Development Finance Assessment Snapshot

Singapore

Financing the future with an integrated national financing framework

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Singapore: Financing the future with an integrated national financing framework

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Executive summary

Across Singapore and the Association of Southeast Asian Nations (ASEAN) region as a whole, ambitions for the sustainable development progress that can be achieved in the Sustainable Development Goal (SDG) era are high. This paper forms part of a project to assess the financing challenges and opportunities that ASEAN countries face, and the policies and institutional frameworks that governments can use to address them in implementing the SDGs. It is one of ten country studies undertaken alongside an ASEAN regional report, to facilitate dialogue at the country and regional level about financing the SDGs.

While most other country papers focus on how governments can strengthen their capacity to effectively plan for and manage the contributions of all resources—public and private, domestic and international—toward development outcomes, this paper follows a modified structure. It provides insight into the financing landscape in Singapore and focuses on the role of Singapore as investor and development partner in the region.

Over the course of a generation, Singapore transformed from a developing country to a modern industrial economy and is now the most industrialized and urbanized country in the ASEAN region. Human capital has been among the most important factors behind Singapore’s rapid development and high-income level, along with sound macro- and micro-economic management, including a medium-term policy orientation and a top-ranked business climate.

In 2015, the country was ranked among those with very high human development levels. Inequalities have been decreasing, as measured by the Gini coefficient, though there is scope to further strengthen female labour participation. Current policy challenges mainly relate to the aging population and climate change, and government has been developing measures to address them.

Singapore’s financing landscape reflects the significant role played by private capital in the country as well as its higher vulnerability to external shocks in capital markets compared with other countries in the region. Following the global financial crisis, international private finance to Singapore declined by 82 percent and it is yet to reach 2007 levels. Government revenue has been increasing steadily in recent years, reaching 15.6 percent of GDP in 2015, though the tax-to-GDP ratio remains lower than in other countries with similar income levels.

Singapore plays an important role as development partner and investor in the region. On the former, capacity building and human development are at the core of the country’s support to developing countries, including in the rest of ASEAN. And on the latter, Singapore accounts for over two thirds of intra-regional foreign direct investment and has developed into a significant provider of business and financial services in the region.

In its position as a regional financier, the country has a central role to play in facilitating access to international finance for the region as well as in supporting sustainable development more broadly. Encouraging and strengthening Singapore’s nascent impact investing sector could be one part of a wider approach to increase the impact of regional investments on all dimensions of sustainable development. Establishing an effective lesson-sharing mechanism could facilitate cooperation on specific financing issues and complement ongoing international cooperation initiatives. Contributing to infrastructure development across ASEAN could also contribute to wide-reaching sustainable development outcomes.
1. Introduction

Across Singapore and the Association of Southeast Asian Nations (ASEAN) region as a whole, ambitions for the sustainable development progress that can be achieved in the Sustainable Development Goal (SDG) era are high. Realising these ambitions will require mobilising the right scale and mix of financing, incorporating all resources—public and private, domestic and international. This paper forms part of a project to assess the financing challenges and opportunities that ASEAN countries face, and the policies and institutional frameworks that governments can use to address them in implementing the SDGs.

Since Singapore left the Federation of Malaysia in 1965, the city-state of only 719.2 square km and deprived of natural resources, has focused on economic growth as the principal means to survive as a nation and create a better life for its citizens. Over the course of a generation, it transformed from a developing country to a modern industrial economy and is now the most industrialized and urbanized country in the ASEAN region.

Human capital has been among the most important factors behind Singapore’s rapid development and high-income level, along with sound macro- and micro-economic management, including a medium-term policy orientation and a top-ranked business climate. In the past 50 years, with support from its citizens under a harmonious multi-racial society, Singapore has achieved significant success compared with its regional peers, despite being a city-state with limited resources.

Capitalizing on its strategic geographical location, linking major markets of the Eastern and Western hemispheres, transportation infrastructure (seaports and airports) was built and continuously upgraded to attract shipping lines and airlines, generating excellent connectivity that facilitates trade and investment. Singapore’s economy has evolved from an entrepôt economy in the early 1960s to one that is powered by modern industries such as electronics, chemicals and pharmaceuticals, and sophisticated service industries in the areas of finance, business consulting, and medical and education services. It is now a hub for many types of economic activities—financial, IT, medical, electronics, aviation and education services.

