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Global Markets Research

Research Alert

Singapore: FY21 Budget Looks Beyond the Horizon

- **Singapore's FY2021 Budget focuses on adapting and thriving in a post-Covid-19 world**
- **Worst-hit sectors, tech, healthcare and the local workforce are significant beneficiaries**
- **Environmental, tax and infrastructure financing initiatives were also elaborated on**

Summary

After a record SGD 64.9bn budget deficit for FY2020 (13.9% GDP, Figure 1), Deputy Prime Minister and Minister of Finance Heng Swee Keat announced another fiscal deficit of SGD 11bn (2.2% GDP) for FY2021. The plan was in line with our initial expectations of a 1.5-2.5% budget deficit. This also meant tapping another SGD 1.7bn from Singapore's reserves, after SGD 42.7bn were utilised in the previous fiscal year.

In our view, the FY2021 Budget will likely be implemented as government revenue recovers (Figure 4, from increasing economic activity levels), alongside targeted and prudent government expenditure in the coming fiscal year.

In our view, the FY2021 Budget ticks most boxes that most (including us) were expecting – targeted initiatives, extended schemes, support for the labour market. Although we thought that there could have been a contingency fund prepared in case of downside risks, we believe that the government stands ready to support later on, if required. This is because, excluding the Covid-19 Resilience Package, the FY2021 Budget is a balanced one.

Business Initiatives to Focus on Post-Covid-19 World

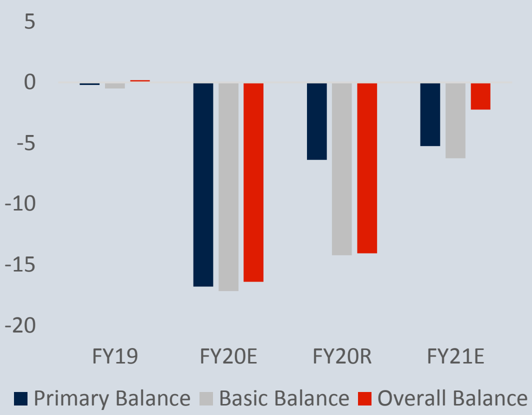
The FY2021 Budget has pivoted slightly away from addressing immediate challenges. The focus is towards making Singapore thrive in a new normal, post-Covid-19 world. Extensions to the Jobs Support Scheme for instance, helped provide bottom-line support to the worst-hit sectors like aviation and tourism, as well as the recovering ones like food and beverage. However, there is now a bigger emphasis on coping with the new normal – such as accelerated technological advances.

Initiatives like the Corporate Venture Launchpad, Open Innovation Platform and the Global Innovation Alliances, aims to accelerate technological takeup in Singapore.

DPM Heng highlighted three enablers to focus on: (1) grow vibrant business community, (2) co-fund and enable businesses to innovate, transform and scale, and (3) developing the workforce's skills talents and creativity.

The focus for the labour market is to support local jobs. This is done through initiatives to create local jobs (example: SGUnited Jobs and Skills Package). Also, a focus to reduce foreign labour reliance by cutting manufacturing S Pass sub-dependency ratio ceiling in 2 steps.

Figure 1: Singapore's Fiscal Position (% of GDP, fiscal year)



Note: R indicates revised and E indicates estimated.
Source: Ministry of Finance, Singapore

Figure 2: Key forecasts

	2020	2021F
GDP	-5.4%	6.3%
Inflation (avg)	-0.2%	0.5%
Core CPI (avg)	-0.1%	0.7%
3m SIBOR	0.40%	0.40%

Source: HLBS

Figure 3: Risks to our views

Upside:
- "Normalised" economic activity in early 2021
- More robust export demand (esp. services)

Downside:
- Prolonged disruption from Covid-19 virus
- Return of US-China tensions

Source: HLBS

Something additional for businesses are initiatives to deepen global and Southeast Asia partnerships. In particular, the rising economies of Southeast Asia provide ample opportunities for GDP growth over the next few decades. DPM Heng said that Singapore will work to encourage deeper partnerships, through retail payment linkages and cross-border projects.

Supporting Households and the Society

The Covid-19 pandemic has adversely affected households, with lower-income households, groups with special needs and older workers the hardest hit. FY2021 Budget provides continued support for households, through the Household Support Package (SGD 900mn).

At the same time, it recognises the need for more support beyond short term relief for vulnerable groups, allocating more resources to it (e.g. grants for Senior Worker Early Adopter Grant and Part-Time Re-employment Grant).

Taking Climate Change Issues Seriously

We also note a robust effort by the FY2021 Budget towards sustainability and the environment. The announcements follow up on Singapore's Green Plan for 2030. This includes funding for an Agri-Food Cluster Transformation Fund. Through funding and increased petrol duties (10-15 cents per litre), the government aims to discourage the use of internal combustion cars and encourage the use of electric vehicles. Besides, Tuas Nexus is one example of a green project to be financed with green bonds.

Balancing the Budget

DPM Heng provided more colour for long-term plans towards more balanced budgets. The government has projected higher healthcare expenditure in the coming years, due to an ageing population.

This fiscal year's SGD 11bn budget deficit is funded through unutilised monies (SGD 9.3bn) from the FY2020 Budget and an additional SGD 1.7bn drawdown from reserves.

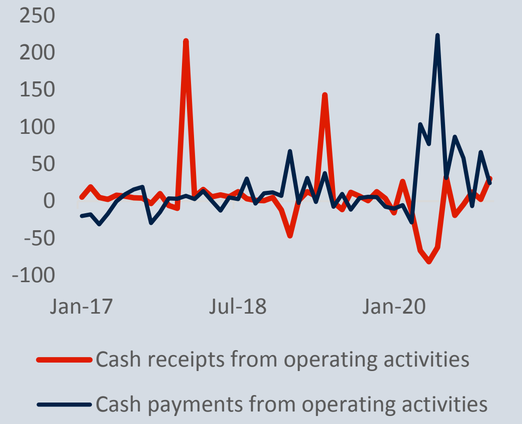
Other announcements included using taxes (raising GST sometime in 2022-2025) to finance government spending. However, there will be a SGD 6bn Assurance Package to cushion the eventual GST hike. It also touched on introducing Singa bonds to finance major long term infrastructure projects (like MRT lines and tidal walls), with a SGD 90bn borrowing limit.

