

Saving For a Rainy Day? Some Implications of Pre- Funding in the Singapore Budget

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Top-Ups to Funds Announced During Budget 2024

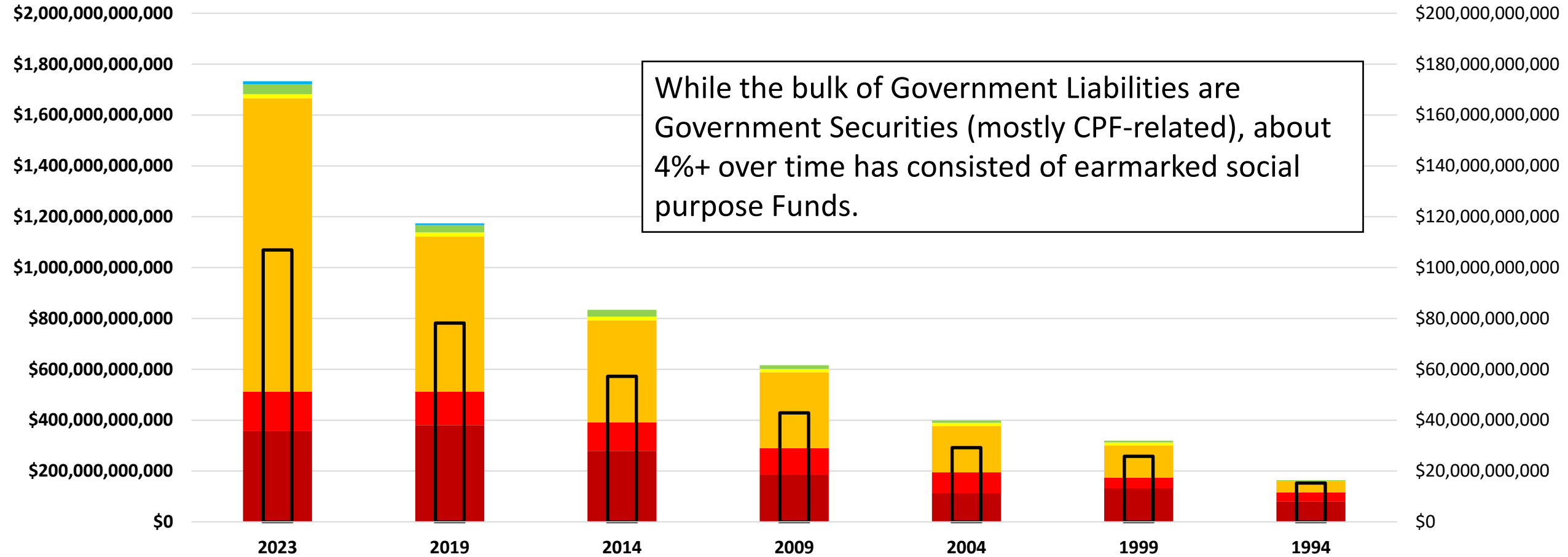


- “Beyond the Assurance Package, I will top up the **GST Voucher Fund** by \$6 billion.”
- “To support this and other investment promotion efforts, I will **top up the National Productivity Fund by \$2 billion.**”
- “I will **top up the Financial Sector Development Fund by \$2 billion.**”
- “And to provide for these enhancements, I will **top up the PWCS Fund by \$1 billion.**”
- “I will therefore **top up the Edusave Endowment Fund by \$2 billion** to support these and other education initiatives.”
- “To honour this commitment without burdening future generations, I will set aside \$7.5 billion in a new Fund – the **Majulah Package Fund.**”
- “I will therefore set up a **Future Energy Fund** with an initial injection of \$5 billion.”
- “I will provide a **\$20 million top-up for the One Team Singapore Fund and extend it till end-FY2027.**”

