

REPUBLIC OF SINGAPORE

THE BUDGET
FOR THE FINANCIAL YEAR
1ST APRIL, 2003 TO 31ST MARCH, 2004

	\$
OPERATING REVENUE	29,623,230,000
TAX REVENUE	22,046,836,000
FEES AND CHARGES	4,490,807,000
NET INVESTMENT INCOME CONTRIBUTION	2,986,000,000
OTHERS	99,587,000
Less:	
OPERATING EXPENDITURE	20,363,726,550
RUNNING COSTS	17,679,788,360
TRANSFERS	2,683,938,190
Less:	
DEVELOPMENT EXPENDITURE	9,558,223,800
GOVERNMENT DEVELOPMENT	4,211,553,400
CAPITAL GRANTS	3,349,856,600
PUBLIC HOUSING	1,996,813,800
SURPLUS/(DEFICIT)	(298,720,350)
Less:	
SPECIAL TRANSFERS	600,000,000
ECONOMIC RESTRUCTURING SHARES	600,000,000
BUDGET SURPLUS/(DEFICIT)	(898,720,350)

THE FY2003 BUDGET

BUDGET OVERVIEW

The FY2003 Budget is summarised in *Table I* below. Annex A gives the Performance Review for FY2002.

Table I: THE FY2003 BUDGET

	Estimated FY2002	Revised FY2002	Estimated FY2003	Change over Revised FY2002	
	\$b	\$b	\$b	\$b	%
OPERATING REVENUE	29.21	29.07	29.62	0.55	1.9
Tax Revenue	22.90	21.11	22.05	0.94	4.4
Fees & Charges	3.80	4.02	4.49	0.47	11.7
Net Investment Income Contribution	2.39	3.81	2.99	-0.82	-21.6
Others	0.12	0.13	0.10	-0.03	-25.2
Less:					
TOTAL EXPENDITURE	28.33	27.36	29.92	2.56	9.4
Operating Expenditure	19.54	19.52	20.36	0.84	4.3
Development Expenditure	8.79	7.83	9.56	1.72	22.0
SURPLUS/(DEFICIT)	0.89	1.71	(0.30)	-2.01	-117.5
Less:					
SPECIAL TRANSFERS	0.00	1.81	0.60	-1.21	-66.8
Economic Restructuring Shares	0.00	1.20	0.60	-0.60	-50.0
Lifelong Learning Endowment Fund	0.00	0.50	0.00	-0.50	-100.0
Medical Endowment Fund	0.00	0.10	0.00	-0.10	-100.0
CPF Top-Up Scheme	0.00	0.01	0.00	-0.01	-100.0
BUDGET SURPLUS/(DEFICIT)	0.89	(0.09)	(0.90)	-0.80	854.8

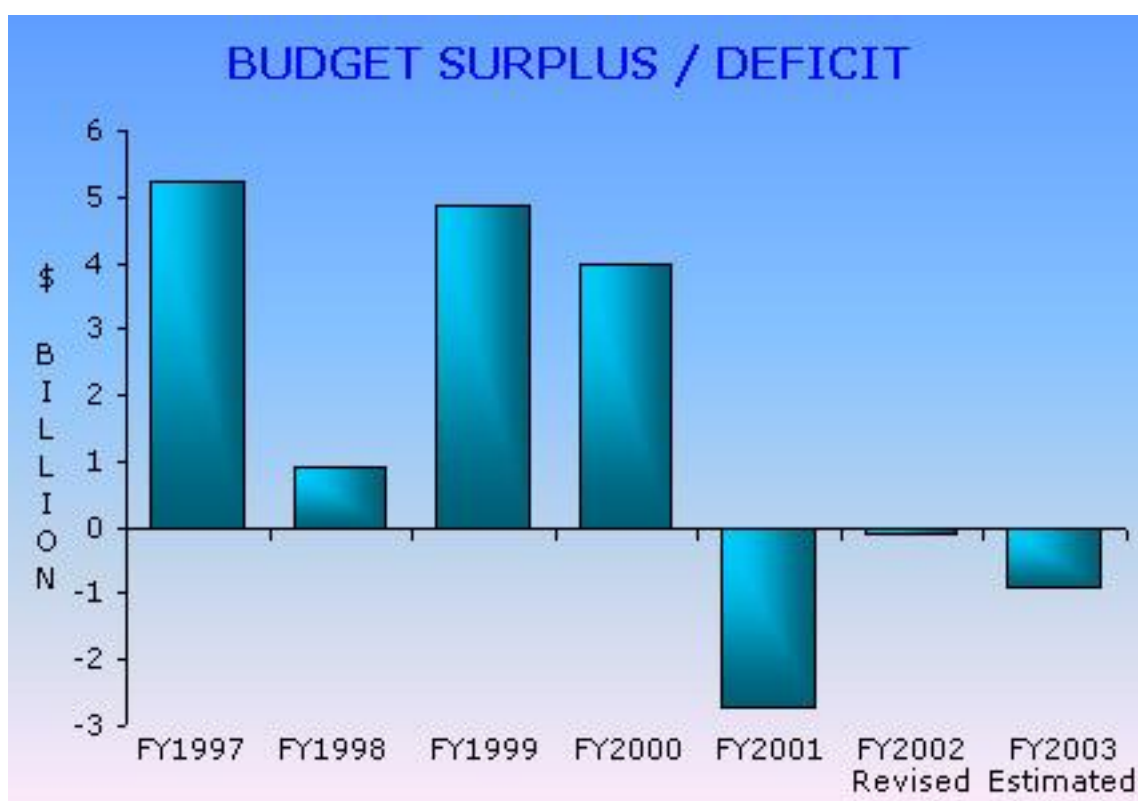
(Note: Figures will not tally due to rounding)

BUDGET SURPLUS/DEFICIT

The estimated out-turn for FY2003 is a budget deficit of \$0.90 billion. Operating revenue, total expenditure and special transfers are \$29.62, \$29.92 and \$0.60 billion respectively. Further details are at Annex B.