Winners from the FY2021 Budget

We see the following as key beneficiaries from the FY2021 Budget:

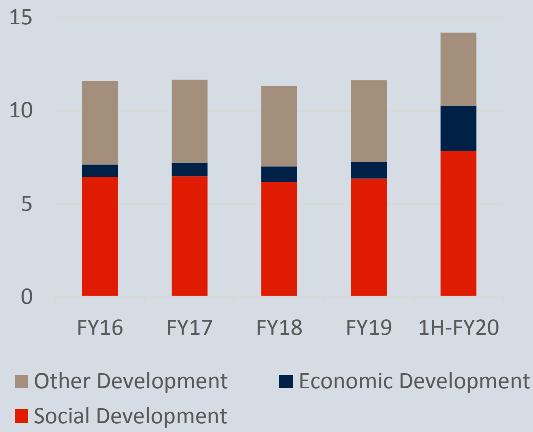
(1) **Healthcare sector**: Initiatives to combat the pandemic, for public health and safe re-opening measures
(2) **Aviation, aerospace, tourism, retail, arts and culture, food services and built environment sectors**: from extended jobs support scheme
(3) **Tech sectors**: digitization efforts to increase adoption; funding
(4) **Environment-related sectors**: for instance, electric vehicle related businesses
(5) **Infrastructure and bond market**: through "Singa" bonds
(6) **Local workforce**: training and initiatives to boost hiring, also to boost complementarily of local and foreign manpower

Figure 4: Recent fiscal trends (% y/y)



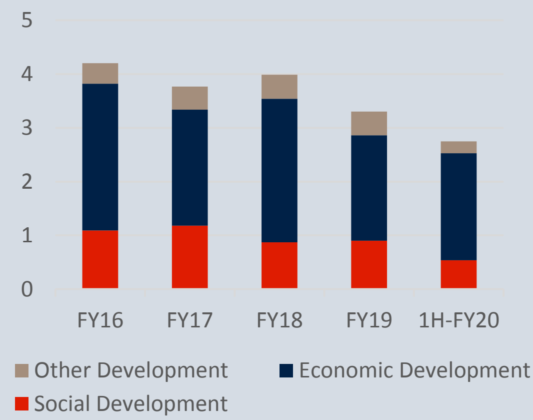
Source: CEIC, HLBS

Figure 5: Short-term operating expenditure rose in FY2020 to focus on the immediate… (% GDP)



Source: CEIC, HLBS

Figure 6: … although at the expense of developmental expenditure (% GDP)



Source: CEIC, HLBS

Appendix: Breakdown of Covid-19 Resilience Package for FY2021

Measures	SGD bn
Public Health and Safe Reopening	**4.8**
COVID-19 testing, clinical management, and tracing	3.1
COVID-19 vaccination and therapeutics	1.0
COVID-19 isolation facilities	0.8
Support for Workers and Businesses	**5.0**
Jobs Support Scheme	2.9
SGUnited Jobs and Skills Package and Jobs Growth Incentive	1.5
COVID-19 Recovery Grant	0.4
Enhanced financing schemes	0.2
Support for Specific Sectors	**1.2**
Aviation: Cost assistance measures for aviation industry	0.9
Tourism: SingapoRediscovers Vouchers	0.2
Land Transport: COVID-19 Driver Relief Fund	0.1
Other: support for Arts, Culture, Sports, and Maritime sectors	0.1
Total	**11.0**

Source: Ministry of Finance, Singapore

Appendix: Details of the FY2021 Singapore Budget

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<td>Covid-19 Resilience Package</td>
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Mr Heng announced a new Covid-19 Resilience Package, with $11 billion set aside.
It is meant to tackle three areas:

To address immediate needs to safeguard public health and reopen safely;
To support workers and businesses where needed; and
To target support for sectors still under stress.

Of the total sum, $4.8 billion will be dedicated to public health and safe reopening measures, such as vaccination and contact tracing, testing and isolation facilities.
Jobs Support Scheme to be extended for hard-hit sectors
The Jobs Support Scheme (JSS), announced last year, was to help protect jobs and help firms retain local workers. Over $25 billion has been committed so far, supporting over 150,000 workers for up to 17 months, said Mr Heng. The current tranche will continue to cover wages up to March 2021 for most sectors.
In Budget 2021, the JSS will be extended for sectors that continue to be hard hit, costing $700 million.
For firms in Tier 1 sectors such as aviation, aerospace and tourism:

JSS will be extended by six months;
Firms will receive 30 per cent support for wages paid from April to June 2021;
Firms will receive 10 per cent support for wages paid from July to September 2021.

For firms in Tier 2 sectors such as retail, arts and culture, food services and built environment:

JSS will be extended by three months;
Firms will receive 10 per cent support for wages from April to June 2021.

For firms in Tier 3B sectors, which cover those managing well like supermarkets and Internet companies:

JSS support discontinued after December 2020.

For firms in Tier 3A sectors, which covers employers in all other sectors:

JSS will be covered up to March 2021, as previously announced, as these sectors are generally recovering.

Mr Heng added that specific schemes within the SGUnited Jobs and Skills Package, including the Jobs Growth Incentive and specific traineeship, attachment and training opportunities, will also be extended. He will elaborate on them later in his speech.
The Covid-19 Resilience Package will also fund the existing Covid-19 Recovery Grant, which supports workers who lost their jobs or experienced significant income loss, as well as existing enhanced financing schemes such as the Temporary Bridging Loan Programme and Enhanced Enterprise Financing Scheme.
More targeted support for worst-hit sectors like aviation, land transport and the arts under Covid-19 Resilience Package
Given that recovery in global air travel will take some time, the Government will be providing targeted support and extend cost relief for the aviation sector, said Mr Heng.
These cost assistance measures will cost $870 million under the Covid-19 Resilience Package.
The package will also include $133 million for the existing Covid-19 Driver Relief Fund, which helps taxi and private hire car drivers affected by the pandemic to defray business costs.
The Arts and Culture Resilience Package and Sports Resilience Package will also be extended to support businesses and self-employed persons in these sectors.
About $45 million will be set aside for the extension of and enhancements to these packages, said Mr Heng.
The Ministry of Culture, Community and Youth will announce more details on both packages at a later date.
Emerging stronger with skilled workers and innovative businesses
Mr Heng said the past year’s Budgets and the Covid-19 Resilience Package are about preservation and adaptation. From this year, the focus will be on Emerging Stronger, Together. This is important because the pandemic has:

