

***Second Reading Speech for
Constitution of Republic of Singapore (Amendment) Bill 2008
Minister Tharman Shanmugaratnam***

1. Mr. Speaker Sir, I beg to move, “That the Bill be now read a Second time”.

2. The Constitution Amendment Bill before the House seeks to revise the framework by which the Government is allowed to draw from investment returns on our reserves for spending each year.

A Key Asset for Singapore

3. This framework is important to Singapore because it governs how our reserves should be conserved, and the returns equitably shared between current and future generations of Singaporeans. A country’s reserves are a key asset in a globalised and uncertain world. But they are especially valuable for a country completely lacking in natural resources, extremely open to the world, and very small in size

in a region of large players. Our reserves are our only resource besides our people, and a major strategic advantage for Singapore.

4. We started off without this advantage. When Singapore became independent, we had very little in reserves. It is only through hard work, consistently prudent fiscal policies, and successive strategies that grew the economy over the years, that we have arrived at where we are today. We lived within our means, and painstakingly built up the country's reserves. Even so, although our reserves are now a sizeable asset for Singapore, they remain smaller in value than what many other countries have in financial reserves and natural resources combined.

5. As a strategic asset, our reserves serve two purposes. First, they provide a key defence for Singapore at times of crisis. We cannot know in advance what crises will hit us, whether caused by economic happenings in the world, natural calamities, pandemics or events that impact our security. But they are not hypothetical rainy day scenarios, as we can see in today's global financial crisis. The use of our reserves to back the Government guarantee on deposits

that we issued last week underscores how important the reserves are in responding credibly and confidently during a crisis. Our reserves provide confidence in Singapore, contribute to a stable Singapore dollar, and keep our economy resilient at times of difficulty.

6. Second, our reserves provide for a continual stream of income that can be spent or invested for the benefit of current as well as future generations. The Government is allowed to spend part of the investment returns on our reserves.

Conserving Our Reserves

7. For both of these purposes - to ensure that we will have ample reserves to deal with major crises, and to provide a stream of income that lasts across generations - it is essential that we have a sound framework of governance and policies for the management and use of the reserves. This is the only way we can keep and enhance the value of this strategic asset over the long term. There are a few pillars to this governance framework:

8. First, Singapore's Constitution was amended in 1991 to provide for an Elected President to safeguard the reserves and prevent a profligate government from squandering them. Specifically, the President has the right to veto the Government Budget if it is likely to draw on past reserves. The President's concurrence is also necessary for the appointment of the Board members and CEOs of MAS, GIC and Temasek, to ensure that these are persons of ability and integrity.

9. Second, also within these Constitutional provisions, the Government can spend only from the investment returns on our reserves and not the principal sum. Further, the spending rule is designed to allow only part of the investment returns (50% of Net Investment Income, or NII) to be tapped for the Budget, thereby providing for the remaining part to augment the reserves so that its value grows over time.

10. Third, Singapore's financial reserves are managed by professional investment teams, who aim to deliver sustainable returns over the long term. GIC and Temasek are both well-respected

internationally for their strong, proven track records. They are rigorous in their allocation of assets and in managing risks, and have achieved consistently creditable returns. The MAS has also managed our official foreign reserves prudently, while fulfilling its other central bank functions of promoting monetary and financial stability.

11. However, this framework for conserving and growing our reserves cannot stand on its own, without being matched by the principles that underpin our budgetary policies. We spend prudently and live within the constraints of the revenues that we are able to raise, so as to avoid running persistent budget deficits. This is why our total Government spending is only 15% of GDP currently, much lower than most other countries. It is this approach of fiscal prudence that has allowed us to keep the Government lean and our taxes low, so that both individuals and enterprises have incentives to work hard, grow their incomes and strengthen our economy.

Preparing for Future Spending Needs

12. We must keep to these fundamental principles as we introduce new rules to allow the Government to draw on more of the investment returns from our reserves for spending.

13. In the past, the Government has only been allowed to spend from the interest and dividend income, and not the capital gains. This was conservative, but it has served our fiscal needs adequately while allowing us to build up our reserves. In the 1990s, after the Constitutional amendments were passed in 1991, the economy was growing rapidly, we were running large surpluses, and the investment income comprising only interest and dividends was more than adequate to meet fiscal needs. The Government moved to lock up 50% of the NII in the constitutional amendments of 2001 to ensure that we continue to grow our reserves and not spend all the income on current fiscal needs. By this judicious use of NII to supplement the Budget, and prioritising between competing budgetary needs, our budget has stayed neutral on average, with surpluses and deficits balancing out over the years that followed the 2001 amendment.