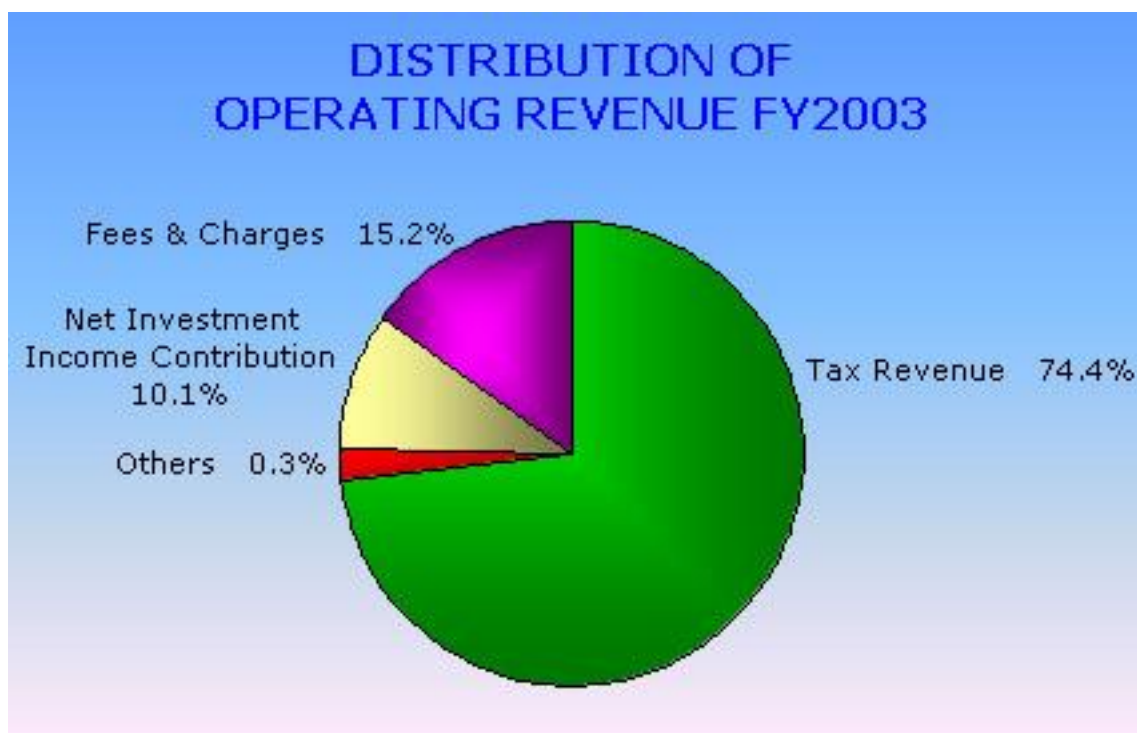
Government's budget policy continues to be characterised by restraint in Government expenditure. Deficits are avoided unless the circumstances are exceptional. This is to ensure that the budget is at least balanced over the term of the government.

The budget out-turns for the years FY1997 to FY2003 are shown in the following chart.



OPERATING REVENUE

The FY2003 operating revenue estimate of \$29.62 billion is an increase of \$0.55 billion (1.9%) over the revised FY2002 estimate. The distribution of operating revenue by the main components of tax revenue, fees and charges, net investment income contribution and miscellaneous collection is shown in the chart below.



Tax Revenue

Tax revenue for FY2003 is estimated at \$22.05 billion, an increase of \$0.94 billion (4.4%). It reflects higher expected collections across-the-board, ranging from corporate income tax, property tax and motor vehicle taxes to goods and services tax (GST).

Corporate income tax collection is expected to increase by 1.5% to \$6.80 billion, in line with the anticipated modest economic recovery in FY2003. Receipts from property tax are projected to increase by 43.4% to \$1.62 billion owing to the expected cessation of rebates on commercial and industrial buildings in June 2003, and the termination of the remission for land in October 2003. Motor vehicle taxes are expected to increase by 34.2% to \$1.99 billion owing to less preferential additional registration fees rebates. GST is expected to increase by 36.4% to \$3 billion with the increase in GST rate from 3% to 4% in January 2003.

Fees and Charges

Revenue from fees and charges is projected at \$4.49 billion or 11.7% higher than the revised FY2002 collection. This is attributed to higher expected Certificate of Entitlement (COE) collections.

Net Investment Income Contribution

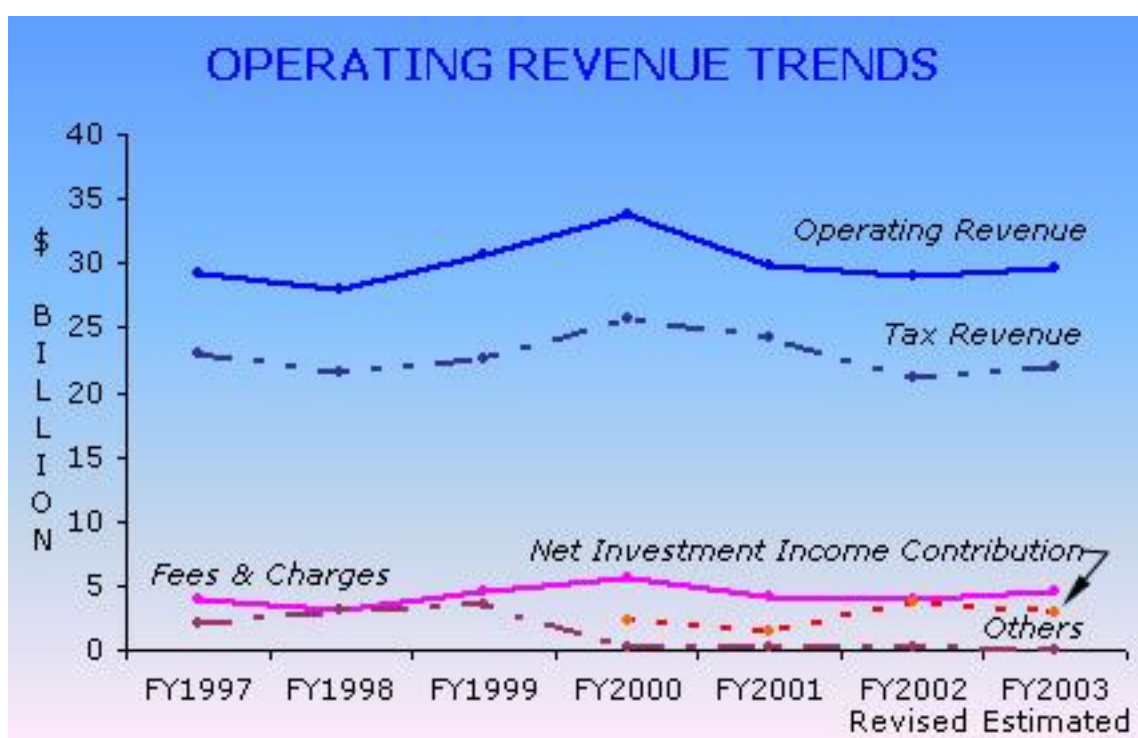
The contribution from net investment income is estimated at \$2.99 billion or a decrease of \$0.82 billion (21.6%) from the revised FY2002 contribution. This is mainly because the FY2002 contribution was boosted by a special dividend from Temasek Holdings Pte Ltd.