Triggered global shifts on the economic, social and political fronts;
Set off new domains for competition and cooperation; and

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	• Accelerated technological advances. To secure Singapore's future, there is a need to build new capabilities in people and businesses and find new ways to work together effectively, said Mr Heng. $24 billion to be allocated over next 3 years to enable firms and workers to emerge stronger Over the next three years, $24 billion will be allocated to enable firms and workers to emerge stronger, said DPM Heng. This builds on the momentum of the transformation push started five years ago when Singapore launched the Industry Transformation Maps. This financial year, Mr Heng will focus on how Singapore can move decisively to build three enablers for the next phase of transformation: • Grow a vibrant business community. • Catalyse wide range of capital to enable businesses to transform and scale. • Create opportunities and redesign jobs for Singaporeans to develop their skills, creativity and talents. Mr Heng said the ultimate purpose of the economic transformation is to grow opportunities for Singaporeans to realise their full potential and aspirations. Singapore's position as a global-Asia node As a small city-state, Singapore has maintained the vibrancy of its society by enabling the global flow of goods, ideas, capital and people, said Mr Heng. The pandemic has disrupted physical connectivity but accelerated the rise of the virtual and knowledge economies. To emerge stronger, Singapore must deepen its position as a global-Asia node, said Mr Heng. To do this: • Singapore will restore physical connectivity and transform the aviation sector for recovery. • It will also expand digital connectivity and deepen the capacity to collaborate and innovate with partners around the world. Recovery of aviation sector Travel and connectivity have taken a severe hit due by the Covid-10 pandemic and recovery may be prolonged. To secure Singapore's position as a key aviation hub and maintain Changi's position as a safe, trusted and well-connected airport, the Government will restore Changi's connectivity and invest in on-arrival testing and biosafety systems, said Mr Heng. This includes the Notarise and Verify system being developed by GovTech through private-public partnerships.
Business initiatives	Investing in 3 key platforms to support businesses The Government will invest in three platforms to support businesses. • Corporate Venture Launchpad: It will be piloted this year to drive new innovative ventures. This will provide co-funding for corporates to build new ventures through pre-qualified venture studios, and will be useful for larger businesses that want to rekindle a startup mindset within their organisations. • Open Innovation Platform (OIP): It facilitates the matching of problems faced by companies and public agencies with solution providers, and co-funds prototyping and deployment. Mr Heng said he will enhance the OIP with new features such as a cloud-based Digital Bench for accelerated virtual prototyping and testing. • Global Innovation Alliance (GIA): It serves to catalyse cross-border collaboration between Singapore and major innovation hubs globally. Since its inception in 2017, over 650 students and about 780 Singapore businesses have taken part in innovation launchpads overseas, 40 per cent of which were in South-east Asia. Intellectual property strategy To support businesses in commercialising the fruits of their innovation, the Government is developing the Singapore Intellectual Property Strategy 2030, which will include equipping businesses with tools to value their intellectual property (IP) and intangible assets, and training skilled professionals in these fields. Mr Heng said the Intellectual Property Office of Singapore will announce the details on World IP Day in April. Deepening global and South-east Asia partnerships Strong connectivity enables businesses to plug into global and regional supply chains and industry clusters, and deepen innovation partnerships. Mr Heng said Singapore is stepping this up with Asean nations, which had a GDP of US$3.2 trillion (S$4.24 trillion) collectively in 2019, making Asean the world's fifth largest economy. • Last December, ESG, IMDA and EDB launched the inaugural South-east Asia Open Innovation Challenge, which saw participation from Indonesian, Malaysian, Thai and Vietnamese corporates. • The Singapore Business Federation will be officially opening two new overseas offices soon - one in Jakarta and one in Ho Chi Minh City. • Singapore also launched cross-border projects through Asean platforms. To promote the integration of Asean markets, Singapore is pursuing common frameworks in emerging areas, said Mr Heng. For instance, Asean nations have developed the Asean Payment Policy Framework to encourage retail payment linkages between Asean countries. Mr Heng said Singapore will also continue to work closely with Asean members to enhance digital connectivity and cybersecurity, and to get ready for the Fourth Industrial Revolution. Digital connectivity and infrastructure investments in the region Singapore will continue to enhance infrastructure investments in the region, said Mr Heng. He cited the Kendal Industrial Park, a joint investment between Singapore's Sembcorp and Indonesia's PT Jababeka to build up activities in food processing, building materials and medical equipment manufacturing, among others. In October last year, Mr Heng announced the intention to enhance cooperation with Singapore's most immediate neighbours, through Iskandar Malaysia in Johor, and the islands of Batam, Bintan and Karimun in the Riau Islands. One of the goals is to build up a cluster of industries around the electronics, medtech, food manufacturing and processing sectors, as these see rising demand in Asean. The recently launched South-east Asia Manufacturing Alliance will support these efforts. On the digital front, Singapore is also working with Indonesian partners to build the Nongsa Digital Park. Mr Heng reiterated that the first enabler for the next phase of transformation is to grow a vibrant business community, with a strong spirit of innovation and enterprise, deeply connected with the Asean region, Asia and the world.

Capital tools to co-fund transformation of businesses

Mr Heng said the second enabler for Singapore's next phase of transformation is to catalyse a wide range of capital to co-fund and enable businesses - from start-ups to small, medium and large enterprises - to innovate, transform and scale.

The Government will step up risk-sharing arrangements with providers of capital, and provide grants, to support businesses at various stages of growth.

Venture debt for high-growth enterprises

For high-growth enterprises, including start-ups, Mr Heng said he will ensure that they continue to have access to financial capital by extending and enhancing the Enterprise Financing Scheme - Venture Debt programme.

As part of the Venture Debt programme, the Government shares up to 70 per cent of the risk of eligible loans with participating financial institutions.

