



**SBF SME COMMITTEE (SMEC)  
RECOMMENDATIONS FOR  
BUDGET 2023**

Submitted on 26 November 2022

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## FOREWORD

As 2022 draws to a close, businesses which had expressed optimism about the reopening of the global economy are now conveying a more cautious outlook as new disruptions surface and geo-political fault lines deepen.

Emerging from the COVID pandemic, businesses were hoping to regain their footing in the economy and restart their growth journey. However, there was no return to "business as usual" as a confluence of unique challenges unfolded. This has given rise to new and pressing priorities for businesses - strengthening supply chain resilience in the face of geo-political tensions, incorporating sustainability as a business imperative, fostering digital trust through sound cybersecurity practices, and optimising manpower utilisation as the future of work evolves.

These add to cost pressures that businesses are already shouldering. Across many sectors, businesses in Singapore are grappling with a margin squeeze amidst soaring energy tariffs because of the Russia-Ukraine conflict, higher input costs due to global disruptions, rising rental rates as the economy reopens, and elevated wages with a tight labour market. As core inflation remains high, both globally and in Singapore, businesses will require transitional support as a runway to rework their business models and strategies to account for a higher cost base.

SMEC's Budget Recommendations for 2023 focus on helping Singapore businesses become future-ready companies equipped with the resources, capabilities, and ecosystem partners to turn risks into opportunities. In doing so, we build resilience as a nation to rise above the headwinds, tailwinds, and crosswinds ahead.

## **RECOMMENDATIONS FOR BUDGET 2023**

### **1. Transitional Support to Ease Cost Pressures**

Our companies, in particular the SMEs, are facing an unusual scenario in the rise of business costs. Inflation has soared to its highest level in 14 years<sup>1</sup>, swinging business expenses upwards on all fronts across logistics, raw materials, manpower, and utilities. Based on the interim findings of SBF's National Business Survey 2022/2023, about 30% of the businesses stated that they had been negatively impacted over the past six months, with an average decline in revenue of 22%. Going forward, more than 90% of the businesses expected the current inflationary climate to continue into 2023, and as a result, the top strategy that businesses would take to manage inflationary risks was to implement cost-saving measures.

Further escalated by the war in Ukraine, this increase in business cost is not gradual, but a spike, which calls for some form of transitory support for SMEs, especially on cost areas which are not largely within their control. One such area is utilities, where the adoption of energy-efficient equipment offers a potential upside for companies regardless of sector. The government can help to co-fund the initial investment by SMEs through the existing Energy Efficiency Grant (EEG).

#### **RECOMMENDATION**

- The SMEC recommends that the government expands the EEG to other sectors beyond the current three sectors: Food Services, Food Manufacturing and Retail.

Given the unprecedented spike in business costs, companies may have entered into contracts based on an unviable cost base. Time is needed for affected companies to reset their cost structure through the identification of alternative suppliers and materials or streamlining internal expenditure. During this transitional period, SMEs need to be paid faster to ensure that business operations remain viable in the face of immediate and acute cost and cashflow pressures.

#### **RECOMMENDATION**

- The SMEC requests the government to look into putting in place a framework to allow SMEs to negotiate a temporary shortening of payment terms or payment advancement over a limited period.
- The SMEC also asks that the government takes the lead by paying all invoices within 14 days to help SMEs overcome cashflow challenges.

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<sup>1</sup> <https://www.straitstimes.com/business/economy/singapores-rising-costs-of-running-a-business-outpace-hong-kong>

## 2. Strengthening Supply Chain Resilience in the Face of Geopolitical Tension

Disruptions to the supply chain first surfaced due to the US-China trade tension, and were exacerbated by the COVID pandemic. Even as the pandemic abates, the situation is compounded by geo-political uncertainties, the war in Ukraine, and lockdowns from China's zero-COVID policy. According to the interim findings of SBF's National Business Survey 2022/2023, 64% of the businesses experienced moderate to severe impact by supply chain disruptions.

In light of this, a key priority is to strengthen our companies' supply chain resilience, be it by diversifying their upstream supply sources or expanding into new markets. The Market Readiness Assistance (MRA) Grant remains a critical tool to support SMEs in their overseas expansion efforts.

### RECOMMENDATION

- The SMEC recommends expanded MRA support for SMEs, specifically:
  - To extend the MRA grant support of up to 70%, from 31 March 2023 to 31 October 2023.
  - To review the quantum cap of \$100,000 per market to reflect rising inflation costs (current quantum capped at S\$100,000 per market).
  - To apply a differentiated grant duration between regulated and non-regulated industries. For regulated industries, there is scope to increase the grant duration from one year to two years, as license application and approval may take up to two years.
- Another potential area of enhancement is for the MRA grant to cover manpower costs for related overseas market promotion, business development, or market set-up activities covered under the existing MRA. This will enable SMEs to build a pipeline of market specialists for knowledge retention and transfer within the company.
- The SMEC also requests that the government look into expediting the approval process for MRA grants. This can be achieved either through an in-principle approval arrangement, or by stipulating a list of pre-approved activities.