This paper is one of ten country papers produced across the ASEAN region to facilitate dialogue at the country and regional level about financing the SDGs. While most other country papers focus on how governments can strengthen their capacity to effectively plan for and manage the contributions

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of all resources toward development outcomes, this paper follows a modified structure. It provides insight into the financing landscape in Singapore and focuses on the role of Singapore as investor and development partner in the region.

Chapters 2 and 3 provide an overview of the sustainable development context in the country and the overall financing landscape respectively. Chapter 4 looks at the role of Singapore as a gateway to the region for investors and as a regional investor itself. Chapter 5 concludes and provides initial recommendations around Singapore’s role in contributing to sustainable development across ASEAN.
2. Sustainable development context

This chapter presents an overview of the sustainable development context in Singapore. The Government of Singapore has indicated that it will submit its first voluntary national review of progress toward the 2030 Agenda for Sustainable Development for the 2018 High-Level Political Forum: this chapter draws from available data published by national and international sources, including SDG data where available.

2.1 Social, economic and environmental progress

Strong economic growth propelled human development

Singapore posted a strong economic growth and development performance in the past 25 years. Its GDP per capita increased five-fold from US$11,864 in 1990 to $52,961 in 2016. It has exceeded the average across Organisation for Economic Co-operation and Development (OECD) countries since 2006 and currently is 5.4 times the average GDP per capita of East Asian and Pacific countries (Figure 1). Between 1990 and 2015, Singapore’s Human Development Index value increased 28.8 percent from 0.718 to 0.925. This puts the country in the ‘very high’ human development category—positioning it at 5 out of 188 countries and territories worldwide, along with Denmark. Since 1990 Singapore’s life expectancy at birth increased by 7.2 years to 83.2 years, mean years of schooling increased by 5.8 years to 11.6 years, and expected years of schooling increased by 4.8 years to 15.4 years. In comparison, the 2015 average Human Development Index of East Asian and Pacific countries stood at 0.720.

Figure 1: GDP per capita

Source: World Bank World Development Indicators

Economic growth moderated due to a combination of structural and cyclical factors. Economic growth for 2015 and 2016 stood at 1.9 and 2.0 percent respectively, compared with an average growth of 7.3 percent for the six-year period preceding the global financial crisis (2002–2007). For 2017 and 2018 the International Monetary Fund (IMF) projects growth at 2.2 and 2.5 percent respectively. According to the IMF, this slower growth reflected “population aging, restrictions on foreign worker inflows, and slow productivity growth, and a difficult external environment, including the trade growth deceleration and the negative impact on domestic manufacturing of lower oil prices.”

Since 2007, social policies have softened the widening income inequality. According to calculations by the Department of Statistics, Singapore’s Gini coefficient rose in the 1990s and early 2000s to a peak of about 0.48 in 2007, in line with trends seen in advanced countries. Since 2007, the Gini coefficient has declined slightly to 0.458 in 2016, and was the lowest in a decade. In 2015, the top 1 percent and 10 percent of wealth holders in Singapore owned around 20 percent and 60 percent of total wealth respectively. However, after adjusting for government transfers and taxes, the Gini coefficient in 2016 fell from 0.458 to 0.402, reflecting the redistributive effect of government transfers. The after-taxes-and-transfers Gini coefficient has remained stable over the 2000–2015 period, even though the before-tax-and-transfers Gini coefficient increased. There are no official poverty estimates in Singapore, but according to government data some 105,000 households in Singapore—one in 10 family homes, or 387,000 people—earn an average monthly income of $1,323 and some 114,000 individual residents earn less than $805 a month. In contrast over the five-year period from 2011 to 2016, median monthly household income from resident-employed households increased in real terms by 16.9 percent cumulatively or 3.2 percent annually.

The UN Development Programme’s 2015 Gender Inequality Index ranks Singapore 11 out of 159 countries with a value of 0.068. Close to a quarter (23.9 percent) of parliamentary seats are held by women, and 75.5 percent of adult women have reached at least a secondary level of education compared with 81.9 percent of their male counterparts. For every 100,000 live births, 10 women die from pregnancy-related causes; and the adolescent birth rate is 3.8 births per 1,000 women of ages 15–19. Female participation in the labour market is 58.2 percent compared with 76.4 percent for men. In contrast, the World Economic Forum’s 2016 Global Gender Gap index ranks Singapore 55th out of 144 countries, with a score of 0.712, which is behind the Philippines, New Zealand, Lao People’s Democratic Republic (PDR) and Australia. It finds a wide gender gap in estimated earned income. Policies to supplement family care (e.g. child care, healthcare for older people, certain levy concessions for foreign domestic workers) underpinned increasing resident female labour force participation, particularly for those aged 25 years

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9 UN Habitat describes a Gini coefficient of 0.4 as “the international alert line for income inequality.”
and older. However, overall female labour force participation remains below the average for advanced economies and Singapore ranks 73rd in the world by this measure.