Mr Heng said he will continue to support this programme, and increase the cap on loan quantum supported, from $5 million to $8 million.

With this, the Government expects about $45 million of venture debt to be catalysed over the next year.

Co-funding transformation of mature enterprises

More mature enterprises, from micro and small to medium and large enterprises, should also invest in new and emerging technologies to sharpen their competitiveness. To encourage them to do so, the Government will co-fund their adoption of digital solutions and new technologies. Mr Heng said he is setting aside $1 billion for the schemes.

In the coming years, a critical part of business transformation will be in job redesign, said Mr Heng. Many tasks that are physically demanding or repetitive can be better done by machines and with an ageing workforce, Singapore must leverage technology to develop senior-friendly workplaces.

To support businesses in redesigning jobs, Mr Heng will enhance the Productivity Solutions Grant - Job Redesign by raising the government co-funding ratio from 70 per cent to 80 per cent until end-March 2022.

He cited restaurant chain Tim Ho Wan as an example of a company redesigning jobs. He said it worked with NTUC's e2i to modernise previously tedious manual ordering, tabulation and reporting, saving 20-30 per cent in man-hours. e2i also negotiated with the company to increase the salary of impacted older staff members.

Equity investments in large local enterprises

The Government has partnered equity firms to provide growth capital for companies to transform and scale up in order to support the growth of local companies, said Mr Heng.

So far, efforts have largely focused on small and medium-sized enterprises (SMEs) with annual revenues of up to $100 million. Such companies traditionally lack attention from private equity players, while larger enterprises tend to have the means to raise capital.

But changes in the global economic landscape and financial markets have made it harder for the large local enterprises (LLEs) to attract private equity. This may mean missed opportunities for companies with strong fundamentals to plug into new areas.

To ensure growth capital is available for LLEs that are ready to transform or expand overseas on a larger scale, Mr Heng said he will complement existing grants and loans, and support them through equity investments.

He announced that $500 million will be set aside to be co-invested with Temasek in a Local Enterprises Funding Platform, to be managed commercially. Temasek will match the Government's funds on a one-for-one basis, so the platform will have $1 billion available for its investments.

Value chains' transformation

While each company's transformation is necessary, Singapore can reap the full benefits of transformation when it transforms the entire value chain, Mr Heng said.

This is why for the next phase of the industry transformation, Mr Heng will focus on the transformation of entire value chains - where each player in the chain works together to integrate and digitalise processes, and upskill its workers.

The Government will build on the Alliances for Action, and begin with a few alliances first. This will start with the built environment sector, where Mr Heng said he will launch the Growth and Transformation Scheme (GTS).

Since the launch of the Construction Industry Transformation Map in 2017, the Government has made a big push to drive transformation in the built environment sector. Firms have adopted new ways of doing things but it can be much better, said Mr Heng.

This sector experienced an existential threat last year, and is recovering. Developers, consultants and contractors now realise the urgency to radically improve productivity and reduce the reliance on labour-intensive methods. The GTS for the built environment sector will require developers to work closely with their consultants, contractors and suppliers to level up as an ecosystem or value chain.

While continuing to support the sector's recovery, the Government will tilt its support to enable the sector to transform decisively, said Mr Heng, adding that its resolve in achieving transformation of the industry is clear and unwavering.

Developing skills, talents, creativity of Singaporeans the 3rd enabler in Singapore's transformation

After touching on the first two enablers for Singapore's next phase of transformation - the business community and capital - Mr Heng moves on to the third: developing the skills, talents and creativity of our people.

Enabling our people to have access to good jobs and job opportunities is the purpose for developing a strong economy, he said. This is because a vibrant economy creates the jobs and opportunities for people to be at their best, he added.

SGUnited Jobs and Skills package

The SGUnited Jobs and Skills package, first launched last year, is a key pillar in Singapore's industry transformation, Mr Heng said.

He noted that as of end last year, the Government has placed nearly 76,000 people in jobs, traineeships, attachments and skills training.

Under the Jobs Growth Incentive (JGI), an estimated 110,000 local job seekers were collectively hired within two months from the implementation of the scheme, he added.

Looking ahead, as companies and industries transform, and new growth areas emerge, Singaporeans will need to have the skills and agility to move, he said. And to emerge stronger, they will need new knowledge and skills.

To enable Singaporeans to take on these new jobs, Mr Heng announced that an additional $5.4 billion will be allocated to a second tranche of the Jobs and Skills Package, on top of the $3 billion allocated last year.

Of this, $5.2 billion will be allocated to the JGI to extend the hiring window by seven months, up to end-September this year. This means that companies hiring eligible locals will be given up to 12 months of wage support from the month of hire, while mature workers, persons with disabilities and ex-offenders will be given up to 18 months of enhanced wage support.

