on market rentals data from the previous year.

C3. The previous AV revision for HDB flats was carried out on 1 Jan 2008, based on rentals values in 2007. In 2009, the AVs for HDB flats should have been adjusted upwards because rentals had jumped by more than 30% through 2008 as compared to 2007. However, the government decided to defer implementing the increase in AVs for HDB flats in 2009, in recognition of the weak economic outlook and uncertainties in rental trends at that time. The annual review of AVs for HDB flats resumed in Jan 2010.

C4. HDB rentals have stabilised after a moderate decline from late 2008 to the middle of 2009, and have since begun to rise. As

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the current values of HDB rentals are significantly higher than levels observed in 2007, IRAS proceeded to raise the AV this year.

C5. Nonetheless, the government has provided a one-off **rebate** to help HDB owner-occupiers adjust to the January 2010 AV revision. This was in the form of a 50% property tax rebate, with absolute amounts of between \$50 and \$120 per flat. This rebate cost the Government \$88 million.

C6. With the new 2010 property tax rebate and the ongoing 1994 rebate, all 1- and 2-roomers will continue to pay no property tax in 2010.

C7. In addition, under the **new progressive property tax regime** just announced in Budget 2010 which will take effect from Jan 2011, each HDB home owner will enjoy tax savings of up to \$240, arising from the exemption of the first \$6,000 of AV. All HDB owner-occupiers will thus pay less in taxes. To recap, this new progressive system of property taxes for all owner-occupied homes will cost the government about \$230 million a year.

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### C(II) Promoting The Use of Fuel Efficient Cars

C8. Next, I would like to assure MPs Cedric Foo and Hri Kumar that our current vehicle tax structure already serves to encourage the use of more fuel efficient and environmentally-friendly cars.

C9. For example, road taxes, which are levied according to engine capacities, already favour smaller cars which tend to consume less fuel than bigger cars.

C10. We also provide a Green Vehicle Rebate (GVR) to encourage the adoption of fuel-efficient vehicles. This rebate is calibrated so that a typical hybrid car, which is greener and more fuel efficient, does not attract higher upfront ownership taxes than the equivalent conventional car - despite the higher Open Market Value (OMV). The objective of the GVR is to level the playing field for green vehicles in our system for upfront vehicles taxes, and leave motorists to weigh the additional cost of green cars against fuel savings in their buying decisions.

C11. Currently, we impose a volumetric tax on petrol to discourage the excessive use of vehicles. Ideally, diesel should be taxed on the volume consumed as well. However, we have not introduced a volumetric tax rate on diesel used for vehicles, as diesel is also used for non-transportation purposes such as powering portable electricity generators. Instead, a special tax was introduced for private diesel cars as a proxy. This special tax also took into account the higher particulate matter (PM) emissions of diesel cars.

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C12. In Budget 2008, in recognition of improved emission standards of Euro-IV diesel cars, the special tax rate for Euro-IV diesel cars was revised from 4 times the road tax to \$1.25 per cc with effect from July 2008. This in effect ensured minimal differences in fuel consumption costs between Euro-IV diesel and petrol cars. For a typical 1,600cc Euro-IV diesel car, this change translates to a reduction in the annual special tax of about \$1,000.

C13. In determining the special tax to be imposed on Euro-V diesel cars, the emphasis would be on the desired outcome or performance of the car concerned rather than the technology. Thus, the government will consider the fuel-efficiency and emissions standards for Euro-V diesel cars relative to both Euro-IV diesel and petrol cars. Furthermore, as MP Cedric Foo has rightly pointed out, the move should be made towards a volumetric basis for charging rather than the existing fixed special diesel tax. Any such move would however require careful consideration of the transitional issues, which include not just taxis but also other public transport and commercial vehicles, and other off-road users.

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### C(III) Development Funds for Social Concerns

C14. Next, let me address MP Penny Low's suggestion of incentives for social enterprises, which are businesses set up to achieve social objectives, to flourish and in a bid for Singapore to be a hub for the rising Asia social investment dollar.