Miscellaneous Revenue

Other revenue, comprising loan related and financial receipts, is estimated at \$0.10 billion.

Operating Revenue Trends

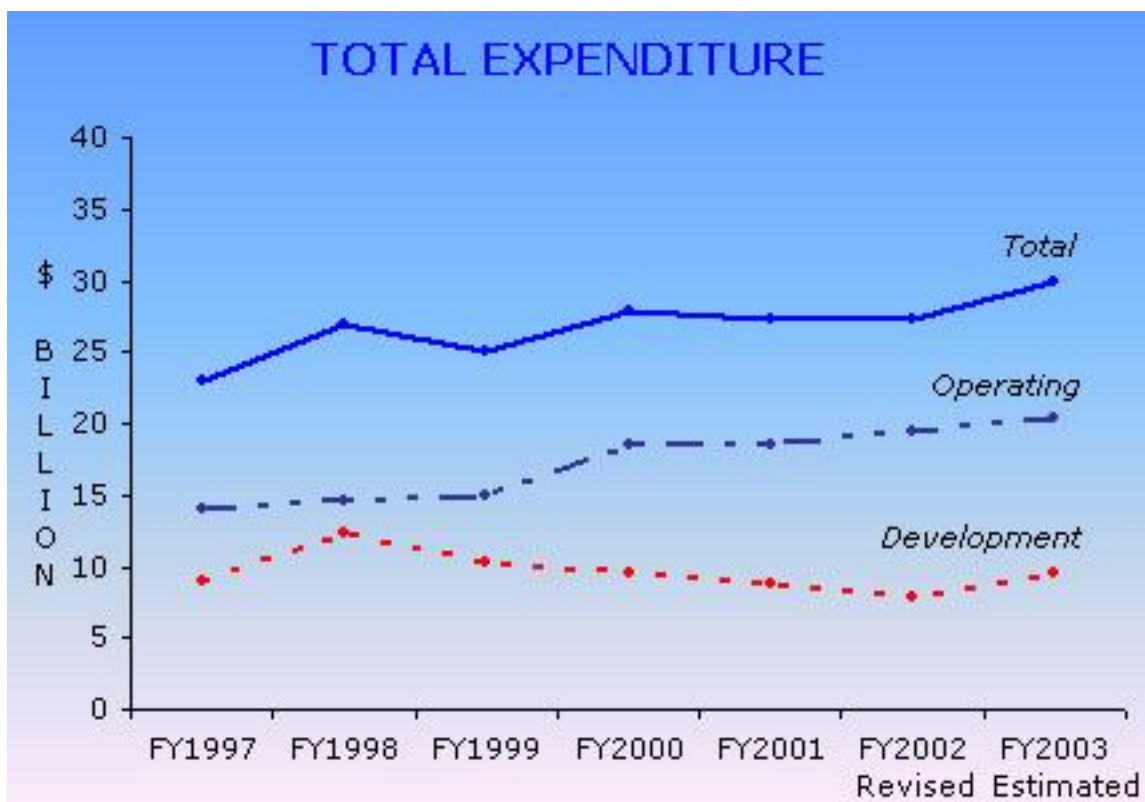
The operating revenue trends for FY1997 to FY2003 are shown in the chart below.



EXPENDITURE

Total expenditure in FY2003 is estimated at \$29.92 billion, an increase of \$2.56 billion or 9.4% over the revised FY2002 estimate.

The expenditure trends for FY1997 to FY2003 are shown in the chart below.