	The SGUnited Skills, SGUnited Traineeships and the SGUnited Mid-Career Pathways programmes will also be extended, he said. Targets for next phase of SGUnited Jobs and Skills Package Mr Heng said that the next phase of the SGUnited Jobs and Skills Package will support the hiring of 200,000 locals this year. It will also aim to provide up to 35,000 traineeships and training opportunities to help job seekers in upskilling and accessing employment opportunities. New innovation and enterprise fellowship programme to groom leaders in deep tech areas As Singapore heads into a more technology-intensive economy, it is crucial to groom leaders in innovation and enterprise, especially in deep technology areas, said Mr Heng. He announced that the National Research Foundation (NRF) will be supporting 500 fellowships under the new Innovation and Enterprise Fellowship Programme (IFP) over the next five years. It aims to meet the needs in areas such as cyber security, artificial intelligence and health tech, and will work with partners, including accelerators, venture capital firms and deep tech start-ups. SGInnovate is the first partner, he said, adding that it recently launched the Power X (Robotics) programme under the IFP to develop local talent for fast-growing robotics and automation sector. Trainees go through a nine-month programme to learn and apply robotics-related skills on real-world projects and are then placed with their host companies to help drive innovation, he added. The inaugural programme currently has 10 trainees in six host companies. Salaries of nurses and other healthcare workers to be enhanced: DPM Heng Singapore's healthcare workers have worked hard over the years to provide Singaporeans with the highest quality of care, Mr Heng noted. And since Covid-19 hit, their exemplary commitment has shone through, he said, adding that beyond the pandemic, the healthcare sector is set to grow. He said that the Government will enhance the salaries of nurses and other healthcare workers, such as support care staff. This will apply to workers across public healthcare institutions and publicly funded community hospitals and long-term care service providers. He added that Health Minister Gan Kim Yong will give more details during the debate of the ministry's budget. S'pore must focus on enhancing complementarity of local and foreign manpower: DPM Heng Mr Heng noted that some Singaporeans are concerned about Singapore's reliance on, and competition from, foreign manpower. At the same time, business and trade associations have said that it is difficult to hire locals, and have asked the Government not to tighten the foreign worker quotas further. Mr Heng said that the way forward is neither to have few or no foreign workers, nor to have a big inflow. To strike a balance, Singapore must focus on enhancing the complementarity of local and foreign manpower, and step up on industry transformation, he added. He said that in line with this, he will support the employment of Singaporeans while deepening their capabilities and promoting capability transfer, while moderating Singapore's reliance on foreign labour where it is necessary. Wage Credit Scheme to be extended a year; Capability Transfer Programme to be extended up to end-September 2024 To provide further help to support wage increments for companies to retain or draw locals, Mr Heng said that the Wage Credit Scheme will be extended for a year, at a co-funding level of 15 per cent. He urged employers to make use of other schemes to redesign jobs and upskill their local staff. For sectors in new growth areas, the Government will welcome expatriates with the right expertise to complement Singaporeans, and help us build capabilities. This will allow us to add vibrancy to the local market, better serve international and regional markets, and enhance Singapore's attractiveness to global investors, he added. The Capability Transfer Programme (CTP) is one of many programmes that supports such foreign-to-local skills transfer, Mr Heng said. As of end-2020, more than 140 companies, and over 970 locals have benefited or are expected to benefit from 40 projects. He said that the CTP will be extended to end-September 2024. Manufacturing S Pass sub-dependency ratio ceiling to be cut in 2 steps In his Unity Budget in February last year, Mr Heng said that he had indicated that the Manufacturing S Pass sub-dependency ratio ceiling (sub-DRC), the proportion of S Pass holders a firm can employ, would be cut when conditions allow. He noted that over the years, the manufacturing sector has allowed the country to create good jobs for about 450,000 workers, or around 12 per cent of the workforce, with median wages at about 10 per cent higher than the economy-wide median. To achieve Singapore's vision of being a global advanced manufacturing hub, the local workforce will need to develop deep skills and the industry has to reduce reliance on foreign workers. Therefore, the Government will reduce the sub-DRC for manufacturing in two steps, to 18 per cent from Jan 1, 2022, and to 15 per cent from Jan 1, 2023, he said. This is in line with the tightening already under way in other sectors such as the services, construction, and marine shipyard and process sectors, he added. He said that the move has been carefully calibrated so that firms have one year to adjust before changes are implemented. He added that the Government will continue to review the S Pass framework, including the qualifying salary and levies, to maintain the complementarity.
Society & household initiatives	New alliance to support caregivers of persons with disabilities Last June, DPM Heng announced that Singapore Together Alliances for Action (AfAs) would be formed to forge partnerships and cross-sector collaborations to pursue new growth areas and to tackle complex issues. Some of the issues could have come up through the Emerging Stronger Conversations, in which 17,000 individuals participated. They expressed their wish for a fair, equal and caring society, with more support for vulnerable groups such as lower-wage workers and persons with disabilities, said Mr Heng. In eight months, 15 AfAs have been formed or announced, with more to come. Mr Heng announced that a new AfA on the support for caregivers of persons with disabilities will be formed by the National Council of Social Service and SG Enable. The Ministry of Social and Family Development will announce more details during the debate on each ministry's budgets.

New $900 million Household Support Package to support families

A new Household Support Package will provide some support to all families, with lower- to middle-income families receiving more, said Mr Heng.

The package will include:

- Additional one-off GST Voucher - Cash Special Payment of $200 for all Singaporeans eligible for the GST Voucher - Cash;
- Additional 50 per cent U-Save rebate over one year under a GST Voucher - U-Save Special Payment for eligible Housing Board flat households, amounting to between $120 and $200;
- One-year extension of the service and conservancy charges (S&CC) rebate for all eligible HDB households. The rebates will offset between 1.5 and 3.5 months of S&CC fees;
- Additional $200 top-up per child through the Child Development Account, Edusave Account or Post-Secondary Education Account for families with Singaporean children below age 21.

All Singaporean households will also receive $100 worth of Community Development Council (CDC) Vouchers each, to be used at participating heartland shops and hawker centres, said Mr Heng.

To fund this extra tranche of vouchers, the Government will provide an additional $150 million grant to CDCs, he added.

Altogether, the Household Support Package will cost about $900 million.

More long-term support for low-wage workers, lower-income families and children with special needs

Mr Heng highlighted three groups of Singaporeans that have been more badly affected by the pandemic and need more support beyond short-term relief:

- Workers who are earning low wages or facing more challenges with employment such as older workers or persons with disabilities;
- Lower-income families; and
- Children with special needs.

To strengthen the social compact, Singaporeans must work together to address challenges faced by the more vulnerable members of society. The Government will continue to allocate resources in its annual budgets for this, said Mr Heng.

Support for low-wage workers, older workers and persons with disabilities

In October last year, the Tripartite Workgroup on Lower-Wage Workers was formed to look at ways to uplift the wages and prospects of lower-wage workers, noted Mr Heng.

The Government's aspiration is for every sector of the economy to have some form of progressive wages, and the tripartite workgroup is making good progress, said Mr Heng. The Manpower Ministry will provide more details on this later.

For older workers, the Government has been exploring ways to enable older workers to continue working if they want to, said Mr Heng.

With retirement and re-employment ages being raised to 63 and 68 respectively in 2022, a Senior Worker Support Package was introduced in last year's Unity Budget to help businesses adjust.

Mr Heng said that the take-up rate has exceeded expectations for the Senior Worker Early Adopter Grant and Part-Time Re-employment Grant, both key components of the package.