C15. Sir/Madam, we also recognise and note the important role that the social economy can play. The question is what is the best way for the Government to support social enterprises. Ultimately we want to nurture social enterprises that have **sustainable business models** because these enterprises would then have the largest impact and the highest chance of succeeding in their social mission.

C16. Giving social enterprises special tax privileges over conventional businesses will not help them to develop as sustainable and competitive businesses. Moreover, our social enterprise sector is still in its nascent stages. Most of our social enterprises are very small outfits and do not have significant amounts of taxable profits. Hence, further incentives beyond the generous tax incentives we already provide to our start-ups and SMEs are unnecessary.

C17. Our focus has been on **building up the competencies** of our social enterprises to position them for sustainability, while not compromising their businesses' competitiveness and resilience. Social enterprises can tap on seed funding from the Ministry of Community, Youth and Sports through the ComCare Enterprise Fund to cover start-up costs, including their training needs.



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C18. However, we recognise that there is scope to see how we can do more help grow this sector further. We will study the overseas examples which Ms Low has described, to see if there are models of Government support for social enterprises that are suitable for our local context.

C19. Next, let me address MP Penny Low's suggestion to promote greater philanthropy. We agree wholeheartedly with this. That is why, in Budget 2010, we extended the 250% tax deductions for charitable contributions, which means that Government is literally contributing up to 50 cents of every dollar donated to charitable causes. For universities, the Government also provides 1:1 direct matching for donations, so that for every dollar received, the government contributes up to 75 cents.

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### D. Pro-Business Government Initiatives

#### D(I) Pro-Business Government Processes

D1. This year, the government introduced a number of incentive schemes to spur productivity in businesses. Many Members have expressed similar sentiments to MP Jessica Tan's on the importance of keeping the application processes simple so that more businesses can truly benefit from the schemes.

D2. Sir/Madam, MOF agrees that the incentive schemes must indeed be **simple** so that all businesses can benefit from them in an easy and timely manner, while ensuring that the schemes remain relevant to achieving the intended policy outcomes. I would like to reassure Ms Tan that we will administer our tax measures with this objective in mind.

D3. Take, for example, the recently announced Productivity and Innovation Credit, which is an economy-wide initiative to spur all businesses to upgrade themselves and invest in activities along the innovation value chain. This scheme is kept simple so that all businesses, even the smaller ones, can understand and benefit from it.

D4. Under the scheme, businesses simply **claim the enhanced deductions as part of their normal tax filing process**. In general, no application is required. Businesses automatically qualify for these tax deductions so long as they spend on any of the six pre-stated categories of innovation-based activities.

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D5. MOF has taken the effort to ensure that the qualifying criteria for these deductions are clear, specific and are not overly restrictive. This gives businesses more certainty upfront on whether a potential investment can qualify for the scheme.

D6. The scheme also allows some businesses to convert their tax deductions or allowances into a non-taxable cash grant. To apply for this, a business only needs to fill in a declaration form at the point of claim at the end of the financial year. This is done together with its annual tax filing. Upon receiving the form, IRAS will process the claim and credit the cash grant into the business's account within 3 months.

D7. Given that the Productivity and Innovation Credit is meant to be a **broad-based scheme**, the process will be much simpler than targeted grant schemes, where businesses have to submit an application with the supporting documents, pass through selection criteria, and meet required commitments.

D8. I would like to also assure MP Jessica Tan that the Government has and will continue to streamline regulations, simplify processes, keep administrative costs low. Even though Singapore has been ranked first in the World Bank's "Doing Business" Report for four consecutive years from 2007 – 2010, we do not take our ranking lightly and will strive to ensure that Singapore continues to be a favourite place to do business.

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### D(II) EXIM Bank

D9. Sir/Madam, the government also reviews our policies to support enterprises regularly in response to market trends, new opportunities and gaps. As more of our companies go abroad and the scale of their overseas operations grows rapidly, it becomes imperative to address gaps in cross-border financing. This leads me to MP Inderjit Singh's and NMP Teo Siong Seng's comments pertaining to the Export-Import or EXIM Bank.

D10. Today, IE Singapore has a suite of financing schemes that support the internationalization of our companies. In particular, MP Inderjit Singh highlighted one such scheme, the Internationalisation Finance Scheme (IFS), which provides support for asset and project financing overseas.