14. But the current NII spending rule will not be adequate as we go forward, as we expect our expenditures to increase, even over the next five years. Over the long term, Government spending will need to rise significantly. We have to find new revenue sources, and the spending rule, if revised judiciously, can provide more to help meet these demands.

15. There are three main reasons for this increase in budgetary needs. I will spell them out, as they are the essential reasons why we are amending the Constitutional framework now to draw on more investment returns.

16. The first is that we must do more to invest in capabilities and stay competitive, so that we grow our economy.

a. We want to invest in the best quality education for our young and continual learning for our adults.

i. That is why we are moving towards more single-session primary schools and improving pupil-teacher

ratios across the school system. We are also increasing university participation rates for Singaporeans and building two more ITE colleges similar to the ITE College East at Simei, which is already regarded as best-in-class internationally.

ii. We are also substantially scaling up our investments in training and continuous learning, to retain the competitiveness of our workforce. MOM and WDA have embarked on the National Continuing Education & Training (CET) 10-year Masterplan this year, which will significantly increase the annual CET institutional capacity from 50,000 training places today to 250,000 training places in three to five years' time.

b. We need to invest in R&D, to build new capabilities that will drive our future growth. Singapore is already emerging as a key R&D player in areas linked to industries with high growth potential globally, such as the biomedical sciences, interactive and digital media, and environmental and water technologies.

We have also deepened our incentives for making innovation pervasive across the economy, among both big and small enterprises.

c. Together, these increased investments in our human capital, knowledge and innovation will benefit all Singaporeans. They will sharpen our capabilities, enabling us to move up the value chain and keep our relevance in a much more competitive global economy.

d. Taxes are the other key consideration in competitiveness. At the same time that we invest more, we have to maintain a competitive tax environment for both companies and individuals. With tax rates coming down internationally, we have to be ready to make further cuts in direct taxes where required to maintain Singapore's attractiveness as a key business hub in Asia.

17. The second reason why our budgetary needs will grow is that we are doing more to make Singapore a top quality home. In the

years to come, we will enhance almost every facet of the city, both in the city centre and across our neighbourhoods, to make this a highly liveable and inclusive home.

a. We are transforming Marina Bay into a place with something to appeal to everyone – business, entertainment, the arts, unique gardens, the F1 at night and even the peace of a reservoir – all rolled into one. We are also enhancing our green lungs and blue waterways across the island. And we are rejuvenating our housing estates, to create a first-class and inclusive living environment that enhances the assets of Singaporeans.

b. We are investing in new commercial and lifestyle hubs outside the city centre, such as the Jurong Lake District, Kallang Riverside and Paya Lebar Central, which will spread out the economic activity around the island and bring jobs and attractions closer to homes.

c. Transport alone will be a substantial expense, in fact the largest increase in our Budget in the next 5 to 10 years. To achieve our vision of a people-centred land transport system, we will have to ramp up our spending on land transport over the next 10 to 15 years. In fact, transport spending will rise from 0.8% of GDP last year to about 2.9% of GDP in five years' time and stay at that level over the next five years. This is even with significant borrowings by LTA to smooth out expenditures over the long term. These investments would allow us by 2020 to double our rail network, increasing both capacity and coverage, expand our network of expressways, and achieve better integration between road and rail to improve both public and private transport.

18. The third reason why we will have to spend more in the future is the need for higher social expenditures in an ageing society and one facing growing income gaps.

a. Our population is getting older, and this will create new demands on resources to look after our elderly.

i. We will have to spend more on healthcare, both in the Government's budget and nationally, including private expenditures. Health Minister Khaw Boon Wan has highlighted the challenge on several occasions. We are already spending an additional \$2.4b over the next 5 years to recruit and train manpower, build new hospital capacity and upgrade existing facilities, and enhance the capabilities of community hospitals and nursing homes. These are new expenditures. We will also invest more in preventive care. Altogether, in constant dollar terms, we expect to more than double the Government's healthcare expenditures over the next decade. But we must be careful in how we design the framework for financing healthcare to keep us from going the way of countries that have seen their budgets balloon uncontrollably, placing increasing burden on taxpayers.