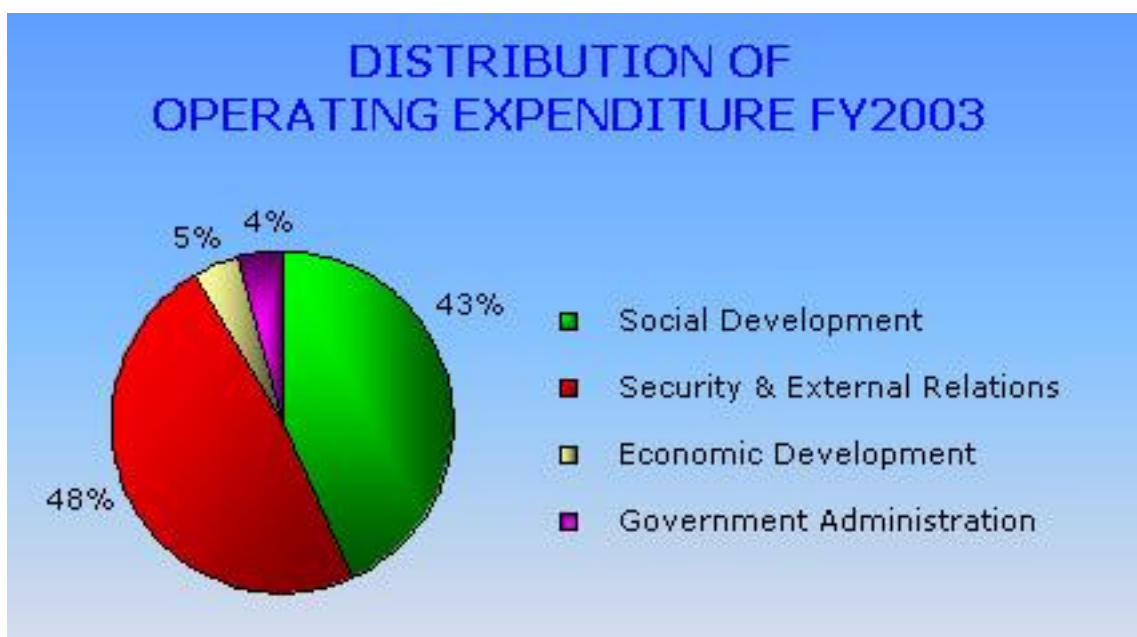
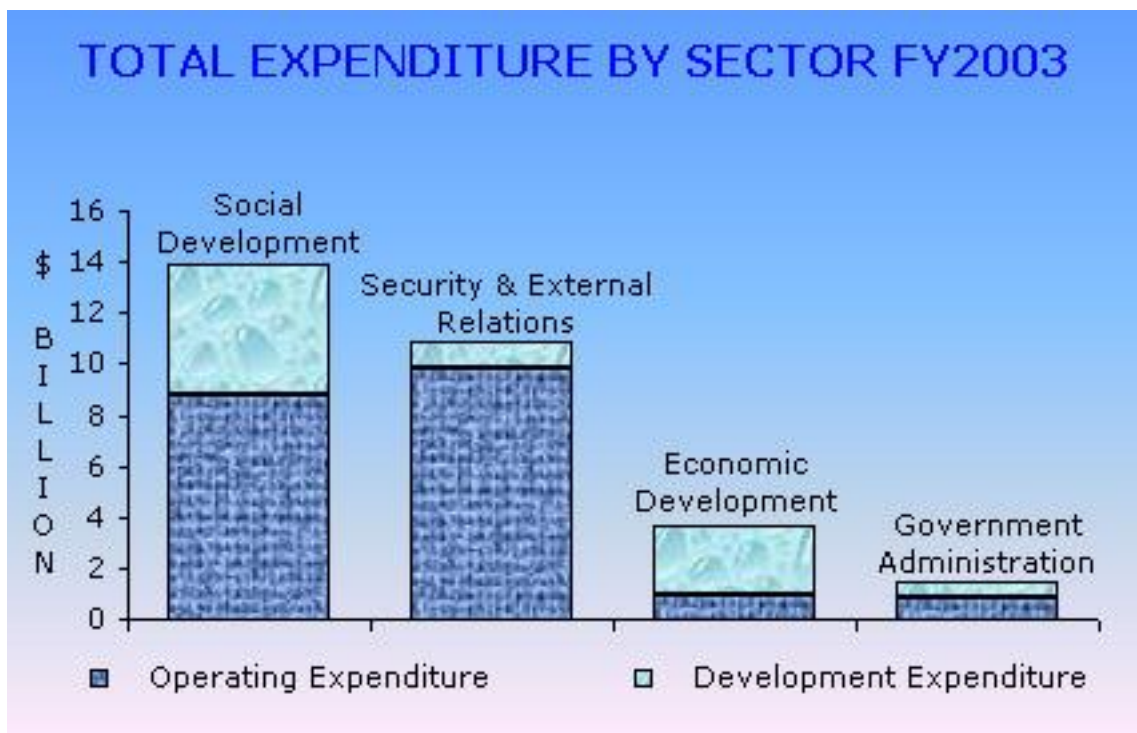
Of the total expenditure for FY2003, operating expenditure takes up 68% and development expenditure the remaining 32%. *Table II* summarises the distribution by sector and ministry with the percentage change from the revised FY2002 estimates.

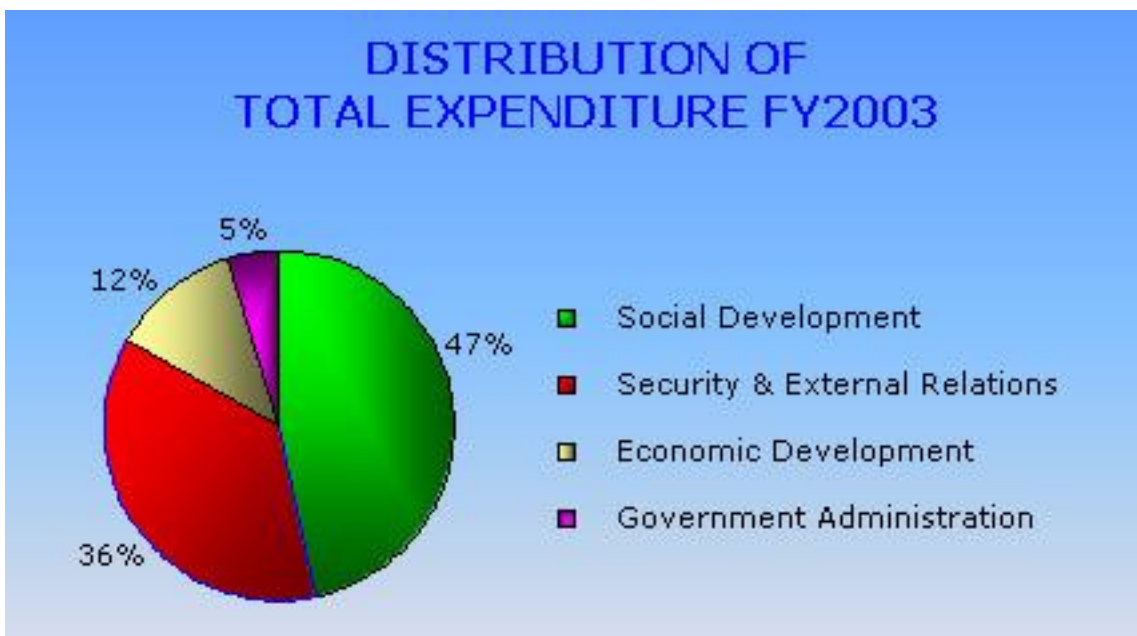
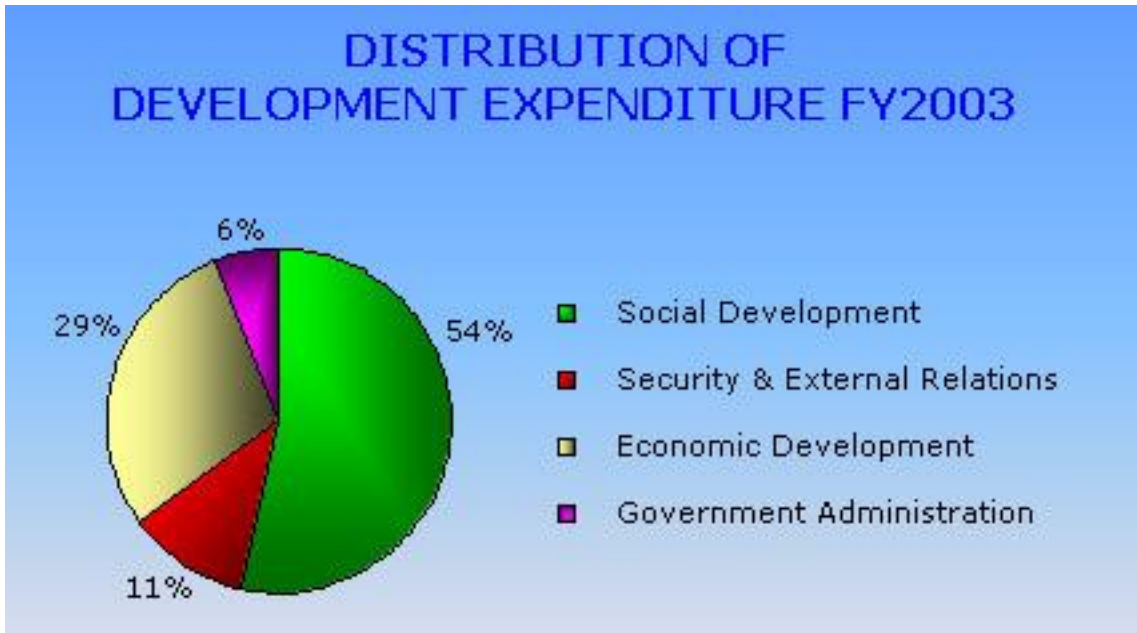
Table II: FY2003 EXPENDITURE BY SECTOR AND MINISTRY

