Governance, transparency and the Santiago Principles

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The elected President and the second key

The protection of the reserves is written into the Constitution. A White Paper of 1988 proposed that the President be entrusted with custodial powers over two areas, the financial reserves and key public service appointments. After a second White Paper in 1990, the Constitution of the Republic of Singapore (Amendment) Act 1991 created the elected presidency.[1] The amendment came into force on 30 November 1991. The first presidential election followed on 28 August 1993.[2]

The design is described as a system of two keys. The elected government holds the "first key" and initiates policy. The President holds a "second key", which allows him to withhold his assent from measures that would draw on reserves accumulated by previous governments. The 2016 White Paper calls this power "of a purely reactive nature". The President may veto transactions and budgets of the government and of the Fifth Schedule entities that are likely to draw on past reserves. He may also veto appointments to the boards of those entities. He must concur with the expected long-term real rate of return used to calculate the spending rule discussed below, after consulting the Council of Presidential Advisers.[3]

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The Fifth Schedule entities include the CPF Board, the Monetary Authority, the Housing and Development Board, JTC, GIC and Temasek.[4] The President's role has been tested in crises. In October 2008 President S R Nathan approved a guarantee of S$150 billion on all bank deposits in Singapore, backed by the reserves. In 2009 Parliament authorised drawings of up to S$4.9 billion on past reserves to fund crisis measures. During the COVID-19 pandemic the government drew about $40 billion on past reserves between the financial years 2020 and 2022.[5]

The Net Investment Returns framework

The second pillar of governance is the rule that limits how much of the returns on the reserves the government may spend. From 2001 the government could spend up to half of the net investment income, meaning dividends, interest and similar income, on past reserves. From 2008 the Net Investment Returns framework allowed it to spend up to 50 per cent of the expected long-term real returns, including capital gains, on the net assets invested by GIC and the Monetary Authority.[6] The rule is based on expected returns, which smooths the contribution to the budget and protects it from the swings of annual results.

Temasek was brought into the framework later. In his speech on the second reading of the constitutional amendment on 13 July 2015, Deputy Prime Minister Tharman Shanmugaratnam explained that Temasek's inclusion had been deferred in 2008 because no established method existed for projecting returns on its concentrated, direct-investment portfolio. The amendment to Article 142(4) of the Constitution took effect from 1 April 2016. Tharman expected it to raise the total contribution to the budget from about 2 to about 3 per cent of GDP on average over the following five years.[7]

The Net Investment Returns Contribution has become the largest single source of government revenue. Already in 2018 the government described it as such, with an estimated contribution of about $15.85 billion, or 18 per cent of revenues, for the 2018 financial year. For the 2026 financial year the contribution is estimated at $28.48 billion. It funds about a fifth of annual government spending and has averaged about 3.5 per cent of GDP over the past five years. In practice the

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government has not always taken the full half. Between the 2009 and 2013 financial years it took on average slightly more than 47 per cent of the returns, close to the ceiling of 50 per cent.[8]

The Santiago Principles

Internationally, the governance of sovereign investors became a political issue in 2007 and 2008. Large investments by state funds from Asia and the Middle East in Western banks raised fears in the United States and Europe that such funds might pursue political objectives. The International Working Group of Sovereign Wealth Funds responded with the Generally Accepted Principles and Practices, known as the Santiago Principles, which were presented to the International Monetary and Financial Committee of the IMF on 11 October 2008. GIC was among the funds involved in drafting them.[9]

The Santiago Principles comprise 24 voluntary principles and practices. Their objectives are to help maintain a stable global financial system and the free flow of capital, to ensure compliance with the regulatory and disclosure requirements of host countries, and to ensure that sovereign funds invest on the basis of economic and financial risk and return. A fourth objective is a transparent and sound governance structure with adequate operational controls, risk management and accountability. The working group was replaced on 6 April 2009 by the International Forum of Sovereign Wealth Funds. GIC describes itself as "one of the early architects of the Santiago Principles" and joined the Forum's board for a three-year term from 30 September 2015.[10]

GIC is listed among the members of the Forum, while Temasek is not.[11] The difference reflects Temasek's view of itself as a commercial investment company that owns its assets, pays taxes and distributes dividends to its shareholder. GIC has published self-assessments against the principles for 2016, 2019, 2022 and 2025. The Santiago Principles thus give GIC an external standard of governance, whereas Temasek relies on its published accounts, its credit ratings and its bond documentation.

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The debate on disclosure

Singapore's model of disclosure is selective. Temasek publishes its portfolio value and its returns. The Monetary Authority publishes its reserves monthly. GIC publishes long-term rates of return and broad information on its portfolio, but not the size of the assets it manages. The government defends this position on grounds of security. It argues that a published figure for the total reserves would invite speculation against the currency in a crisis and tempt future governments to spend them.