ii. On top of healthcare, we will introduce new measures to push ahead on the 'active ageing' agenda,

and will continue retrofitting parts of Singapore such as providing more barrier-free access for elderly pedestrians and bus and train commuters.

b. A further social challenge is the widening income gap that is being seen in every city plugged into the global economy. This is a challenge that will be with us for some years to come. We have already embarked on major new programmes to help lower income Singaporeans and strengthen our social compact. We have implemented the Workfare Income Supplement Scheme, and the Government and NTUC are both expanding schemes to help low-income workers upgrade their skills. We have also augmented a broad range of social assistance and community support programmes to help the most vulnerable members of our society, including developing capabilities to help dysfunctional families and ensure that their children are not disadvantaged.

c. We are also redoubling our efforts to counter low fertility rates, through the recently introduced Marriage and Parenthood

package. In addition to increasing the financial and workplace support for parents, improvements in the quality of kindergartens and childcare will help to give every child a head start towards fulfilling his or her potential.

19. For all these reasons that I have mentioned – the increased investments needed to keep Singapore competitive and a highly liveable city, the need to keep taxes competitive, as well as the need to cater to an older population and to keep our social compact intact – we need additional resources. We expect a significant increase in our expenditures amounting to about 3% of GDP each year in five years' time (FY2012), and moving slightly higher thereafter. This is on top of the 15% of GDP that we are currently spending. These are large increases, although our total expenditures would still remain amongst the lowest internationally as a percentage of GDP.

20. These are key programmes for expenditures that we are able to anticipate and prepare for. But besides these programmes, we must always provide a buffer in our fiscal planning to deal with unexpected

adverse events or downturns, and give the Government the flexibility to implement countercyclical measures when necessary. This year for example, we are spending \$3.3b on measures that are helping low-income and other Singaporeans cope with the increased cost of living. With the likelihood of a weaker economy next year, we will also consider how we can help Singaporeans and our businesses through these difficult times and position the economy for a robust recovery.

The New Fiscal Framework

21. The Government therefore needs a larger budget in the future, but we will retain our basic principles of sound fiscal management. We have a systematic framework in place to ensure prudent spending amongst all agencies, and we will keep improving it. Under the block budgeting framework, Ministries have to ensure that their budgets do not grow faster than our resources can support, and must prioritise and reallocate funds so that they live within their means. New requests for funding are prioritised and evaluated by the Ministry of Finance, and all major development projects have to be approved

by the Developmental Planning Committee. We also conduct reviews during and after each project to ensure that the outcomes are met, and that taxpayer monies are spent effectively and efficiently.

22. However, even with tight budgetary practices in place, we face the fundamental need of having to spend and invest more in the future. We will need more revenues to meet this need. This is why PM stated in 2006, during the Debate on the President's Address, that we had to make two key revisions to the structure of our fiscal revenues. The first was the GST increase of 2% which we made in 2007. This contributes about 0.8% of GDP per year to our revenues, and has allowed us to proceed with important initiatives such as Workfare, as well as to begin ramping up our expenditures on healthcare and continuous education and training. The second revision that PM indicated the Government would have to make was a new framework for spending the investment returns from our reserves that should take into account capital gains, thereby enabling us to tap on more of the returns to finance our growing spending needs.

23. Both these changes, the GST increase and the revisions to the rules for spending investment returns, are necessary parts of our new fiscal structure. They will allow us to meet Singapore's future needs with confidence.

New Framework for Spending from Investment Returns

24. This Bill therefore seeks to revise the rules for spending from investment returns to allow us to tap on more of these returns for the Budget but on a basis that is sustainable over the long term. The new framework retains the 50% cap on spending from investment returns. But the spending rules will be based on a new and broader definition of investment returns, with the following key features: (1) total returns, including capital gains; (2) long-term expected returns, instead of year-to-year actual returns; and (3) real returns, to preserve the purchasing power of our reserves. I will set out each of the changes in turn.

Total Returns

25. Capital gains and losses are part and parcel of investment outcomes. This is true not just for investments in equities, but for interest-yielding bond instruments where the value of the investment goes up and down as interest rates move. In changing the definition of investment income to include capital gains, and not just interest and dividend income, we are adopting the right basis for determining how our reserves have grown.

