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July 7, 2021

**Statement by Mr. Andrianarivelo, Mr. N'Sonde, and Mrs. BoukpeSSI on Singapore
(Preliminary)
Executive Board Meeting
July 9, 2021**

We thank staff for the set of insightful papers and Ms. Lim, Mr. Ong, and Ms. Yoe for their helpful Buff statement.

Singapore has broadly well endured the Covid-19 shock thanks to significant pre-crisis policy space and strong policy frameworks. The authorities' decisive, large, and well-coordinated economic policy response has helped mitigate the economic fallout of the pandemic and protect lives and livelihoods. Notwithstanding the expected economic recovery and 6-percent rebound in 2021, the high level of uncertainty surrounding the outlook calls for continued well-targeted supportive fiscal and monetary policies in the near-term. Pressing ahead with structural reforms to limit scarring, tackle the country's medium to long-term challenges will be critical to steer the way for a greener, digital, and more inclusive post-pandemic growth as planned by the authorities. Against this background, we broadly share staff's assessment and policy recommendations and would make the following comments for emphasis.

Supportive fiscal policy should remain in place until the recovery is firmly entrenched and could even be expanded as needed given the country's ample fiscal space. As the recovery advances, the shift toward more targeted measures is warranted to support the most affected workers, businesses, and vulnerable people. We also note from the Buff that a significant share of the 2021 budget has been allocated to support investments in both physical and human capital development. With risks remaining tilted to the downside, we agree that fiscal policy should be the first line of defense, given the large buffers. In this context, in the face of new stringent social distancing measures, we welcome the recent additional measures, notably the extended support under the Jobs Support Scheme (JSS), the one-off cash transfer, and the rental relief. The Buff indicates that the vaccination program will be accelerated to cover two-thirds of the population by August 2021. While noting that Singapore has one of the fastest vaccination rollouts in Asia-Pacific, *could staff kindly update us on the vaccine deliveries to the country and indicate if the August 2021 target will be met?*

Singapore's medium and long-term challenges of population aging, climate change, and technological transformation call for appropriate calibrated fiscal policy actions. In this context, we agree with staff that due consideration should be given to a costing exercise to appropriately estimate their fiscal impacts and adjust the authorities' fiscal strategy going forward. *Could staff elaborate on the authorities' views on this costing exercise?* The authorities' intention to raise broad-based recurrent tax revenue, notably the goods and services tax (GST) rate by 2025, to meet the current spending needs while financing major infrastructure projects through borrowing is welcome. For the latter, the envisaged green bonds issuance under the Significant Infrastructure Government Loan Act (SINGA) is a positive step in the right direction.

The current monetary policy stance remains appropriate. The Monetary Authority of Singapore (MAS)'s policy response has been timely and effective, and the accommodative stance remains appropriate amidst subdued inflation and negative output gap. We encourage the pursuit of such stance as required by data until the recovery is firmly underway. We note that safe-haven capital inflows during the Covid-19 pandemic has led to an increase in FX reserves and pushed the MAS to increase its interventions in the FX market.

The financial sector has weathered the crisis well, but emerging risks call for close monitoring. Non corporate vulnerabilities and real estate market developments remain causes for concern. We welcome the improvements made in the insolvency and debt resolution procedures. We agree with the authorities on the need to continue closely monitoring real estate NPLs, with the sector hardly hit due to the increased vacancy rates and lower rents as business spaces demands have decreased due to the pandemic. We are pleased to learn from Ms. Lim, Mr. Ong, and Ms. Yoe's Buff that vacancy rates have decreased from the 2020 levels, showing the ongoing recovery. We commend the authorities for the progress made in implementing the 2019 FSSA recommendations, particularly those to improve cyber resilience, and US dollar liquidity among domestic systemically important banks (D-SIBs). We call for continued supervision of banks on their foreign currency liquidity while encouraging further efforts to enhance the AML/CFT framework notably with regard the requirements for digital payments service providers.

Structural policies to address long-standing challenges are now more pressing and of paramount importance for a more inclusive, green, and digital post-pandemic higher growth. We commend the authorities for the programs aimed at accelerating digitalization and innovation, especially fintech and e payments innovation. In the labor market, active polices should be pursued to address upskill and reskill workers, key to address structural rigidities and facilitate workers' reallocation. We commend the authorities for their ambitious climate strategy plan with the launch earlier this year of the 5-pillar Singapore Green Plan 2030 as highlighted in Box 3 of the report and the Selected Issues Paper. We would appreciate it if *staff could share their views on the effectiveness of the SGP 2030 and the likelihood of achieving the targets set forth.* We welcome the Green Finance Action Plan with the view to strengthen financial sector resilience to environmental risks and create a green finance environment in Singapore. All together, these would be key to raise productivity, pave the way for a more climate-resilient and rich future in Singapore.

With these comments, we wish the authorities and people of Singapore every success in their endeavors.