An aging population and climate change pose long-term policy challenges

Rising life expectancy alongside persistent low fertility and a policy-induced slowing of immigration are contributing to rapid aging of Singapore’s population. Singapore’s birth rate drastically declined from close to 6 children per woman in 1960 to 1.2 in 2015, while at the same time the average life expectancy of Singaporeans rose steadily from 63 in 1976 to 83 in 2015. As a result, the share of the working-age population (25–59) peaked at 53 percent in 2015 and is projected to decrease gradually to 47 percent and 40 percent in 2030 and 2050 respectively (Figure 1.1). This increases the financial burden on social security and healthcare services for older people. It also undermines sustaining the current pension scheme given the declining numbers of working-age people to support the increasing numbers of older and retired people. Already the Government of Singapore has actively pursued policies to mitigate the negative impacts by raising the retirement age, encouraging re-employment of older workers, providing support to older people with financial difficulties and improving healthcare coverage for senior citizens.

Figure 1.1: Demographic trend

Source: Development Initiatives’ calculations based on UN Stats

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16 Ibid.
18 Ibid.
The Government of Singapore is planning for addressing the likely impacts of climate change. As a low-lying island, the rise in sea level poses the most immediate threat to Singapore, with about 30 percent of the island being less than 5 m above the mean sea level. Additionally, the increasing unpredictability of the weather may complicate water resource management, while a mean temperature increase of 1.5°C to 2.5°C could have important effects on public health through increasing the prevalence of vector-borne diseases like dengue and occurrences of heat stress and discomfort among older and sick people. Therefore, the National Climate Change Secretariat was established on 1 July 2010 under the Prime Minister’s Office to lead the whole-of-nation effort to address the challenges and opportunities of climate change. Singapore pledged to the UN Framework Convention on Climate Change in July 2015 to reduce its emissions intensity by 36 percent from 2005 levels by 2030 and to stabilize its emissions with the aim of peaking around 2030. Maximising energy efficiency is central to the emissions reduction strategy, as Singapore had limited access to renewable energy options beyond solar energy which could provide up to 8 percent of the country’s peak electricity demand by 2030.

Singapore’s national energy policy framework seeks to find a balance between maintaining Singapore’s competitiveness, improving energy security and enhancing environmental sustainability.

### 2.2 Policy objectives

Three distinct policy environments have characterized Singapore’s economic success story since its independence. The first ‘take-off’ phase (1965–1985) favoured export-led industrialization in combination with attracting foreign direct investment (FDI) to achieve strong industrial growth. Singapore’s 1985 economic recession laid bare the structural constraints of Singapore’s hitherto growth model and heralded a second phase of liberalization (1985–2010) and the rise of modern services. Now, demographic slowdown and economic restructuring characterizes Singapore’s third phase of economic development. The city-state is amid a decade-long restructuring effort to develop its economy into one that is knowledge-based and relies on a productivity-driven growth model.

To operationalize this ambitious, long-term economic restructuring plan toward a labour-lean economy the Prime Minister convened the Committee on the Future Economy (CFE) in January 2016. The committee was mandated to review Singapore’s economic strategies and build on the Economic Strategies Committee’s work of 2010, and to take a fresh look at addressing the new challenges the country faces. The CFE was structured around five subcommittees which were mandated to review and make recommendations on: future corporate capabilities and innovation, future growth industries

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22 MAS, 2015, Keynote Address by Mr Ravi Menon, Managing Director, Monetary Authority of Singapore, at the Singapore Economic Review Conference 2015.
and markets, the future of connectivity, the future city, and future jobs and skills.24 The CFE members represent diverse backgrounds, including government, private sector and the labour movement. More than 9,000 people, including employers and workers, academics, professionals, students, private companies, public agencies, unionists, trade associations and chambers, as well as Singaporeans abroad, contributed to the CFE’s committees, subcommittees and working groups.25