26. Furthermore, a Government spending rule based only on interest and dividends could lead to bias toward investments that generate income rather than capital gains. This will be inconsistent with our objective of maintaining a diversified investment portfolio aimed at achieving long-term returns. GIC for example has in fact substantially diversified its investments over the last 30 years, and even over the last 5 years, with significant allocations to various asset classes such as public equity, private equity and real estate. The new rules will be consistent with a strategy of asset allocation that is

focused on maximising total returns – including capital gains – over the long term.

Expected Long-term Returns

27. However, as we have discussed in this House before, capital gains are inherently volatile. Take a look for instance at the MSCI World Index over the last 10 years, from 1998 to 2007, which captures the market value of global equities and hence includes capital gains and losses. If annual returns were computed based on the index, they would have been negative in three of those years and above 20% in another three. And in 2008 so far, we have seen a 40% drop in the MSCI World Index.

28. If we had to spend based on actual total returns each year, the volatility would severely constrain how we plan the Government Budget and commit ahead for future expenditures. Furthermore, it would be imprudent for the Government to overspend in a bull market, and end up finding itself short of resources in a bear market. Therefore, in studying how to tap on capital gains for the Budget, our

key consideration was to determine a smooth stream of returns that can be taken in for spending on a year-to-year basis. We considered two alternatives to achieve this smoothing effect.

29. The first way is to rely on a historical rate of return, based on a suitably long period into the past to smooth out the volatility in returns. This is doable, but not satisfactory, because past performance in global markets may not be representative of likely future outcomes. Markets can and have gone through extended bullish or bearish periods of as long as 10 – 15 years, before eventually changing course. Consider if we were standing in 1997, for instance. In the 10 years before 1997, the average annual nominal return for the MSCI World was 9% - a strong and positive result. But in the 10 years following 1997, the figure fell to 5%.

30. A further problem with using historical returns, computed over a long period, is that it does not take into account the fact that returns from our investments depend on the asset allocation mix, which can change over time. Historical returns can therefore only provide a

useful reference for future returns, but are not accurate as a predictor of future returns.

31. The second approach to smoothing out the volatility of returns is to look at the ***long-term expected returns*** on an investment portfolio. This is a forward-looking assessment of the overall returns that we expect over the long term. Actual returns will of course vary from these expected returns each year, sometimes very significantly. This year, for instance, should be a very bad year for most international investors, who would have found it difficult to achieve investment returns that meet their long-term profile of expected returns. But in making projections of expected returns, we are estimating what actual returns in the years ahead will look like when averaged out over the long term.

32. In deciding on our framework, we have studied and adapted from good practices in various international funds with endowment characteristics, which are invested for the long term just like our reserves are. The expected returns concept has been practised for several years amongst several endowment funds. For instance,

since 2001, the Norwegian Government has adopted fiscal guidelines to spend the expected real return on its Government Pension Fund – Global, a fund that holds its petroleum revenues and fiscal surpluses. Similarly, Yale has a spending framework based on long-term expected returns, which it has been running successfully for many years.

33. While each of these endowments has its own unique characteristics and spending rules, the principles are essentially similar. All of them seek to achieve some budgeting stability, while seeking to achieve inter-generational equity - in other words, to balance the spending needs of current and future generations, whether of citizens or student cohorts. This is similar to what we are trying to achieve with our spending rules.

34. We have decided to adopt the second approach for estimating total returns without being saddled with volatility – which is to determine the returns for spending based on ***long-term expected returns*** on the reserves.

35. The expected returns will be based on an investment horizon of 20 years, which is roughly equal to three investment cycles in global markets. This is consistent with the investment strategies that our investment companies have adopted, which is to invest for the long term and ride out the market cycles. This ability to ride out the cycles is a key advantage that well-run endowment funds have in their investments, which sets them apart from many other financial investors.

36. However, an assessment of expected returns cannot be made in one year and then left unchanged for 20 years. If we do that, chances will increase that the actual returns will deviate from the estimate of expected returns, even when the actual returns are averaged over the 20 years. Much in the world can change in between, which could mean a very different outlook for the years ahead. This is why we have to keep refreshing our estimates of long-term expected returns, taking in all the information and assessments available at the time, including the actual historical performance of the markets. As I will explain later, we will do this annually – so that

we make a thorough assessment each year of the long-term expected returns on our investments.