To support more companies to move earlier to raise their retirement and re-employment ages, the budget allocation for both these grants will be increased by more than $200 million, announced Mr Heng.

The Ministry of Social and Family Development has also announced the creation of 1,200 job and training opportunities for persons with disabilities, said Mr Heng.

ComLink initiative to expand nationwide to support more lower-income families

Community Link (ComLink), introduced in 2019, is one of the Ministry of Social and Family Development's (MSF's) key initiatives to help families with children who are living in rental housing.

The ministry has supported about 1,000 families through ComLink since it began.

Mr Heng cited Madam Soo Bee Keow and her children as a family who has benefited from ComLink. They have received help such as grocery vouchers and back-to-school items, which help to offset living expenses, and Madam Soo has been able to send her children to enrichment programmes like the kidsRead programme.

To provide holistic support to more families, Budget 2021 will provide resources to MSF to expand ComLink significantly, said Mr Heng.

The programme, currently piloted in several towns, will become a nationwide programme supporting 14,000 families with children, over the next two years, he said.

MSF will provide more details during the upcoming debate on each ministry's budget.

New pilot programme for children with special needs

The Government is looking to pilot an Inclusive Support Programme to support children with special needs, said Mr Heng.

Children under seven years old with developmental needs can benefit from a differentiated approach to help them learn better, he noted.

The pilot will integrate the provision of early intervention and early childhood services for children who require up to medium levels of early intervention support, said Mr Heng.

Many of these children are already attending pre-school, and the new programme will allow them to be more meaningfully engaged alongside other children, as well as benefit all children and help them develop social skills and learn social inclusion, he added.

Government will continue to identify groups who need more support

Mr Heng said that the Government will continue to identify and target groups who may need further support, including emerging groups of workers in more vulnerable areas.

For self-employed persons, the Government will continue to study ways to enhance their job security and strengthen their retirement adequacy. It is working with the unions and various agencies to address this, including outreach to more self-employed persons, said Mr Heng.

Extension of schemes and new $20 million grant to encourage more firms to support charitable organisations

Community partners, charities and social service agencies have been providing support to those in need during the Covid-19 pandemic, but they are currently facing challenges, said Mr Heng.

	Donations to certain platforms such as Giving.sg and for specific causes like Covid-19 have risen, but donations to many charities in general and income streams for recurrent programmes have fallen, he noted. Some charities have had to dip into their reserves to keep operations going, added Mr Heng. To encourage Singaporeans to give back to the community, Mr Heng said that the 250 per cent tax deduction for donations to Institutions of a Public Character (IPCs) will be extended for two more years till 2023. It was originally set to lapse at the end of 2021. Additional government support for the Tote Board's Enhanced Fund-raising Programme will also be extended by a year, said Mr Heng. Under this programme, charities can apply to receive dollar-for-dollar matching on eligible donations, up to $250,000. Mr Heng also said that dollar-for-dollar matching under the Community Chest's Share as One scheme will also be extended to FY2023. The scheme enables corporates, employees and individuals to commit to regular giving. Twenty million dollars will also be set aside for a new Change for Charity Grant, which will tap the potential for businesses to do more to facilitate spontaneous acts of daily giving, such as by encouraging customers to make donations at the point of transactions. The grant will match ComChest donations raised through this initiative, and co-fund one-off development costs needed to integrate or enhance donation functions onto businesses' payment platforms. The Ministry of Social and Family Development will announce more details in the upcoming debate on each ministry's budget. Encouraging volunteerism among corporates and individuals To encourage more corporate volunteerism, the Business and IPC Partnership Scheme will be extended for another two years till the end of 2023, said Mr Heng. Businesses can play an important role in kick-starting their employees' volunteering journey, he said. The Government is also setting aside $50 million to match donations to the Community Development Councils' Care and innovation Fund. It will provide $3 for every dollar raised under this fund, which will give additional support for bottom-up, innovative initiatives that address the needs of the community, said Mr Heng. Apart from national level efforts, efforts by the community - such as voluntary organisations, corporate partners and individuals - help to ensure that the diverse needs of different groups who need support are met, especially in the "last mile", added Mr Heng.
Climate change	The other existential threat: Climate change DPM Heng described climate change as an existential threat to humanity, just like the Covid-19 pandemic. However, unlike Covid-19, which was a sudden and sharp shock, climate change is a gradual and intensifying risk, he said. He added that climate change needs a global solution, so Singapore will do its part even though its emissions are just a small fraction of the world's, Singapore will continue to support international and regional efforts towards climate action and play an active role at United Nations Framework Convention on Climate Change negotiations. Singapore's environmental efforts over the years Sustainable development is not new to Singapore, he said, outlining the country's efforts over the years. "Mr Lee Kuan Yew emphasised the building of a Garden City in our early years, and transformed Singapore from a polluted backwater with mucky rivers in 1965 to one of the cleanest and greenest cities in the world today", he said. More recently, the Government restructured the diesel tax in 2017 and 2019. In 2019, Mr Heng had announced that excise duty on diesel will be doubled from 10 cents to 20 cents a litre, while upfront taxes on diesel vehicles would be pared down. The move was in line with efforts to encourage responsible usage of the highly-pollutive fuel. It also introduced a carbon tax and passed the Resource Sustainability Act in 2019 to encourage companies to reduce emissions and work towards zero waste. Last year, it enhanced the Nationally Determined Contribution, a commitment to further limit emissions as part of the Paris Agreement. It also announced the Long-Term Low-Emissions Development Strategy, which sets out plans for mitigating and adapting to climate change. "We will build on our strong foundations and run a national movement to build a sustainable Singapore for all generations," said DPM Heng. Singapore Green Plan 2030 Mr Heng also mentioned the Singapore Green Plan 2030 that was launched last week, calling it an "ambitious long-term plan that builds on ongoing efforts to secure a green, liveable and sustainable home for generations of Singaporeans to come". Harnessing technology to tackle climate challenges Singapore harnessed technology to overcome its water and land constraints, and will do the same for climate change, said Mr Heng. Ongoing efforts include the Integrated Environment Modeller developed by researchers from A*Star and HDB that was used by urban planners in the planning of the Tengah housing estate to maximise thermal comfort for residents. He added that a promising story of innovation is the Aquaculture Centre of Excellence, which has patented an "eco ark" - a new offshore fish farm able to produce 20 times more output than the average in coastal fish farms. This improves Singapore's food resilience as part of the 30-by-30 goal (30 per cent of home-grown food by 2030). New $60 million Agri-Food Cluster Transformation Fund The Government will set aside $60 million for a new Agri-Food Cluster Transformation Fund to continue supporting technology adoption in the agri-food sector. It will replace the Agriculture Productivity Fund. More details will be announced by the Ministry for Sustainability and the Environment during the debate on each ministry's budget. Promoting the use of electric vehicles (EVs) by boosting charging network and cutting cost DPM Heng announced that $30 million will be set aside over the next five years for EV-related initiatives, such as measures to improve charging provision on private premises. To narrow the cost differential between electric cars and internal combustion engine cars, the Additional Registration Fee (ARF) floor will be lowered to zero for electric cars from January 2022 to December 2023. The ARF is paid when registering a vehicle and the rate is determined by the vehicle's open market value. Measures to encourage use of EVs also featured in Budget 2020. For instance, an early adoption incentive scheme was rolled out for EV buyers from 2021 to 2023, offering a 45 per cent rebate on the ARF, capped at $20,000 per vehicle.