Presented in 2017, the CFE’s report identifies seven key strategies in response to significant shifts in the global environment. This should maximize Singapore’s chances of achieving its objective of average annual economic growth of 2–3 percent26 and productivity growth of at least 2 percent per annum, from the 1.4 percent averaged during the 2000s.27 The report identifies seven strategies designed to: deepen international connections, acquire and use deep skills, strengthen enterprise capabilities, build strong digital connections, develop a vibrant city of opportunity, implement industry transformation maps, and partner each other.28

The ‘Strategy Group’ in the Prime Minister’s Office drives this whole-of-government strategic planning. It coordinates government agencies on policy development, identifies key priorities and emerging issues over the medium to long term, and influences strategic resource allocation to deliver policies that are in the long-term interest of Singapore.

In addition, policies focus on targeted support to businesses to promote automation, innovation and internationalization. The government is also raising investment in infrastructure and other long-term capital projects and rolling out policies to improve access to education and healthcare, particularly for older people.29 Singapore’s economic and social policies are aiming to make growth more inclusive and tackle rapid population aging.30

26 Ibid
27 MAS, 2015, Keynote Address by Mr Ravi Menon, Managing Director, Monetary Authority of Singapore, at the Singapore Economic Review Conference 2015.
29 2016 IMF Article IV.
30 2017 IMF Article IV.
Singapore’s development potential is structurally constrained by the limited availability of land. This land scarcity presents a major difficulty for the optimal allocation of land to different usages (such as housing, transport, industrial and commercial use, community space and environmental needs), compounded by a growing population. The key challenge is therefore to consider the various land use demands comprehensively so that potential trade-offs between uses can be evaluated holistically to meet two primary objectives: catering for growth, and providing a good living environment. Nevertheless, Singapore has managed to overcome these challenges and transformed from an overcrowded country with a severe lack of housing to a modern business hub, with over 90 percent home ownership, one of the highest rates in the world.

This has been achieved by careful, strategic planning by the Urban Redevelopment Authority, Singapore’s national land use planning authority, hosted by the Ministry of National Development. The Authority is responsible for leading and coordinating a far-sighted, holistic and comprehensive planning process through the ‘Concept Plan’ and the ‘Master Plan’. The Concept Plan is a strategic land use and transport plan which outlines the direction of Singapore’s development in the next 40 to 50 years. Formulated in 1971, it has since been reviewed every 10 years. The Master Plan translates the broad long-term strategies of the Concept Plan into detailed plans to guide the development of land and property over the next 10 to 15 years. It is reviewed every five years. Public consultation exercises, comprising academics, interest group representatives, professionals and citizens, gauged public values and aspirations for Singapore’s future landscape. In 2013, the Ministry of National Development released its first Land Use Plan, outlining the strategies to sustain a high-quality living environment for a possible population range of 6.5 million to 6.9 million by 2030.

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3. Financing landscape: bottlenecks, challenges and opportunities

3.1 Overall financing landscape

The financing landscape of Singapore reflects the significant role played by private capital in the country as well as its higher vulnerability to external shocks compared with other countries in the region. Based on available data, international private finance—consisting of FDI inflows and portfolio investment—amounted to $70.6 billion in 2015,32 or 60 percent of the total mix. Government revenues accounted for the remaining 40 percent. Domestic private capital—estimated based on gross fixed capital formation data—was not reported for 2015, though in 2013 (the latest year with available data) this amounted to $5.5 billion33 (approximately a tenth of international private resources in the same year). Figures 3.1 and 3.2 show how private finance, mostly international, has consistently dominated the landscape in Singapore.

Figure 2: Aggregate financing trends

Source: Development Initiatives’ calculations based on multiple sources

33 Singapore Department of Statistics, National accounts data.
3.2 Public finance

Government revenue

Government revenue, tax and non-tax, has been increasing steadily both in absolute volume and as a percentage of GDP since 2009—from $28.5 billion (or 13.5 percent of GDP) to $46.2 billion in 2015 (or 15.6 percent of GDP)—though Singapore’s tax-to-GDP ratio of 13.6 percent (2015 data) remains comparatively low against other countries with similar income levels (Figure 2.2). Per capita levels of government revenue have also increased, from $5,546 in 2005 to $8,353 in 2015, though growth has slowed substantially in recent years, from 15.7 percent in 2010 to 2.1 percent in 2015.