37. I should clarify that in looking at long-term expected returns, the distinction between realised and unrealised capital gains and losses does not arise. The long-term expected return depends on how the market value of our reserves will grow over the specified time horizon. This does not depend on *when* the assets are sold, i.e. when the gains and losses are realised. The distinction between realised and unrealised capital gains would be relevant only if we were spending based on actual returns each year rather than long-term expected returns. As I have explained earlier, however, spending on the basis of actual returns would subject the Budget to too much volatility. Furthermore, if the spending rule was based only on realised capital gains, there could be incentive to sell assets to make capital gains available for spending, even if it means doing so at an inopportune time. We should therefore keep our investments focused on maximising long-term value, and spend on the basis of total returns expected over the investment horizon.

38. There are further technical rules that we will apply to avoid volatility of returns available for spending. The market value of the asset base itself goes up and down depending on the state of the market. We have to ensure that the asset base, which is what the long-term expected rate of return would be applied to in order to derive the investment returns for spending, is also smoothed and not heavily influenced by market cycles. This too will ensure that Governments do not overspend during boom years and underspend when the markets are down. We will follow established methodologies. Yale University, for example, applies its expected rate of return to a smoothed asset base, which takes into account past market values of the asset base but gives greater emphasis to those in more recent years. The Government will adopt this concept of smoothing, the details of which will be agreed with the President.

Real Returns

39. The third key feature of the framework is that we will spend based on *real* returns. This is unlike the current framework, where spending is based on nominal dividend and interest income. Our

spending rules must ensure that we continue to maintain the international purchasing power of our reserves. Otherwise, in a scenario of sustained high inflation globally, even if we were to earn decent investment returns, our past reserves would be gradually eroded in real terms. From 1998 to 2007, for instance, the MSCI World index returned an average nominal return of 5.4%. Over the same period, global inflation in US dollar terms was about 4%, and would have wiped off almost 75% of these returns. This is before taking into account the large negative real returns on the MSCI index in 2008 thus far.

40. The new framework will therefore allow the Government only to spend out of real returns, that is, returns adjusted for the effects of global inflation. This means that at minimum, past reserves will continue to grow at the same rate as global inflation.

Applying New Framework to MAS and GIC

41. The new framework will be applied to reserves invested by **MAS and GIC**. The Bill refers to these as “relevant assets”, which are

also net of the liabilities defined in the Constitution. By netting off these liabilities, such as Government Securities, Treasury Bills and Social Endowment Funds, we are in effect setting aside returns to cover the costs of servicing the liabilities.

42. We are not applying the new framework of spending on the basis of long-term expected returns to **Temasek Holdings**. We have studied this carefully, and the Government's assessment is that it is prudent to retain Temasek on the existing framework. We have decided to do so for two reasons. The first reflects the nature of Temasek's investment strategy, which involves taking concentrated stakes in companies, including direct investments. Like other such investors, this strategy entails higher risks, with the expectation of higher returns – and it has indeed yielded higher returns historically for Temasek than seen for traditional global portfolio investors. However, this approach makes it more difficult for us to project a long-term expected rate of return on Temasek's portfolio to a reasonable degree of certainty. It is unlike the case for global portfolios like that of GIC's, which are spread widely across the public

markets, and for which there are established methodologies for projecting expected returns.

43. The second reason is that Temasek's investment strategy is still evolving, having begun a major effort to diversify its investments geographically and sectorally in 2002. Temasek today operates very differently from the way it was operating six years ago, and its strategy will continue to evolve in response to the investment climate.

44. It will therefore be prudent to leave Temasek out of the new framework, although we will review this again after some years, once Temasek's diversification strategy is more settled. However, we will continue to draw on Temasek's actual investment returns each year in the meantime, as the Government is already allowed under the current NII framework to tap on 50% of the dividends from Temasek. In so doing, we already tap on part of Temasek's capital gains for spending under the existing framework, because Temasek declares dividends based on its net profit, which takes into account the realised capital gains and losses from its investments. This will remain the case.

Summary: Government to spend up to 50% of Net Investment Returns

45. As I mentioned earlier, we will retain the 50% cap on the amount of returns that can be taken out for spending. This is in addition to setting aside the full inflation component of our returns in past reserves. In this way, the real returns on investments will be shared between the current Budget and past reserves. This allows the past reserves to grow in real terms, and thereby provide for a growing economy in the years to come.

46. To summarise, the Government will spend up to 50% of our Net Investment Returns (NIR). NIR is the sum of: (1) the long-term expected real rate of return on the reserves invested by GIC and MAS, and (2) the NII on the remaining assets, comprising primarily Temasek.