	Petrol duty to be raised with immediate effect, says DPM Heng Mr Heng said that petrol duty rate will be raised with immediate effect. He added that for premium petrol, duty will be raised by 15 cents per litre and for intermediate petrol, duty will be raised by 10 cents per litre. Green bonds on public infrastructure projects Sustainability efforts require capital and green finance will be an important enabler, said Mr Heng. The Government will take the lead by issuing green bonds on select public infrastructure projects. It has identified up to $19 billion worth of public sector green projects for a start. One green project to be financed with green bonds is Tuas Nexus. Tuas Nexus integrates waste and water treatment facilities, and maximises energy and resource recovery in the solid waste and used water treatment processes, said DPM Heng. Everyone has a part to play in fighting climate change After touching on the two key enablers of the Singapore Green Plan - technology and capital - Mr Heng addresses the third, the actions of Singaporeans. He said the Government will lead by example, with ambitious sustainability goals under the Singapore Green Plan, but stressed that businesses and households also have to do their part. Businesses can seize new opportunities for growth, he said, citing the example of Durapower, a battery and energy storage solutions company that is working with Nanyang Technological University to develop high-energy density lithium-ion battery cells for EVs. The batteries developed by Durapower are used in more than 45 cities and 20 countries. He said the Government will launch the Enterprise Sustainability Programme to support business seize new opportunities in the green economy. On the part of Singaporeans, he said the Government will partner Singaporeans and support ground-up projects which aim to build a sustainable future. It has received more than 200 proposals from individuals, grassroot, and businesses under the first SG Eco Fund grant call.
Fiscal sustainability	S'pore's fiscal approach must balance immediate and long-term needs responsibly Singapore's fiscal approach must strike a careful balance between addressing its immediate needs and meeting its long-term structural needs in a responsible manner, Mr Heng said. In the immediate term, running a fiscal deficit to support target relief is warranted due to the impact of Covid-19. In the longer term, with an ageing population and maturing society, Singapore's recurrent needs in areas like healthcare and other social spending will continue to rise and the country must meet these structural needs in a disciplined and sustainable way. Govt expects to use $42.7b out of $52b drawn from past reserves in FY2020 Mr Heng noted that in the last financial year, FY2020, the Government had expected to draw up to $52 billion from past reserves. With the effective response of Singaporeans and businesses in adapting to the changing situation, the Government has been able to bring the pandemic largely under control, he added. Hence, its requirements for some areas such as public health turned out to be lower than what was provided for, he said. Of the $52 billion, the Government is expecting to utilise $42.7 billion of past reserves, he said, which means that $9.3 billion is not expected to be used in FY2020. $11b to be set aside for Covid-19 Resilience Package, to be funded through draw on past reserves For FY2021, the Government will commit $11 billion for the Covid-19 Resilience Package to tackle the immediate and extraordinary challenges the pandemic continues to pose, Mr Heng said. Given the extraordinary and temporary nature of these measures, the Government proposes to fund the package through a draw on past reserves, he said. The $11 billion comprises the $9.3 billion that is expected to be unused from the draw on reserves in FY2020 and a further draw of $1.7 billion. The proposed draw of up to $11 billion in FY2021 and the $42.7 billion of past reserves in FY2020, the total expected draw on past reserves will be $53.7 billion, he said. DPM Heng said.that the President has given her in-principle support for the proposed draw of up to $11 billion on past reserves in FY2021 to continue the provision of public healthcare and relief measures in the coming financial year. This is the second consecutive financial year that the Government will be drawing on Singapore's past reserves, but DPM Heng said it is necessary given the exceptional circumstances. S'pore's fiscal situation expected to be tighter in coming years Before the Covid-19 pandemic, Singapore was already expecting a structural increase in its recurrent spending needs, especially in areas such as healthcare, Mr Heng said. The country has tripled government healthcare spending over a decade, from $3.7 billion in FY2010 to $11.3 billion in FY2019, he said. He noted that as Singapore's needs grow, it must plan for the resources to fund this spending, and target it in a fair and effective way. Covid-19 has also raised economic uncertainties for citizens and workers, and this calls for stronger social safety nets to protect those who are disadvantaged or more vulnerable. This will mean higher recurrent spending going forward, he said. He said that the Government has maintained the principle that recurrent expenditure should be funded by recurrent revenue as this ensures that it spends in a responsible way that is fair for current and future generations. No GST rate hike in 2021, but rate may be raised some time in 2022 to 2025 To finance Singapore's recurrent spending needs, Mr Heng said he first announced in Budget 2018 that the goods and services tax rate would need to be raised some time during 2021 to 2025. He added that he announced in the Unity Budget in February 2020 that in view of economic conditions then, the GST rate increase would not take effect in 2021. This remains the Government's plan, he said. However, it will not be able to put off the increase for too long and will have to make the move some time during 2022 to 2025, and sooner rather than later, subject to the economic outlook. He stressed that without the GST rate increase, Singapore will not be able to meet its rising recurrent needs, in particular healthcare spending. And while Singapore has been fortunate to be able to tap on its reserves to respond to the Covid-19 crisis, it is not tenable for the Government to run persistent budget deficits outside periods of crisis, he added.