Figure 2.2: Government revenue has been increasing since 2009

Source: Development Initiatives’ calculations based on national and international sources. See Annex, data sources and methodology

Note: Government revenue excludes grants.

34 World Bank data: https://data.worldbank.org/indicator/GC.TAX.TOTL.GD.ZS?locations=SG
The Constitution mandates a balanced budget over the term of each government and protects the use of ‘past reserves’ by requiring enhanced political support to access them. Sustained over performance on this conservative fiscal rule has allowed the build-up of large fiscal reserves.\(^{35}\)

Singapore was one of the first economies to introduce an electronic system for public administration. In 1992 the Inland Revenue Authority of Singapore developed an integrated and computerized tax administration system, making internal processes more efficient by freeing staff from unproductive bureaucratic tasks. As a result, between 1992 and 2000 the time needed to issue tax assessments decreased from 12–18 months to 3–5 months. Singapore continues to improve its tax compliance system even though it is among the best performers on the paying taxes indicators. In 2015 the online system underwent further upgrades, allowing for fewer delays in filing returns for corporate income tax and value added tax.\(^{36}\)

### Singaporean cooperation within the region

Singapore plays an important role as a development partner in the ASEAN region, providing support to other countries in a variety of areas, with particularly established development cooperation programmes on human development and capacity building. The Singapore Cooperation Programme (SCP) offers training based on its own developmental experience, with a focus on support for others in the ASEAN region. Under the regional Initiative for ASEAN Integration, in 2001, it established training centres in Cambodia, Lao PDR, Myanmar and Viet Nam. More broadly, since 1992, over 100,000 officials have been trained under the SCP in areas such as sustainable urban management and water management.\(^{37}\)

Most recently, recognising the increased level of ambition of the SDGs as well as the challenges related to broader sustainable development, Singapore has established a new development cooperation programme under the SCP—the Sustainable Development Programme. Capacity building remains at the core of Singapore’s support and interventions have been organized around three main approaches: collaborating with the Singapore-based UN Development Programme Global Centre for Public Service Excellence to jointly offer programmes on good governance and public sector leadership to senior officials; developing a multi-year capacity building programme on sustainable urbanization; and partnering with reputable Singaporean NGOs to conduct pilot projects in water and sanitation in countries in the region. \(^{38}\)

Additionally, the Monetary Authority of Singapore (MAS) also provides technical assistance to counterparts in the region on a variety of topics, such as banking regulation and supervision, payment and settlement systems, monetary and economic policies, monetary and reserves management, and staff training and development. By maintaining regular dialogue and technical exchanges with other central banks in the region, MAS aims to promote the deepening of regional capital markets, strengthen financial markets and further develop safety nets for cross-border flows. \(^{39}\)

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37 Ministry of Foreign Affairs, ‘Sustainable development’: https://www.mfa.gov.sg/content/mfa/international_issues/sustainable_development_and_climate_change.html
38 Ibid.
3.3 Private finance

Domestic investment

In 2013, the year with most recently available data, domestic investment totalled $5.5 billion, equivalent to 1.9 percent of GDP and 5.1 percent of the total resource mix. While data are not available for all years between 2005 and 2015, volumes have generally decreased since 2008 (Figure 2.3), when commercial investment reached its highest level over the period, at $38.2 billion (or 18 percent of GDP).

Figure 2.3: Domestic private investment

![Figure 2.3: Domestic private investment](image)

Source: Development Initiatives’ calculations based on national and international sources. See Annex, data sources and methodology.

Note: Domestic investment is estimated using data on gross fixed capital formation (private sector) and subtracting FDI to estimate domestic investment alone.

International private finance

In the first year of the global financial crisis, international private finance to Singapore dropped substantially (by 82 percent) from $76.6 billion in 2007 to $13.4 billion in 2008. Since then it has recovered but not yet reached 2007 levels. Portfolio investment has fluctuated more than FDI, reflecting the more volatile nature of this type of financing. FDI has increased overall, from $13.4 billion in 2008 to $69.9 billion in 2014, though growth has slowed to just 0.9 percent in 2015 (Figure 2.4).