Questions

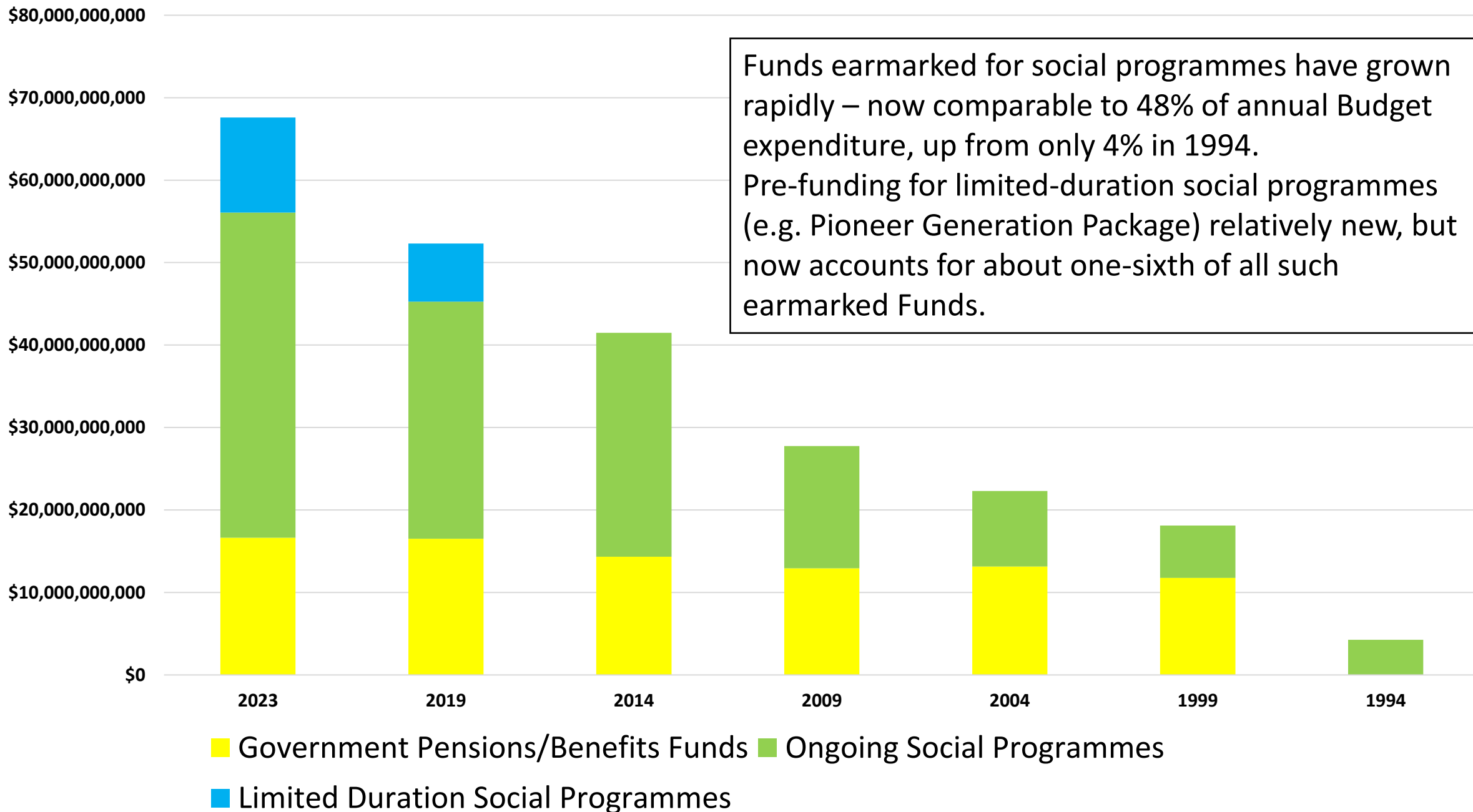
- What is known about Singapore's use of pre-funding for Government programmes?
- What are the implications of pre-funding for the Budget and the Reserves?
- How do these affect attempts to analyse and understand the Singapore Budget and Government expenditures?

Singapore Government Liabilities by Fund Type, 1994-2023



- Cashflow and Operating Funds
- Development and Related Funds
- Government Securities Fund
- Government Pensions/Benefits Funds
- Ongoing Social Programmes
- Limited Duration Social Programmes
- Budget Expenditure

Funds Earmarked for Social and Related Purposes, 1994-2023



Pre-Funding and the Budget

- Pre-Funding may create divergence between actual Government expenditures and on-Budget Government expenditures.
- Government expenditures incurred for Funds appear to be reported in the Budget the year the Funds are created/topped up, and not the year of actual expenditure.
- For example, the ComCare Endowment Fund reported that out of \$151 disbursed in ComCare schemes in FY2019, \$69 million in transfers were funded by the Endowment Fund's interest income, and \$82 million from the MSF budget allocation.

Pre-Funding, the Budget Final Surplus/Deficit, and Budget Balance over the Term of Government

- The Singapore Budget 'Basic Surplus/Deficit' is reported before contributions/top-ups to Endowment and Trust Funds.
- The Overall Budget Surplus/Deficit, however, is inclusive of such contributions as well as Net Investment Returns.
- If the Overall Budget Surplus/Deficit is the measure used to determine if the Budget is balanced over a term of Government, then, Top-Ups to Endowment / Trust Funds can effectively prevent Government surpluses from accruing to the Past Reserves.
- Instead, Government surpluses can be allocated to earmarked Funds which carry out the policy of the Past Term of Government.

Pre-Funding and the Reserves

- Pre-Funding may create growth in the unreported Reserves.
- At least some Funds are allocated a fixed interest income that appears to vary by year.
- For example, the ComCare Endowment Fund reports the entire balance is held with the Accountant-General on behalf of the Fund, where *“The Fund is allocated an interest income of 3.50% (FY18: 4.00%) per annum”* – ComCare Annual Report FY19.
- If Funds’ fixed interest income is consistently lower than the long-term return on Reserves (and assuming the Government invests Funds), then the (unreported) Reserves will grow by the difference.

Concluding Remarks

- Singapore is in a unique position to save for future spending commitments, unlike most countries which rely on deficit or current account spending.
- This practice likewise results in unique features:
- On-Budget Government expenditures in a given year may under-report actual expenditures for areas supported by earmarked Funds.
- Final Budget surpluses / deficits can be managed by making contributions to Funds.
- The (unreported) Reserves may grow by the difference, if any, between the interest rate allocated to Funds, and the long-term rate of return on Government investments.
- Analyses of Singapore Government Budgets and expenditure should account for these unique features.