47. This framework strikes the right balance between the needs of current and future generations of Singaporeans. It would allow us to

take in more for spending, but not so much as to prevent our reserves from growing in line with the economy and providing for future generations.

Presidential Safeguards

48. Let me finally return to the issue of governance procedures. The new framework will require an important change to the budgeting process each year, so as to operationalise the concept of long-term expected returns and ensure that the Presidential safeguards on our reserves are maintained.

49. The projection of the expected long-term real rates of return is not a mechanical process, but one that involves both professional expertise on the part of our investment agencies and sound judgment. We have therefore designed a systematic and robust process by which the Government determines the NIR each year for spending, and by which the Elected President can perform his role as custodian of our reserves. I will bring the House briefly through the sequence of events that will take place each year.

50. Before the start of each financial year, the Government will propose the expected long-term real rates of returns for GIC and MAS for the President's agreement. In order to do so, the Government will ask the GIC and MAS Boards to provide and certify estimates of the long-term expected rates of return on the assets they manage. These Boards would evaluate the future outlook on their portfolios, taking all factors into consideration – including the overall investment environment, bottom-up assessments for each asset class and peer comparisons of expected returns. They would take into account historical rates of return, which provide a useful check for what is realistic going forward. Although the measure of expected returns is fundamentally forward-looking, the projections cannot completely ignore historical performance.

51. The Government will propose the long-term expected real rates of return to the President, taking reference from the rates certified by the respective Boards. The President will consult with the Council of Presidential Advisers (CPA) before deciding on whether to agree with the Government's proposal. If the President disagrees with the

proposal, the average historical real rate of return over the previous 20 years would be used. I have explained earlier why it is not ideal to use historical rates in the first instance. However, the 20-year historical rate of return provides a neutral and pragmatic basis for resolving any dispute between the President and the Government, and avoids paralysing the government of the day.

52. Once the President has agreed with the Government on the expected long-term real rates of return that are to be applied, the subsequent processes are fundamentally similar to the current approach. After the close of the financial year, the Minister for Finance will still certify to the President the amount of NIR that the Government has actually taken into the Budget, within the caps specified in the Constitution.

53. The dispute resolution mechanism, as well as other details and working arrangements to implement the new framework, will be stated in a set of Principles to be agreed upon by the Government and the President. The Principles will be tabled to Parliament for information after the Bill is passed and gazetted.

54. The President and the Council of Presidential Advisers have been briefed on the framework proposed by this Constitution Amendment Bill, and have deliberated the issues. The President is satisfied that the new framework is a sustainable one that will continue to preserve and grow the past reserves, and will be in Singapore's interests.

Deletion of Reference to EDB Act in Article 144(3)

55. Mr. Speaker, Sir, allow me to present a further amendment to the Constitution, which is not related to the proposal to implement the new NIR framework that I have just described. Article 144(3), which governs guarantees and loans raised by the Government, currently makes reference to the EDB Act. This House had earlier updated the EDB Act to remove the provisions for Government guarantee on EDB's bonds and debentures. Consequent to this amendment, the reference to the EDB Act in Article 144(3) will be deleted.

Conclusion

Mr. Speaker, Sir,

56. The changes we are putting into place in the new NIR framework will not deviate from the fundamental principles that we have adopted towards our reserves. We will maintain and grow our reserves, so that they serve both as a strategic buffer to tide us through unforeseen crises or emergencies, and generate returns for spending on a sustainable basis. The new rules are a fair and equitable basis for sharing the benefits of the reserves between present and future generations.

57. The new NIR framework will contribute to strengthening the Government's revenues so that we can position Singapore to meet the challenges of the future with confidence. The GST increase in 2007, which contributes an additional 0.8% of GDP each year, together with the additional revenues made available from NIR which we currently expect to be slightly above 2% of GDP each year, will allow us to press ahead with our expenditure plans, which should require additional resources of 3% of GDP within the next five years. They will allow us to upgrade our economy, strengthen our society,

and make Singapore amongst the most vibrant and liveable cities in Asia.

58. The funds made available through the revised rules for spending from investment returns will be channeled mainly towards building up Singapore's capabilities and infrastructure – through education and R&D, and the major programmes to expand our transport infrastructure and rejuvenate the city. These investments will position Singapore for the next stage of growth, and ensure that we continue to attract investors, create jobs and open up opportunities. They will be for the better of all Singaporeans, now and in the future.

59. Mr. Speaker, Sir, I beg to move.