As a percentage of GDP, after fluctuating in the aftermath of the financial crisis and increasing steadily from 2011 to 2014 (from 18 to 26 percent), international private finance declined to 24 percent of GDP in 2015.
Recent global uncertainties (including the Brexit referendum in the UK) and the turning of the credit cycle have affected the volumes and growth rates of private investment in the country. Overall, changes in the global environment, including the effects of the global financial crisis, are substantially more visible in the Singaporean economy than others in the region. This is due to the country’s role as international financial centre and hub for the regional headquarters of foreign multinational enterprises, which increases its exposure to global financial market volatility.

Risks associated with Singapore’s vulnerability to external shocks and increased global markets volatility are being managed by the domestic authorities, through both monetary and fiscal policies. The 2016 IMF Article IV report points, among other things, to the available monetary policy buffers, the availability of additional liquidity in capital markets, and the increase in government spending aimed at stimulating domestic demand to counter weaker external demand.

Singapore as an international financial hub

As an international financial centre, Singapore intermediates credit globally. Before the global financial crisis, banks in Singapore channelled savings from emerging Asia to Europe and developed Asia. Post-crisis, the flows reversed and loans to China and elsewhere in emerging Asia expanded. The low post-global financial crisis interest rate environment also triggered domestic credit and property booms in Singapore that resulted in higher household and corporate leverage. The Singapore dollar and the stock market came under pressure in 2015 and in early-2016 but have partly recovered.

Source: Development Initiatives’ calculations based on national and international sources. See Annex, data sources and methodology

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Figure 2.4: Trends in international private finance

Source: Development Initiatives’ calculations based on national and international sources. See Annex, data sources and methodology

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Figure 2.5: Net lending by Singapore banking system, 2004–2015

Source: Monetary Authority of Singapore
4. Singapore’s role as a regional investor and gateway to the region for investors

Singapore has established itself as a global financial centre and, hosting over 200 banks and a plethora of non-bank financial firms, is seen as a significant capital market. In 2016 it was the third largest foreign exchange centre globally, with a daily average turnover of $517 billion. The country’s financial sector is particularly mature: total assets under management in Singapore grew by 9 percent in 2014–2015 to $1.8 trillion. Of this, 80 percent of the funds are sourced from outside Singapore, with 68 percent invested in the Asia-Pacific region, of which 39 percent are invested in ASEAN.

Thus the country has a central role in assisting the development of the region through acting as a gateway for international finance. Additionally, Singapore has played a significant role itself in the ongoing development of the ASEAN region through both its FDI and service exports.

In terms of FDI, Singapore is the leading outward investing economy in ASEAN—accounting for over two thirds of intra-regional FDI in 2015 ($14.5 billion) and for the greatest share of intra-regional FDI in six of the other nine ASEAN countries (Figure 3). Key sectors of investment include: manufacturing; agriculture, forestry and fishing; financial and insurance; wholesale and retail trade; and information and communication.

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46 ASEANstats, https://data.aseanstats.org/fdi_by_sector.php
In terms of services, Singapore has developed a significant business and financial services centre, which has driven an increase in service exports both globally and to ASEAN more specifically (Figure 3.1).

The increasing economic integration in the ASEAN region provides opportunities for further cooperation and collaboration between Singapore and regional partners in finance and business. In particular, the deepening of ASEAN financial integration, a core objective of the ASEAN Economic Community, offers significant potential to use the strengths of the Singaporean economy as a conduit for international capital and provider of specialist expertise.

Source: Development Initiatives’ calculations based on multiple sources

Source: Singapore Department of Statistics

As an established global financial centre, Singapore has the expertise and experience to provide technical assistance to other ASEAN Member States in developing the necessary state capacities required for further liberalization, as the region moves toward greater integration. Further, the private sector resources of Singapore offer a wealth of expertise and resources for private sectors, both financial and non-financial, to benefit from.

Singapore’s potential to contribute to the necessary infrastructure requirements of China’s One Belt One Road Initiative represents another avenue for the country to continue to contribute to the development of the region. Singapore has been supportive of the initiative from the beginning, recognising its potential to deepen regional economic integration and related opportunities for both the region as a whole and for Singapore within it—including increases in investment flows and labour mobility arising from increased connectivity.49

The potential of impact investing by Singaporean companies

The impact investment sector in Singapore remains in its nascent stages, with significant potential for providing both domestic and regional benefits. Singapore is known for its culture of giving and philanthropic landscape, primarily from firms, family offices and high net-worth individuals, and this provides significant potential for the expansion of the impact investment sector.