Ministry	Operating Expenditure		Development Expenditure		Total Expenditure		
	\$m	% Change	\$m	% Change	\$m	% Change	% Allocation
SOCIAL DEVELOPMENT	8,815.05	9.4	5,137.18	28.2	13,952.23	15.6	46.63
Education	5,129.06	5.3	1,414.37	-21.0	6,543.43	-1.8	21.87
National Development	398.46	-3.0	2,136.09	97.9	2,534.55	70.0	8.47
Health	1,950.48	29.7	193.92	98.7	2,144.40	33.9	7.17
Environment	470.44	4.3	1,027.07	31.6	1,497.51	21.6	5.00
Community Development & Sports	626.57	7.9	136.02	18.0	762.59	9.6	2.55
Information, Communications & the Arts (excluding Info-Communications Technology)	240.04	-1.0	229.70	57.4	469.74	20.9	1.57
SECURITY & EXTERNAL RELATIONS	9,781.96	3.2	1,083.14	1.3	10,865.10	3.0	36.31
Defence	7,728.00	0.4	524.00	2.9	8,252.00	0.6	27.58
Home Affairs	1,834.72	17.1	480.16	2.0	2,314.87	13.6	7.73
Foreign Affairs	219.24	3.4	78.99	-12.4	298.23	-1.3	1.00
ECONOMIC DEVELOPMENT	915.92	-20.5	2,761.22	23.7	3,677.14	8.7	12.29
Transport	297.24	-25.5	1,151.57	-0.5	1,448.81	-6.9	4.84
Trade & Industry	442.03	-22.3	1,527.41	50.5	1,969.44	24.3	6.58
Manpower	145.37	-5.2	53.85	5.5	199.22	-2.5	0.67
Info-Communications Technology	31.28	2.5	28.40	202.5	59.68	49.6	0.20
GOVERNMENT ADMINISTRATION	850.79	1.7	576.68	10.0	1,427.48	4.9	4.77
Finance	367.06	-3.8	239.76	92.3	606.82	19.9	2.03
Law	99.63	-5.6	176.17	-45.8	275.80	-35.9	0.92
Organs of State	201.23	5.9	108.52	223.2	309.75	38.6	1.03
Prime Minister's Office	182.88	14.6	52.24	27.7	235.12	17.2	0.79
TOTAL	20,363.73	4.3	9,558.22	22.0	29,921.95	9.4	100.00

The Social Development sector takes up the largest share (46.6%) of total expenditure, followed by Security and External Relations (36.3%), Economic Development (12.3%) and Government Administration (4.8%).

The charts below show the expenditure allocations for FY2003 by sector, and the sectoral distribution of operating, development and total expenditure. The change in total expenditure between FY2002 and FY2003 by sector and ministry is given in Annex C.





Operating Expenditure

Operating expenditure for FY2003 is estimated at \$20.36 billion, an increase of \$0.84 billion or 4.3% over FY2002. About 87% of the operating expenditure is for ministries' expenditure on manpower (EOM), other operating expenditure (OOE) and grants-in-aid (GIA) to statutory boards and aided educational institutions. The remaining 13% is for transfer payments to external organisations and the public.

Running Costs are projected to increase by 2.6% to \$17.68 billion mainly because of higher EOM.

EOM is estimated to increase by 6.6% to \$3.66 billion. The increase is due mainly to the Ministry of Education (MOE) and the Ministry of Home Affairs (MHA). MOE's expenditure is estimated to increase by 7.6% to \$1.90 billion because the ministry anticipates more posts being filled. MHA's expenditure is estimated to increase by 13.2% to \$1.13 billion mainly for enhanced security measures to meet the terrorism threat.

OOE is estimated to increase by 0.9% to \$10.05 billion mainly for MHA to implement security-related programmes and initiatives.

GIA is estimated to increase by 3.4% to \$3.97 billion. This is mainly for MOE, the Ministry of the Environment (ENV) and the Ministry of Trade and Industry (MTI). MOE's allocation goes up by 3.5% to \$2.49 billion to cater to higher student enrolment at the tertiary institutions. The allocation to ENV is increased by 14.4% to \$0.43 billion because of the transfer of the ministry's Environmental Health and Pollution Control Programmes to the National Environment Agency formed on 1 July 2002. The programmes' expenditure was previously treated as EOM and OOE. MTI's allocation is increased by 16.8% to \$0.34 billion mainly to cater for International Enterprise Singapore's operation costs as a result of lower revenue collection.

Expenditure on *Transfers* is estimated to increase by 17.1% to \$2.68 billion. The increase is mainly for the Ministry of Health (MOH) for operating subventions to restructured institutions, polyclinics and voluntary welfare organisations. The allocation to MOH is increased by 45.8% to \$1.72 billion to cater for higher medical and support costs as well as the transfer of lands and buildings from the Government to the restructured institutions.

Development Expenditure

Development expenditure is estimated to increase by 22.0% to \$9.56 billion. Of this, a sum of \$5.03 billion forms direct expenditure for projects undertaken by the ministries. The remaining sum of \$4.53 billion comprises capital grants for projects undertaken by the statutory boards and aided institutions.