### 3. Incorporating Sustainability as a Business Imperative

Sustainability is set to become a key growth engine as businesses navigate the risks and opportunities poised by this global imperative. With the Singapore Exchange (SGX) implementing mandatory climate reporting for listed companies in selected sectors from 2023, SMEs will increasingly be held to similar expectations as critical value chain partners. SMEs that are slow to adopt sound sustainability practices will eventually lose out on business opportunities.

Interim findings from the SBF National Business Survey 2022/2023 indicate that the top three challenges for SMEs in their sustainability journey are not knowing how to get started, not being aware of related government support programmes, and the high cost of adopting relevant solutions. For SMEs that need help with getting started, Trade Associations and Chambers (TACs) can be their first port of call. TACs are well positioned to pull together industry stakeholders to develop sectoral sustainability roadmaps to guide companies, especially SMEs, to assess their sustainability maturity, as well as to tap on relevant programmes and resources that have been identified based on sectoral needs and trends.

#### RECOMMENDATION

- The SMEC recommends that the government provides full funding support for TACs to develop sectoral sustainability roadmaps in collaboration with key industry stakeholders.

On the issue of cost support, many SMEs are familiar with the Productivity Solutions Grant (PSG) but may have exhausted their grant cap for committed digitalisation and transformation projects. A one-off top-up for sustainability solutions and tools under PSG can help SMEs defray these costs amidst other cost pressures. In addition, some SMEs are unable to meet the eligibility criteria for sustainability financing due to their finance track record. Government risk-sharing for loans of smaller loan quantum can help to improve SMEs' access to sustainable financing.

As the government steps up cost support for companies to be more sustainable, there is a need to streamline and rationalise the grant landscape. For example, energy efficiency solutions are covered under Enterprise Singapore's EEG for Food Manufacturing, Food Services and Retail sectors, National Environment Agency's Energy Efficiency Fund (E2F) for the Manufacturing sector, and Building and Construction Authority's Green Mark Incentive Scheme for Existing Buildings 2.0 (GMIS-EB 2.0) for building owners. There is a case for a single agency to take the lead in coordinating whole-of-government efforts to support and engage SMEs on sustainability, so that SMEs can better understand and tap into the relevant support programmes.

#### RECOMMENDATION

- The SMEC recommends that the government supports the acceleration of SME participation in the green economy through:
  - A one-off top-up of the PSG specifically for the adoption of sustainability solutions and tools.
  - Government risk-sharing to improve SMEs' access to sustainable financing for the adoption of sustainability solutions and tools.
- The SMEC requests that the government appoints a lead agency to coordinate whole-of-government efforts to engage and support SMEs on sustainability.

#### **4. Fostering Digital Trust through Sound Cybersecurity Practices (Urgent)**

As the digital economy grows and more companies go online, cybersecurity threats have proliferated. The latest Singapore Cyber Landscape report published by the Cybersecurity Association of Singapore (CSA) indicated that local ransomware incidents in 2021 increased 54% compared to 2020, continuing an upward trend that began in 2019<sup>2</sup>. The majority of victims of common threats such as ransomware, website defacement, and data breaches are SMEs.

SMEs that lack awareness of their own cybersecurity gaps are particularly vulnerable. According to interim findings of SBF's National Business Survey 2022/2023, cybersecurity risk was listed among the top three challenges encountered in technology adoption. With digital trust being fundamental to a global digital ecosystem<sup>3</sup>, the government can partner TACs to identify and promote cybersecurity tools that help companies assess that cybersecurity risk. One such tool is the Internet Hygiene Portal developed by CSA for companies to perform a self-check on their email, website, and internet connectivity. TACs can also play a part in developing new cybersecurity assessment tools as more sophisticated and complex threats emerge.

#### **RECOMMENDATION**

- The SMEC recommends that the government works with TACs to identify, promote, and develop useful tools for SMEs to self-assess their cybersecurity gaps.

Cost and lack of in-house expertise and know-how are also barriers to SMEs acquiring appropriate and sufficient cybersecurity protection. To this end, there are existing programmes such as the Cybersecurity Career Mentoring Programme

<sup>2</sup> <https://www.csa.gov.sg/News/Publications/singapore-cyber-landscape-2021>

<sup>3</sup> <https://www.mci.gov.sg/pressroom/news-and-stories/pressroom/2022/10/speech-by-sms-tan-kiat-how-mci-at-sgtech-global-future-series-digital-trust-forum-28-oct-2022>

(CCMP), a joint initiative by CSA and Singapore Computer Society (SCS), and supported by the Association of Information Security Professionals (AiSP), which aims to provide a platform for tertiary students and young aspiring professionals keen to pursue cybersecurity as a profession.