Critics in Parliament and in the academic literature have argued that the current level of disclosure makes it difficult to assess the performance of the reserves and the fairness of the spending rule. Opposition members have repeatedly asked for the total size of the reserves, for GIC's performance against its benchmarks and for the original terms of reference of Temasek. The parliamentary replies of 2026 on GIC's returns, its Strategic Portfolio and the Temasek Charter show that these questions remain a regular feature of public debate. The President and the Council of Presidential Advisers have full access to information on the reserves, which the government presents as the substitute for public disclosure.[12]

Notes

1. Government of Singapore, *White Paper on the Review of Specific Aspects of the Elected Presidency*, 2016, paras 9–12 and notes 4, 9 and 11: White Paper of 29 July 1988 (Cmd 10 of 1988); White Paper of 27 August 1990 (Cmd 11 of 1990); Constitution of the Republic of Singapore (Amendment) Act 1991 (Act 5 of 1991). ↩
2. National Library Board, "Elected presidency", *Infopedia*: legislation in force on 30 November 1991; first presidential election on 28 August 1993. ↩
3. Government of Singapore, *White Paper on the Review of Specific Aspects of the Elected Presidency*, 2016, para 13: the government initiates policy with the "first key"; the President's custodial "second key" is "of a purely reactive nature". Ministry of Finance, "How are Past Reserves protected?" (mof.gov.sg, accessed

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November 2026): the President's veto over transactions and budgets likely to draw on past reserves, over appointments to Fifth Schedule boards, and concurrence with the expected long-term real rate of return; full access to information for the President and the Council of Presidential Advisers. ↩

4. Ministry of Finance, "What are Singapore's Reserves?" (mof.gov.sg/policies/reserves, accessed November 2026): reserves of the government and the Fifth Schedule entities, "namely JTC, CPF Board, MAS, HDB, GIC and Temasek". ↩

5. Government of Singapore, *White Paper on the Review of Specific Aspects of the Elected Presidency*, 2016, para 30(b)(i): "in October 2008, then-President S R Nathan approved a $150 billion guarantee on all bank deposits in Singapore, to be backed by Singapore's reserves". Wikipedia, "Reserves of the Government of Singapore" (accessed November 2026): two Acts of 9 March 2009 authorised drawings of up to S$1.125 billion and S$3.763 billion, totalling S$4.888 billion. Ministry of Finance, "What are the Reserves used for?" (mof.gov.sg, accessed November 2026): about $40 billion drawn from past reserves across FY2020 to FY2022 for COVID-19 measures; drawing in 2009 to support wages and credit. ↩

6. Ministry of Finance, "Net Investment Returns Contribution" (mof.gov.sg/policies/reserves, accessed November 2026): NII component from 2001; NIR component from 2008, up to 50 per cent of the NIR on net assets invested by GIC, MAS and Temasek, based on expected long-term real returns; relevant assets and caps specified in the Constitution; President's concurrence with the expected long-term real rates of return. ↩

7. Ministry of Finance, "Second Reading Speech by Mr Tharman Shanmugaratnam, Deputy Prime Minister and Minister for Finance, for the Constitution of the Republic of Singapore (Amendment) Bill", 13 July 2015: Temasek included in the NIR framework through amendment of Article 142(4) with effect from 1 April 2016 (FY2016); NIR contribution expected to rise from about 2 per cent to about 3 per cent of GDP. ↩

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8. Ministry of Finance, parliamentary reply of 10 July 2018 (Indranee Rajah): NIRC of about $85 billion from FY2009 to FY2017, about 14 per cent of revenues; FY2018 estimate of about $15.85 billion, about 18 per cent of revenues, "the single largest source of Government revenue". Ministry of Finance, "What are the Reserves used for?" (mof.gov.sg, accessed November 2026): estimated NIRC for FY2026 $28.48 billion; about 20 per cent of annual government spending; average of about 3.5 per cent of GDP over the past five years. Ministry of Finance, parliamentary reply by Deputy Prime Minister and Minister for Finance Tharman Shanmugaratnam to Gerald Giam, "Net Investment Returns Contribution", 14 April 2014: up to 50 per cent of the long-term expected real return on net assets managed by GIC and MAS; actual NIRC taken in "close to the maximum 50%", on average "slightly above 47%" from FY2009 to FY2013. ↩

9. Wikipedia, "Santiago Principles" (accessed November 2026): principles made public after presentation to the IMF International Monetary and Financial Committee on 11 October 2008; GIC Private Limited among the funds involved; replacement of the working group by the International Forum of Sovereign Wealth Funds on 6 April 2009. ↩

10. International Forum of Sovereign Wealth Funds, "Santiago Principles" (ifswf.org, accessed November 2026): 24 principles and practices voluntarily endorsed by members; the four objectives. GIC, "GIC Joins Board of International Forum of Sovereign Wealth Funds", 5 October 2015 (gic.com.sg): GIC "one of the early architects of the Santiago Principles"; appointment to the IFSWF board with effect from 30 September 2015 for three years. ↩

11. International Forum of Sovereign Wealth Funds, "Our Members" (ifswf.org, accessed November 2026): GIC Private Limited listed as the only Singapore member, with self-assessments for 2016, 2019, 2022 and 2025; Temasek not listed. ↩

12. Ministry of Finance, parliamentary replies of 5 August 2026 (Pritam Singh, GIC returns), 8 September 2026 (Victor Lye, Strategic Portfolio) and 7 October 2026 (Kenneth Tiong Boon Kiat, Temasek Charter), mof.gov.sg.

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Ministry of Finance, "How are Past Reserves protected?" (mof.gov.sg, accessed November 2026): "the President and the Council of Presidential Advisers have full access to information on the reserves". ↩

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