Major on-going development projects include the selective en-bloc redevelopment scheme for public housing (\$0.67 billion), Phase 1 of the deep tunnel sewerage system (\$0.60 billion), rebuilding and improving Government primary and secondary schools (\$0.27 billion), and construction of the Kallang and Paya Lebar Expressway (\$0.24 billion).

The bulk of the capital grants goes to the statutory boards under MTI (\$1.30 billion), the Ministry of National Development (MND)(\$1.18 billion) and MOE (\$0.96 billion). MTI's provision is mainly for R&D projects by the Agency for Science, Technology and Research. MND's provision is largely for the Housing and Development Board (HDB)(\$0.67 billion) for agency work done on behalf of Government and public housing subsidies for home ownership activity and rental of flats. MOE's provision is for the upgrading and development of facilities in the higher educational institutions and aided schools.

OTHER FUND OUTLAYS

Other Consolidated Fund Outlays

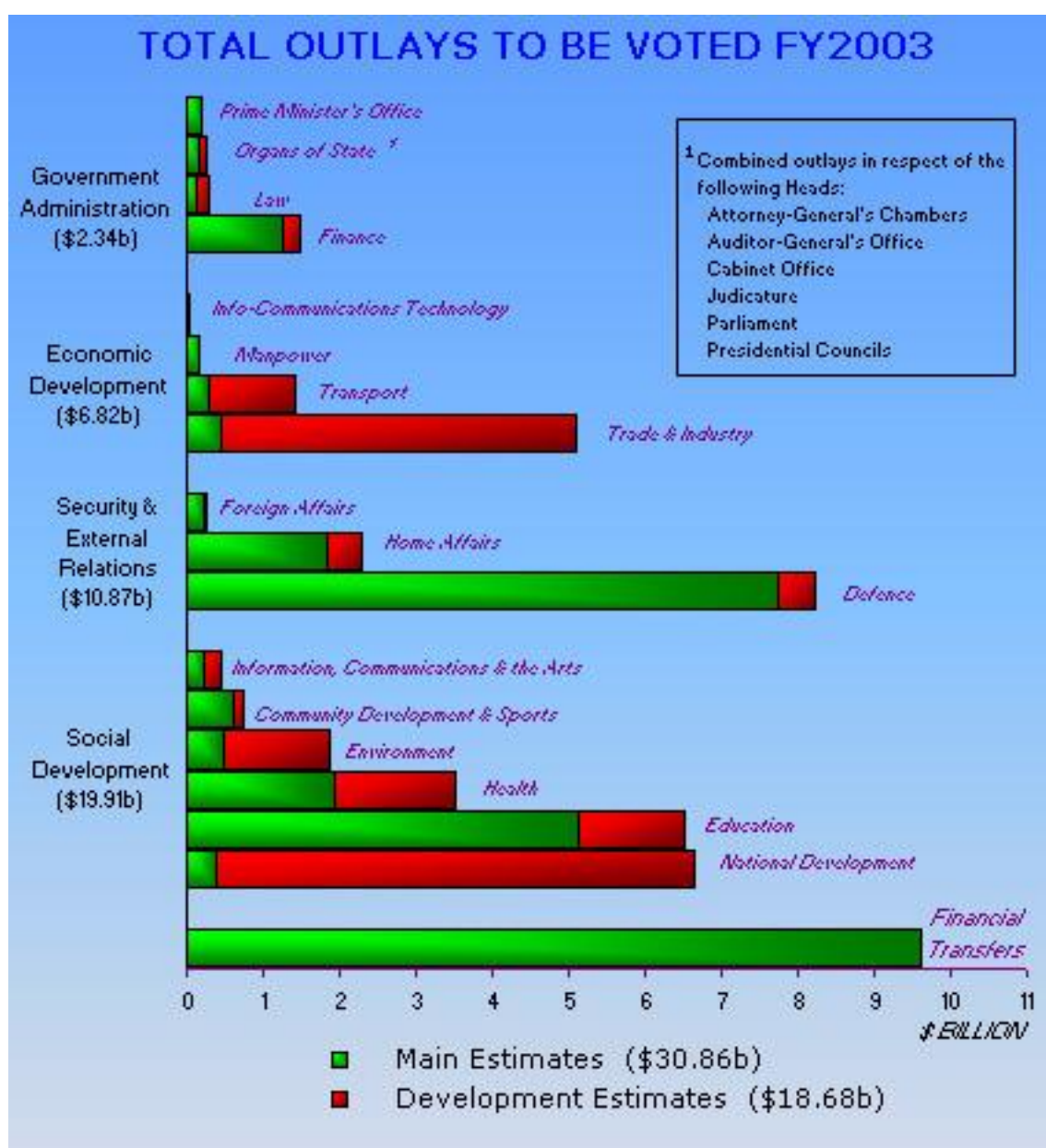
Other outlays from the Consolidated Fund are estimated at \$10.91 billion. Of this, \$9.60 billion or 88.0% is for transfers to the Development Fund (\$9 billion) and \$0.60 billion for the Economic Restructuring Shares Trust Fund.

The balance of \$1.31 billion or 12.0% is for expenses on investments (\$0.91 billion), servicing the public debt (\$0.38 billion) and agency fees on land sales (\$23 million).