D11. Fundamentally, our schemes today are market-enabled, leveraging on commercial banks to facilitate financing to companies through risk sharing with the Government. There are structural constraints to this approach, as support from our schemes is limited to the sectors and markets that the commercial banks have appetite for. Therefore, the development of a market-based institution for cross-border financing is one issue that the Government is studying very carefully to facilitate the next wave of growth. The study is expected to be completed in a few months.

D12. Sir/Madam, it is the right time to consider this because:

- The number of Singapore companies internationalising has increased; and

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- Besides large companies, SMEs are internationalising more actively than before.

D13. As we evaluate EXIM banks and Export Credit Agencies (ECAs) around the world, we must avoid replicating the experience of EXIM banks abroad where under-performance or political interference has resulted in long-term subsidies out of the government budget. We cannot afford this approach.

D14. Instead, we should consider examples in countries like Hong Kong, Sweden and Canada, where EXIM banks or ECAs have clearly-defined mandates to operate commercially and to generate positive returns on capital. These institutions have independent, professional management and use specialist market expertise to assess risks and viability of projects. As a result of their ability to generate commercial returns, they can sustain their operations without government subsidies.

D15. Adopting a commercial orientation has other benefits besides sustainability. First, a **commercially-run institution** would be more responsive to the needs of its customers, including SMEs. For example, it would have the commercial incentive to ensure its products and services meet the needs of its customers, or that the process to obtain financing would not be too burdensome yet properly assessing and accounting for risks.

D16. Second, as the institution develops expertise ranging from trade finance to internationalisation and project financing, it would also naturally want to expand its business to finance both exports and overseas operations and projects, as Mr Teo has suggested.

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D17. Third, we would expect a commercial institution to be constantly looking to roll out new products and services to serve its customers better and to generate more revenues. In doing so, it will catalyse innovation in the private sector market for cross-border financing. By drawing cross-border financing opportunities to Singapore, the institution will also encourage existing players to strengthen their teams here while attracting new market participants.

D18. Hence, with such an institution in place, companies that go abroad — both SMEs and large companies — will have better access to financing support than today. While Mr Teo highlights shipping, any sector in which viable Singapore companies have competitive advantages, would stand to benefit from this initiative.

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### D(III) Developing the Accounting Sector

D19. Sir/Madam, I agree with MP Ho Geok Choo that it is important to develop the accountancy sector to solidify Singapore's position as a leading Financial and Business Hub in Asia. Having a deep competency in accountancy will enhance the growth of our enterprises in and beyond Singapore.

D20. Since 2000, the accountancy sector has generated contribution of about 0.4% of GDP—similar to the legal sector's contribution of annual value-add of around \$900 million to Singapore. This is poised to increase in tandem with the surge in demand for accountancy services in Singapore and the region. The Asia-Pacific market alone is expected to be worth USD\$38.3 billion by 2013.

D21. In Dec 2008, my Ministry established the **Committee to Develop the Accountancy Sector** or CDAS to review the accountancy sector. CDAS, which comprised public and private sector representatives and accountancy professionals, plans to transform our accountancy sector into a modern, trusted and high value-adding Global Accountancy Hub over the next 10 years.

D22. The Committee's strategy overlaps with Mdm Ho's view that Singapore needs to

- **Enhance sector-wide professional capabilities; and**
- **Develop a stronger international outlook.**

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D23. Currently, its preliminary recommendations centre around strategies to enhance the international outlook of the sector with a special focus on the Asia Pacific region for market share, talent and people.

D24. Today, many international professional accountancy bodies have established, or are establishing, their presence in Singapore. Within this context, the Committee is recommending to strengthen the Institute of Certified Public Accountants of Singapore (ICPAS) into a global professional accountancy body; and to develop a post-graduate structured professional accountancy qualification to strengthen and broaden the talent pool of accountants. In addition, to add to the richness of services Singapore can offer, the Committee intends to develop and build distinctive niches and specializations such as internal audit and valuation.