	$6b Assurance Package to cushion impact of GST rate hike; lower-income S'poreans to get more support Mr Heng said to help cushion the impact when the GST rate is raised, the Government has set aside $6 billion for an Assurance Package, which will effectively delay the effect of the GST rate increase for most Singaporean households by at least five years. For lower-income Singaporeans, the offset will be even higher, with those living in one- to three-room HDB flats receiving about 10 years' worth of additional GST expenses incurred. He stressed that GST on publicly-subsidised education and healthcare will continue to be fully absorbed. Over and above the transitional support, he noted that there is already the permanent GST Voucher scheme to defray GST expenses for lower- and middle-income households. He said that this is a permanent feature of the system, and will be enhanced when the GST rate increase takes place. This will help provide targeted support to those who need help most. S'pore's tax system remains progressive and must be resilient against shocks: DPM Heng Mr Heng noted that based on past collections, foreigners residing in Singapore, tourists and the top 20 per cent of resident households are estimated to account for over 60 per cent of the net GST borne by households and individuals. This is after taking into account the GST Voucher scheme, and GST refunded under the Tourist Refund Scheme for goods bought locally for consumption abroad, he said. He added that, considered as a whole, Singapore's entire system of taxes and benefits is a progressive one. In 2020, the top 20 per cent of Singaporean households paid 56 per cent of the taxes and received 11 per cent of the benefits; whereas the bottom 20 per cent paid 9 per cent of the taxes and received 27 per cent of the benefits. However, at the same time, Singapore's tax system must remain resilient to withstand shocks. He said that the Republic is mindful of international tax developments, and the downside risks to its revenues. He noted that there are ongoing discussions to revise international tax rules under the Base Erosion and Profit Shifting, or BEPS 2.0 project. These proposals will adversely impact Singapore's corporate income tax revenues and the Government is actively involved in these talks. He added that if and when these international tax rules are changed, the Government will consider if adjustments are required to Singapore's corporate tax system accordingly. GST will be extended to imported low-value goods from January 2023 Mr Heng said that in Budget 2018, he announced the extension of GST to imported services from Jan 1, 2020, and shared that the Government would be reviewing international developments on how GST can be applied on imported goods. He said that low-value goods imported via air or post are currently not subject to GST to facilitate clearance at the border. In contrast, GST is paid on such goods bought in Singapore. He added that several jurisdictions, including Australia, New Zealand and the European Union, have implemented or announced plans to implement the equivalent of GST on such goods. With that, he announced that he will be extending the GST to imported low-value goods with effect from Jan 1, 2023. This change, together with the change announced in Budget 2018, will ensure a level playing field for local businesses to compete effectively, he said. Overseas suppliers of goods and services will be subject to the same GST treatment as local suppliers and the Inland Revenue Authority of Singapore will continue to work with the industry to ensure smooth implementation for the change. Govt to issue up to $90b in new bonds to finance infrastructure like MRT lines and tidal walls In previous Budgets, Mr Heng shared that the Government is exploring the use of borrowing to finance major, long-term infrastructure that benefit current and future generations. This approach will allow it to spread out the lumpy costs of such infrastructure investments more equitably across generations, he said. Having studied this extensively, he announced that the Government intends to issue new bonds under a proposed Significant Infrastructure Government Loan Act, or Singa for short. The Government will table a Bill in Parliament later this year. These new bonds allow for a fair and efficient way of distributing the fiscal responsibility, he said, because: these payments are borne by the generations who will directly benefit from the improved infrastructure; • these payments are borne by the generations who will directly benefit from the improved infrastructure; • and they allow the Government to benefit from the current low interest rate environment. He added that before this, the Government has been issuing bonds to develop the domestic debt market and meet the investment needs of the CPF for Singaporeans' retirement. With the proposed Singa legislation, the Government will now issue bonds to finance assets that are crucial to Singapore's long-term development and sustainability. These include new MRT lines, and infrastructure to protect the country against rising sea levels. As a safeguard, it will set a limit of $90 billion for borrowing under Singa, he said, adding that this is based on the expected pipeline of major, long-term infrastructure projects over the next 15 years. Other safeguards will be included in legislation, which will be open to parliamentary and public scrutiny. He added the President has been briefed and her in-principle support has been obtained for the use of government borrowing to finance major, long-term infrastructure.
Fiscal position	S'pore must press on and invest in new areas, even if economic and fiscal situation worsens and draw on Past Reserves is required to do so: DPM Heng If the economic and fiscal situations turn out to be worse than expected, Singapore must still press on to invest in new areas so as to ride on the structural changes, transform and emerge stronger as an economy, and as a people, DPM Heng said, even if this meant further dipping into the reserves. The reserves have largely been used for economic support measures instead of for investment. He added that should the public health and economic situations deteriorate, and the need arises, the Government will seek the President's consideration for the use of past reserves to support these economic investments to ensure that Singapore emerges stronger from the crisis. The Government has briefed the President on its strategy and contingency plan in the event of a prolonged impact of the pandemic on the economy.

	He said that the President has expressed her understanding of the Government's approach, and will consider its specific proposals should there be a need to draw on past reserves. Govt expects overall Budget deficit of $64.9b in FY2020, its largest since independence For FY2020, the Government is expecting an overall Budget deficit of $64.9 billion, or 13.9 per cent of GDP - the largest since the nation's independence, Mr Heng said. The deficit is driven by lower revenues due to dampened economic activity, and the significant expenditures needed to mount a decisive response to Covid-19, he added. FY2021 Budget position remains expansionary; overall deficit of $11b expected Mr Heng said that for FY2021, the Government's Budget position remains expansionary as it continues to tide Singaporeans and businesses over the crisis with the Covid-19 Resilience Package. This also includes plans for economic and workforce transformation, strengthening Singapore's social compact and building a sustainable future for all. He added that these measures will impart a considerable fiscal boost to the economy, and the Government is expecting an overall deficit of $11 billion, or 2.2 per cent of GDP.

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