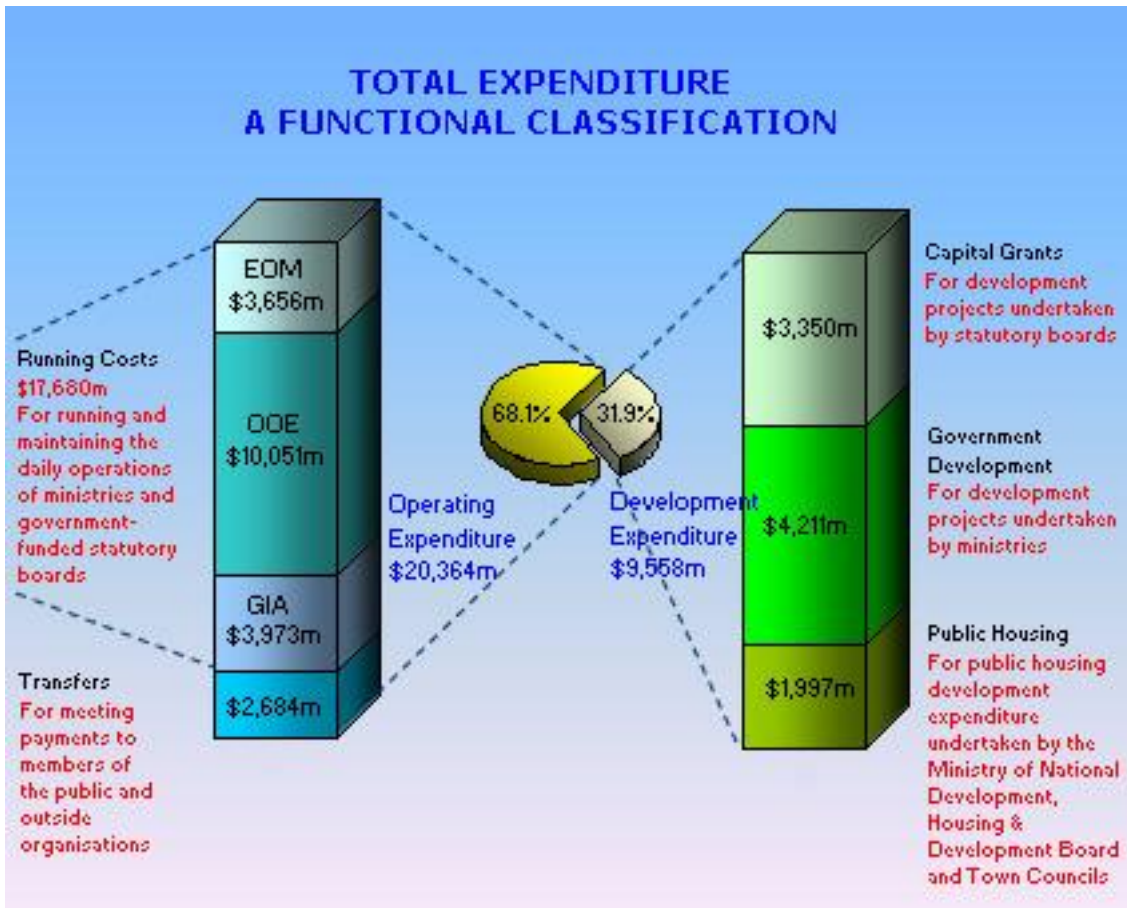
Other Development Fund Outlays

Other outlays from the Development Fund are estimated at \$9.12 billion. Of this, \$7.50 billion or 82.2% is for loans to government agencies. A sum of \$3.65 billion is for loans to the HDB to fund the Mortgage Financing Loan, the Upgrading Financing Loan and the Housing Development Loan Schemes. Another sum of \$2.03 billion is for the Economic Development Board and the Standards, Productivity and Innovation Board to fund the various loan schemes under the Economic Development Assistance Scheme and the Local Enterprise Financing Scheme. The remaining loan provision of \$1.82 billion is to finance the transfer of land, building and other assets from the Government to various agencies including the restructured institutions under MOH, the Public Utilities Board under ENV and the Singapore Land Authority under the Ministry of Law (MINLAW).

The balance of \$1.62 billion is for land-related expenditure. The ministries with land-related expenditure are MTI (\$1.12 billion) and MND (\$0.50 billion).



TOTAL EXPENDITURE - A FUNCTIONAL CLASSIFICATION



FY2002 PERFORMANCE REVIEW

OVERVIEW

For FY2002, the revised estimate for operating revenue is \$29.07 billion, and that for total expenditure is \$27.36 billion. After discounting special transfers totalling \$1.81 billion, the expected budget deficit is \$94 million.

A summary of the revised FY2002 operating revenue, operating expenditure and development expenditure estimates is given in *Table III* below.

Table III: THE REVISED FY2002 BUDGET

	Actual FY2001	Revised FY2002	Change over FY2001	
	\$b	\$b	\$b	%
OPERATING REVENUE	29.87	29.07	-0.80	-2.7
Tax Revenue	24.17	21.11	-3.06	-12.7
Fees & Charges	4.13	4.02	-0.11	-2.7
Net Investment Income Contribution	1.38	3.81	2.43	176.8
Others	0.19	0.13	-0.06	-29.9
Less:				
TOTAL EXPENDITURE	27.31	27.36	0.05	0.2
Operating Expenditure	18.54	19.52	0.99	5.3
Development Expenditure	8.77	7.83	-0.93	-10.7
SURPLUS/(DEFICIT)	2.57	1.71	-0.85	-33.3
Less:				
SPECIAL TRANSFERS	5.26	1.81	-3.46	-65.7
Economic Restructuring Shares	0.00	1.20	1.20	n.a.
Lifelong Learning Endowment Fund	0.50	0.50	0.00	0.0
Medical Endowment Fund	0.10	0.10	0.00	0.0
CPF Top-Up Scheme	1.01	0.01	-1.00	-99.5
New Singapore Shares	2.45	0.00	-2.45	-100.0
ElderCare Fund	0.50	0.00	-0.50	-100.0
Skills Development Fund	0.50	0.00	-0.50	-100.0
Community Assistance Fund	0.20	0.00	-0.20	-100.0
BUDGET SURPLUS/(DEFICIT)	(2.70)	(0.09)	2.60	-96.5

(Note: Figures will not tally due to rounding)

OPERATING REVENUE

The FY2002 revised operating revenue of \$29.07 billion is a decrease of \$0.80 billion or 2.7% compared with \$29.87 billion for FY2001. This owes mainly to lower tax revenue.

Tax Revenue

Tax Revenue is expected to fall by \$3.06 billion (12.7%) to \$21.11 billion. This is mainly due to the expected decrease in collections from corporate income tax, personal income tax, statutory board contributions, property taxes, motor vehicle taxes, motor vehicle import duties and stamp duty.

Corporate income tax collection is projected to decrease by 14.3% to \$6.70 billion in view of the corporate tax rate cut and generally poorer corporate performances in FY2002.

Personal tax collection is estimated to decrease by 13.5% to \$3.93 billion, due mainly to the reductions in personal tax rates.

Contributions from statutory boards are expected to decline by 27.6% to \$0.63 billion. The decline is mainly due to lower contribution from MAS as a result of its lower FY2001 accounting surplus.

Revenue from property taxes is also expected to decrease by 21.2% to \$1.13 billion due to the further extension of rebates for commercial and industrial buildings into 2003.

Motor vehicle revenue collection is anticipated to go down by 24.7% to \$1.49 billion. This is attributed to the reduction in the Additional Registration Fees (ARF) in May 2002, the expected higher Preferential ARF (PARF) offset rebates and the reduction in road tax rates from September 2002. Motor vehicle import duties are also expected to decrease due to a reduction of motor vehicle duty rate from 31% to 20% in May 2002.