D25. Sir/Madam, mergers and acquisitions (M&A) activities should strictly be market-driven, and the recent announcements in the Budget are designed to help facilitate but not direct such corporate activity. Nonetheless, our accountancy sector can play an enabling role in M&A activities, such as transaction advisory, financial due diligence and valuation. This could, in turn, further deepen the expertise in our Singapore accounting firms, who have already been building up notable regional presence and playing key regional roles within their international networks.

D26. The Committee also hopes to develop Singapore into the leading global Centre in Asia for accountancy professional



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development and education and attract regional talents into Singapore.

D27. To help promote Singapore's accountancy sector internationally, the Committee is also proposing to anchor regional practice leaders and Centres of Excellence in Singapore. This would encourage regional and international work to be done from Singapore and eventually build up a critical demand to drive a market of higher value-added services.

D28. CDAS will submit its recommendations to MOF in April 2010.

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### D(IV) Public-Private Co-Innovation Partnership

D29. Sir/Madam, the Government will commit \$450 million over five years to start a Public-Private Co-Innovation Partnership. This initiative aims to **spur private sector R&D** by bringing together government agencies and companies to co-develop innovation solutions that the government needs. This allows the Government to achieve the twin objectives of enhancing public service delivery and cultivating innovative enterprise.

D30. Mr Zaqy Mohamad had sought further details on the scope and success measures of the Public-Private Co-Innovation Partnership.

D31. Sir/Madam, the Co-Innovation Partnership will focus on innovations that can meet public sector needs, and which can eventually be exported to the region. For a start, we will look at areas such as urban mobility, energy efficiency, and environmental sustainability.

D32. With regard to indicators of success, we would seek to increase the number of public-private collaborations, and innovative products and services. However, we are mindful not to just focus on numbers. The government recognises that risks are inherent in the innovation process and accepts that not all collaborations may succeed. The emphasis should be on creating opportunities for the public and private sectors to innovate together.

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D33. The enhanced R&D measures announced in Budget 2008 have encouraged more businesses to undertake R&D activities. In Year of Assessment 2009, the number of businesses that submitted a claim for tax deduction for R&D activities increased by almost 50% and the median R&D expenditure more than doubled compared to the previous year.

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### E. Future Direction for e-Government

E1. Last but not least and still on the theme of innovation, MPs Zaqy Mohamad and Muhammad Faishal Ibrahim have asked how MOF is responding to the rapidly changing ICT landscape to meet the needs of increasingly sophisticated customers.

#### iGov2010

E2. Let me first update the House on the iGov2010 master plan. The iGov2010 master plan seeks to strengthen our service delivery through fostering an Integrated Government. Many of the integrated government projects are in progress and will be completed over the next 1-2 years.

E3. I would like to highlight that the operative word here is not consolidation but **integration**, where agencies with similar needs come together to jointly leverage on technology to achieve better outcomes.

E4. For example, 11 statutory boards have joined forces to develop a shared IT system for their Human Resource, Finance and Procurement functions and saved an estimated 30% of costs.

E5. There is a range of integrated government projects. Some are smaller-scale projects which SMEs can be involved in. Government agencies on their own also put out ICT tenders, many of which are of a scale that SMEs can comfortably handle.

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### Customer Behaviour

E6. Sir/Madam, MOF notes that our citizens are becoming increasingly internet-savvy. They are used to accessing information and securing services over the internet. They are comfortable with downloading music and applications using their iPhones and other mobile devices. Many are socialising and sharing resources on Facebook. Our citizens now expect the same convenience and easy access in their dealings with the government.

E7. In fact, with emails replacing snail mails as the main mode of communications, some customers expect government replies and actions to be instantaneous and, moreover, favourable, failing which, they would become demanding or even unreasonable. As much as we would like to, it is not always possible for government agencies to satisfy all their customers. Also, big statutory boards like LTA and IRAS each receives tens of thousands of correspondences in a month. It would be impossible for their CEOs to reply to each one personally.

E8. Sir/Madam, allow me to give you one such example of someone who emailed the LTA repeatedly, to insist that the stretch of road in front of his house be re-surfaced instead of being patched locally.