Singapore hosts some international impact investment funds, including LGT Venture Philanthropy, Insitor Impact Fund, Bamboo Finance and LeapFrog Investments—which have a regional and global focus. Target geographies include ASEAN countries such as the Philippines, Thailand, Cambodia, Viet Nam, Indonesia and Lao PDR. Singapore also hosts regionally oriented impact investment intermediaries, including the Asia Venture Philanthropy Network and the Impact Investment Exchange Asia, who act as facilitators throughout the investment process. Similarly, Singapore’s strong business community provides a vast source of business expertise that can also be integrated into the investment process. As a consequence, Singapore has all the expertise and resources needed to become the key regional player in impact investment.

The Government of Singapore has, to date, largely played a facilitative role, framing Singapore as a regional hub for both domestic and international investors. The London Principles (Pacific Community Ventures 2015) are five guidelines that are seen as essential elements of government participation in impact investing. These are: clarity of purpose, stakeholder engagement, market stewardship, institutional capacity and universal transparency. Šoštarić reported that while Singapore had made overall progress on these goals, there remained room for improvement in the areas of market stewardship and institutional capacity.49

Lessons could also be learnt from Hong Kong, which has implemented a more centralized policy towards impact investment, including the use of grants. Providing a more integrated approach to impact investing could enable further and more efficient use of Singapore’s financial resources in the region.


5. Conclusion

Singapore’s financing landscape reflects the significant role played by private capital in the country as well as its higher vulnerability to external shocks in capital markets compared with other countries in the region. Following the global financial crisis, international private finance to Singapore declined by 82 percent and it is yet to reach 2007 levels. Government revenue has been increasing steadily in recent years, reaching 15.6 percent of GDP in 2015, though the tax-to-GDP ratio remains lower than other countries with similar income levels.

In terms of the country’s role as investor in the region, Singapore accounts for over two thirds of intra-ASEAN FDI and it has developed a significant business and financial services centre with increasing exports globally and notably to ASEAN countries. Having established itself as a global financial centre, Singapore has a central role to play in facilitating access to international finance for the region as well as in supporting sustainable development more broadly. In addition, Singapore has the potential to complement China’s commitment to ASEAN by contributing to the necessary investments related to the One Belt One Road Initiative, as mentioned in Chapter 4, which could contribute to achieving specific sustainable development objectives both inside the country and across the region.

To further regional sustainable development progress, the government, private sector, financial intermediaries and other actors could look at ways to mobilize greater volumes of finance to key sectors in the rest of the region and to maximize the wider impact of those investments on all dimensions of sustainable development. Considering how to encourage and strengthen Singapore’s nascent impact investing sector could be one part of a wider approach.

The country could also draw on the lessons learned in its own development path to further contribute to other ASEAN nations’ development ambitions as well as wider regional development, for example in areas of long-term planning, urban development and financial sector development. Establishing an effective lesson-sharing mechanism particularly related to sustainable development financing issues would facilitate this and complement ongoing international cooperation efforts.
Annex 1: Data sources and methodology

Financing flows data

Analysis of financing flows has been undertaken from the country perspective, thus national data sources were preferred over international datasets, where adequate coverage and metadata were provided. In the case of Singapore, all data were sourced from national sources. Across the 10 country papers and regional report included in this project, all financing data and analysis are in constant 2015 US dollars, unless otherwise specified. Data from national sources reported in national currencies have been converted into constant US dollars using exchange rates and GDP-based deflators, following normal practice.

Domestic public finance

Domestic public finance refers to government resources that originate domestically. In the case of Singapore, this includes government revenue because data on government borrowing from domestic sources consistent with that used across other papers in the project was not readily available. Data on government revenue were sourced from the Singapore Department of Statistics, government revenue and expenditure tables.

Domestic private finance

Domestic private finance refers to investment by the domestic private sector in the country. Data are based on private gross fixed capital formation, with foreign direct investment (FDI) deducted to obtain estimates for domestic private investment alone. Data on gross fixed capital formation (private sector) is sourced from Singapore Department of Statistics, national accounts tables. FDI data were sourced from the tables indicated for international private finance below.

International private finance

International private finance includes FDI and portfolio investment. Both sets of data are based on national sources—namely international accounts, balance of payments data published by the Singapore Department of Statistics.