However, the cybersecurity talent shortage remains a challenge for SMEs. The SMEC is of the view that the Career Conversion Programmes (CCP) for sectors in Infocomm Technology and Information & Communications can be expanded to include cybersecurity to enable the existing workforce to transit or be expanded to include cybersecurity roles. As part of CCP for cybersecurity, trainees can be assigned to on-the-job training and projects to operationalise cybersecurity solutions and best practices for SMEs. The CCP for cybersecurity can be further complemented by mentors from CCMP, thus supporting the growth and rejuvenation of the talent pipeline for the cybersecurity sector.

#### **RECOMMENDATION**

- The SMEC recommends enhanced support to help SMEs implement cybersecurity solutions and best practices.
- The SMEC requests that the government helps SMEs upskill their workforce to raise internal capabilities to guard against cyber threats.

### **5. Optimising Talent Utilisation as the Future of Work Evolves**

The tight labour situation is a perennial challenge for Singapore. Based on interim findings from the SBF National Business Survey 2022/2023, almost all companies polled are facing some form of manpower challenge.

Companies are adapting to the realities of a manpower-lean economy by rethinking how work is structured and offered. Part-time or casual work, for example, enables companies in certain sectors to meet seasonal demand and optimise business needs against manpower deployment. For many SMEs, this arrangement helps to alleviate manpower supply and cost pressures. The government can support such practices by recognising part-time employment as inputs to a company's foreign worker quota, as well as incentivising part-time work in industries with acute manpower shortage, such as retail and food services, by supplementing the market salary of students engaged in part-time work with a matching top up to their Post-Secondary Education Account (PSEA) accounts.



### **RECOMMENDATION**

- The SMEC recommends that the government considers allowing companies to aggregate the headcount hired for part-time and/or casual work to count towards the quota for hiring foreign workers.
- The SMEC recommends that the government looks into supplementing the market salary received by students engaged in part-time work in industries with acute manpower shortage, through a matching top-up to their Post-Secondary Education Account (PSEA) accounts

Companies are also increasingly adopting progressive workplace practices as a strategy for talent attraction and workforce resilience. To encourage more SMEs to be progressive employers, a structured system can be introduced to recognise and reward companies which have attained a holistic suite of Tripartite Standards and employment-related accreditation such as the NS Mark and Progressive Wage Mark.

### **RECOMMENDATION**

- The SMEC recommends that the government provides incentives to SMEs to adopt progressive employment practices by affording exemplary companies with green lane or increased access to capability development grants and other support levers.

## **Annex**

### **COMPOSITION OF SBF SMEC**

#### **Advisors**

Mr	Zaqy	Mohamad	Senior Minister of State	Ministry of Manpower
Ms	Yen Ling	Low	Minister of State	Ministry of Trade and Industry

#### **Chairman**

Mr	Kurt	Wee		
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#### **Members**

Mr	Yuit	Ang	Vice-President	Association of Small & Medium Enterprises
Mr	Ernie	Koh	President	Singapore Retailers Association
Mr	Chek Wee	Foo	Head of Human Capital	The Straits Trading Company Limited
Mr	Hasan	Abdul Rahman	Board Member	Singapore Malay Chamber of Commerce and Industry
Mr	Irvin	Seah	Executive Director	DBS
Mr	Jesher	Loi	Director	Ya Kun International
Mr	Kenneth	Loo	Chief Operating Officer	Straits Construction Singapore
Mr	Melvin	Tan	Group Managing Director	Cyclelect Group
Ms	Pearl	Yu	Director	Keystone Cables
Mr	Peter	Ho	CEO	Hope Technik
Mr	Royston	Tan	General Manager	Pine Labs
Mr	Benjamin	Wong	CEO	Transwap
Mrs	Bernadette	Giam	Director of Corporate Affairs and HR	Creative Eateries
Mr	Kim Huat	Chia	Council Member	Singapore Chinese Chamber of Commerce and Industry
Ms	Jayanthi	Manian	Board Director	Singapore Indian Chamber of Commerce and Industry
Mr	Ting Ming	Ling	CEO	OTSAW
Ms	Olive	Tai	Managing Director	Synagie
Ms	Serene	Cai	Co-Founder	Speedoc
Mr	Eric	Ong	Managing Director, Head of Middle Markets & Services	OCBC