E9. Now, road re-surfacing is expensive and should be undertaken judiciously. LTA explained this to the writer, but he did not accept LTA's explanation. He then replied with phrases like, I quote,

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“Mr Yam, I would like you to personally reply to this email of mine and explain to me and the residents why LTA would not want to re-surface xxx (name of road) completely. And please do not hide behind your staff to get them to respond on your behalf.”

LTA acknowledged his second last letter and promised to reply soon, but this only met with further unhappiness. I quote:

“I would like my resolution letter from LTA ... to be responded personally by Mr Yam Ah Mee. For your information, I am a CEO of a large financial services company, and I will always take it upon myself to respond and sign off any letters/emails if they require my personal attention.”

And for good measure, he copied his latest email to the Prime Minister.

E10. For the CEO of LTA to respond personally to thousands of mails would be impractical as well as highly inefficient for the organisation. What matters is for the CEO to ensure that there are proper internal processes to give timely, considered responses to citizens.

E11. Sir/Madam, please do not get the wrong impression that we have a lot of demanding customers. We have many customers who appreciate the services of our public agencies. Many have written in to express their heartfelt appreciation for our agencies' attention and service standards. Our public officers are encouraged by these letters of commendation and will try even

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harder to serve their customers better. I have provided this example to illustrate the ever rising expectations of the public, fuelled by technology.

E12. The government will always endeavour to improve on its service standards. However, whether it is the public or private sector, we know that good customer behaviour begets good service. Let us work together to develop a culture of good customer behaviour and good service delivery.

### Government-with-You

E13. With your permission Sir/Madam I will ask the Clerk of Parliament to now distribute the handout (please see the Appendix on *Creating New Value With a "Government-with-You" Approach.*)

E14. Sir/Madam, as I have just mentioned, the government is committed to improving our public services to delight our customers. The government also seeks to keep up with new technological trends to deliver public services in innovative and customer-centric ways.

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E15. Although several objective benchmarks, such as the World Economic Forum Global IT Report and Waseda University World e-Government Ranking, regard public services today to be of a high standard, we think we can do even better with the people's participation. To harness the next wave of e-Government innovation in public service delivery, we need to unleash the **power of the crowd.**

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- We need to tap the resources and expertise of the private and people sectors and get them involved in actively identifying, developing and delivering services that meet their needs.
- The role of citizens would then shift from *passive consumers* to *active participants*.

E16. To support this, the role of the government will also evolve from a public services provider to a platform provider.

- It will set and referee the rules in the ecosystem to allow the enterprises or individuals to freely innovate and create value-added services.
- In other words, the delivery model will change from “Government-to-You” to “**Government-with-You**”.

E17. For example, the government can facilitate the discovery and use of publicly-available government data by putting them on a central portal for downloading in machine-readable formats. A common map platform can also be provided to share government geospatial data. These two platforms would enable individuals and private companies to develop and deliver new value-added services to the public. Members can refer to the attached factsheet on an example where the public sector, private sector and the wider community come together to create a new mobile service that is tailored to the needs of home-seekers.

E18. Sir/Madam, we are mindful that this move towards a “Government-with-You” model does not rely on technology alone.



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On our part, public officers need to embrace a new mindset that some services can be developed and delivered more effectively through collaboration with the public.

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**F. Conclusion**

F1. Sir/Madam, to sum up, MOF has taken a comprehensive approach in addressing the multiple challenges and opportunities ahead of us,

- On the expenditure side, we have devised programmes and initiatives to make sure that resources are, first, **carefully allocated** to worthwhile projects and, second, **efficiently used** to achieve the intended objectives.
- We also use our tax regime to help promote social and economic objectives. We strive to keep our tax regime **competitive** to give businesses and individuals incentive for enterprise and effort, and support economic imperatives at different phases of our development. We also keep our overall system of taxes **fair**, so that everyone pays some tax but the better off pays more.

F2. By adopting a “**Government-with-you**” approach, MOF seeks to work closely with businesses and citizens to further create new value. We recognise that some of the best ideas are out there in enterprises and the wider community, and thus would be adopting a collaborative approach to create new services for our people.