

ADDENDA TO THE PRESIDENT'S ADDRESS:**MINISTRY OF FINANCE**

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Fiscal and Monetary Policies

1. The Government will improve the efficiency and quality of public spending across all levels of government activity.
2. Our fiscal objective is to achieve modest budget surpluses over the long term, in which operating and development expenditures are financed from operating revenues. In years of strong economic growth, we shall accumulate budget surpluses which can be drawn upon during periods of economic downturn.
3. On the revenue side, we will continually review and revise our tax system to maintain an internationally competitive tax regime to attract global talent and investors. Our objective is a tax system that promotes individual effort and enterprise.
4. On the expenditure side, the ageing of our population will lead to rising pressures for more public spending. These demands will keep budgets tight.
5. It will be a challenge to balance the demand for public services at developed country standards against the need to keep taxes at internationally competitive rates as our economy matures. Budgeting must be based on astute ranking of needs according to national priorities and the desired strategic outcomes. Public Service agencies must know their costs well to properly manage their resources to the greatest public good. To foster this cost-awareness, the Government will make greater use of accrual-based financial accounting, especially for

management accounting.

6. Monetary and exchange rate policy will complement our overall fiscal stance. Its aim will be to maintain price stability in support of sustained, non-inflationary economic growth.

Development of the Financial Sector

7. Advances in technology, falling regulatory barriers and consolidation in the financial industry have compelled a fundamental review of our strategies for the financial sector. MAS will create a more conducive regulatory environment and actively promote the financial sector, while maintaining high standards of prudential supervision. This will include the following initiatives.

a. Liberalisation of the Banking Industry. A five-year liberalisation programme for the domestic banking sector will create a more open and competitive environment to spur the development and upgrading of local banks.

b. Developing Singapore into a World Class Financial Centre. A pro-business operating environment will encourage more innovative financial products and services.

i. Developing a world-class exchange. The brokerage industry will be liberalised and deregulated. SES and SIMEX will merge and demutualise to form the "Singapore Exchange" on 1 December 1999. The integrated exchange will pursue alliances with exchanges in the region and other time zones, and develop regional products through these alliances.

ii. Developing Singapore as a leading international hub for debt, equity arranging & trading and treasury activities. MAS will improve the regulatory framework to encourage these activities. We will attract leading financial institutions dealing in these areas into Singapore. We will also encourage MNCs to locate their regional treasury centres in Singapore.

iii. Developing Singapore as a premier insurance centre. We will enlarge Singapore's share of the Asian offshore reinsurance market, and expand the scope of insurance activities in Singapore.

iv. Manpower Development. We will identify the skill gaps and available human resources to ensure an adequate supply of

highly-skilled manpower for the use the Financial Sector Development Fund to initiatives.

financial sector. We will also support these

Corporate Governance

8. We will improve our regulatory framework for corporate governance, to promote sound practices and stay up to date in an era of rapid and profound industry changes. Our aim is a vibrant, world-class business environment where innovation and enterprise can flourish. Company and business regulation will be updated. We will promote electronic commerce.

Development of Government-linked Companies (GLCs)

9. Government-linked Companies (GLCs) have good potential to evolve into world class companies. Several have already built up their management teams to pursue global business strategies. We will develop our GLCs into world class companies, on a commercial basis.

Safeguarding Our Shared Success

10. All Singaporeans will share in the success of the economy. Privatisation of statutory boards and Government-owned companies will offer opportunities to enhance the assets of Singaporeans, government revenues permitting.

11. Through fiscal prudence over the years, we have accumulated a healthy reserve position. Our reserves serve as a critical strategic ballast for the economy, given our inherent vulnerability to external shocks. We will maintain sound and steady financial policies and safeguard our reserves.