Collection from stamp duty is estimated to decrease by \$0.11 billion (14.2%) owing to fewer transactions.

Fees and Charges

Revenue from fees and charges is projected to be \$4.02 billion or 2.7% lower than the FY2001 collection of \$4.13 billion. This is due to lower collections of fees for licences and permits, and of development charges, as a result of the weak property market.

Net Investment Income Contribution

Net investment income contribution is estimated at \$3.80 billion or \$2.43 billion more than the actual FY2001 figure, mainly due to a special dividend from Temasek Holdings Pte Ltd.

Miscellaneous Revenue

Other miscellaneous revenue is expected to decrease by 29.9% to \$0.13 billion due to lower loan-related and other financial receipts.

EXPENDITURE

Total Expenditure

The revised total expenditure for FY2002 is estimated at \$27.36 billion, an increase of \$53 million or 0.2% over actual FY2001 total expenditure. Of the total expenditure, operating expenditure accounts for \$19.52 billion or 71.3% and development expenditure for \$7.83 billion or 28.7%.

Operating Expenditure

The revised FY2002 operating expenditure is higher than actual FY2001 expenditure by \$0.99 billion or 5.3%. The increase is attributed mainly to MINDEF (\$0.61 billion) and MOE (\$0.11 billion). MINDEF's increase is due to overseas purchases and higher operating costs. MOE's increase is due to the full implementation of the Education Service Professional Development and Career Plan.

Development Expenditure

The revised FY2002 development expenditure is lower than actual FY2001 development expenditure by \$0.93 billion or 10.7%. The decrease is attributed mainly to MND (\$0.69 billion), Ministry of Transport (\$0.35 billion) and MTI (\$0.28 billion). MND's decrease is due to HDB requiring a lower grant amount. The decreases under MOT and MTI are due, respectively, to the completion of major projects (including the North East Line) and lower incentive grants for promotion of industries.

BUDGET OUT-TURN FY2001-2003

Particulars	Actual FY2001	Revised FY2002	Estimated FY2003	Change over FY2002	
	\$m	\$m	\$m	\$m	%
OPERATING REVENUE	29,871.2	29,069.3	29,623.2	553.9	1.9
Tax Revenue	24,172.4	21,108.2	22,046.8	938.7	4.4
Fees and Charges	4,133.6	4,020.1	4,490.8	470.7	11.7
Net Investment Income Contribution	1,375.5	3,808.0	2,986.0	-822.0	-21.6
Others	189.7	133.1	99.6	-33.5	-25.2
Less:					
TOTAL EXPENDITURE	27,305.3	27,358.4	29,921.9	2,563.6	9.4
OPERATING EXPENDITURE	18,536.2	19,523.6	20,363.7	840.1	4.3
Running Costs	16,387.4	17,231.2	17,679.8	448.6	2.6
Transfers	2,148.8	2,292.4	2,683.9	391.6	17.1
DEVELOPMENT EXPENDITURE	8,769.1	7,834.8	9,558.2	1,723.5	22.0
Government Development	3,638.5	3,711.7	4,211.6	499.9	13.5
Capital Grants	3,451.9	3,165.6	3,349.9	184.3	5.8
Public Housing	1,678.7	957.5	1,996.8	1,039.3	108.6
SURPLUS/(DEFICIT)	2,565.9	1,711.0	(298.7)	-2,009.7	-117.5
Less:					
SPECIAL TRANSFERS	5,263.8	1,805.1	600.0	-1,205.1	-66.8
Economic Restructuring Shares	...	1,200.1	600.0	-600.1	-50.0
Lifelong Learning Endowment Fund	500.0	500.0	...	-500.0	-100.0
Medical Endowment Fund	100.0	100.0	...	-100.0	-100.0
CPF Top-Up Scheme	1,009.8	5.0	...	-5.0	-100.0
New Singapore Shares	2,450.0	...	...	...	...
ElderCare Fund	500.0	...	...	...	...
Skills Development Fund	500.0	...	...	...	...
Community Assistance Fund	200.0	...	...	...	...
Medishield Scheme for the Elderly	4.0	...	...	...	...
BUDGET SURPLUS/(DEFICIT)	(2,697.9)	(94.1)	(898.7)	-804.6	854.8

TOTAL EXPENDITURE BY SECTOR AND MINISTRY FY2002-2003

Component	Revised FY2002		Estimated FY2003		Change over FY2002	
	\$m	% Allocation	\$m	% Allocation	\$m	%
SOCIAL DEVELOPMENT	12,069.36	44.1	13,952.23	46.6	1,882.87	15.6
Education	6,661.08	24.3	6,543.43	21.9	-117.65	-1.8
National Development	1,490.55	5.4	2,534.55	8.5	1,044.00	70.0
Health	1,601.67	5.9	2,144.40	7.2	542.73	33.9
Environment	1,231.67	4.5	1,497.51	5.0	265.84	21.6
Community Development & Sports	695.95	2.5	762.59	2.5	66.64	9.6
Information, Communications & the Arts	388.44	1.4	469.74	1.6	81.29	20.9
SECURITY & EXTERNAL RELATIONS	10,543.91	38.5	10,865.10	36.3	321.19	3.0
Defence	8,204.00	30.0	8,252.00	27.6	48.00	0.6
Home Affairs	2,037.79	7.4	2,314.87	7.7	277.08	13.6
Foreign Affairs	302.13	1.1	298.23	1.0	-3.90	-1.3
ECONOMIC DEVELOPMENT	3,384.27	12.4	3,677.14	12.3	292.87	8.7
Transport	1,555.86	5.7	1,448.81	4.8	-107.05	-6.9
Trade & Industry	1,584.19	5.8	1,969.44	6.6	385.25	24.3
Manpower	204.32	0.7	199.22	0.7	-5.10	-2.5
Info-Communications Technology	39.90	0.1	59.68	0.2	19.77	49.6
GOVERNMENT ADMINISTRATION	1,360.82	5.0	1,427.48	4.8	66.66	4.9
Finance	506.25	1.9	606.82	2.0	100.57	19.9
Law	430.50	1.6	275.80	0.9	-154.70	-35.9
Organs of State	223.53	0.8	309.75	1.0	86.22	38.6
Prime Minister's Office	200.54	0.7	235.12	0.8	34.58	17.2
TOTAL EXPENDITURE	27,358.36	100.0	29,921.95	100.0	2,563.59	9.4