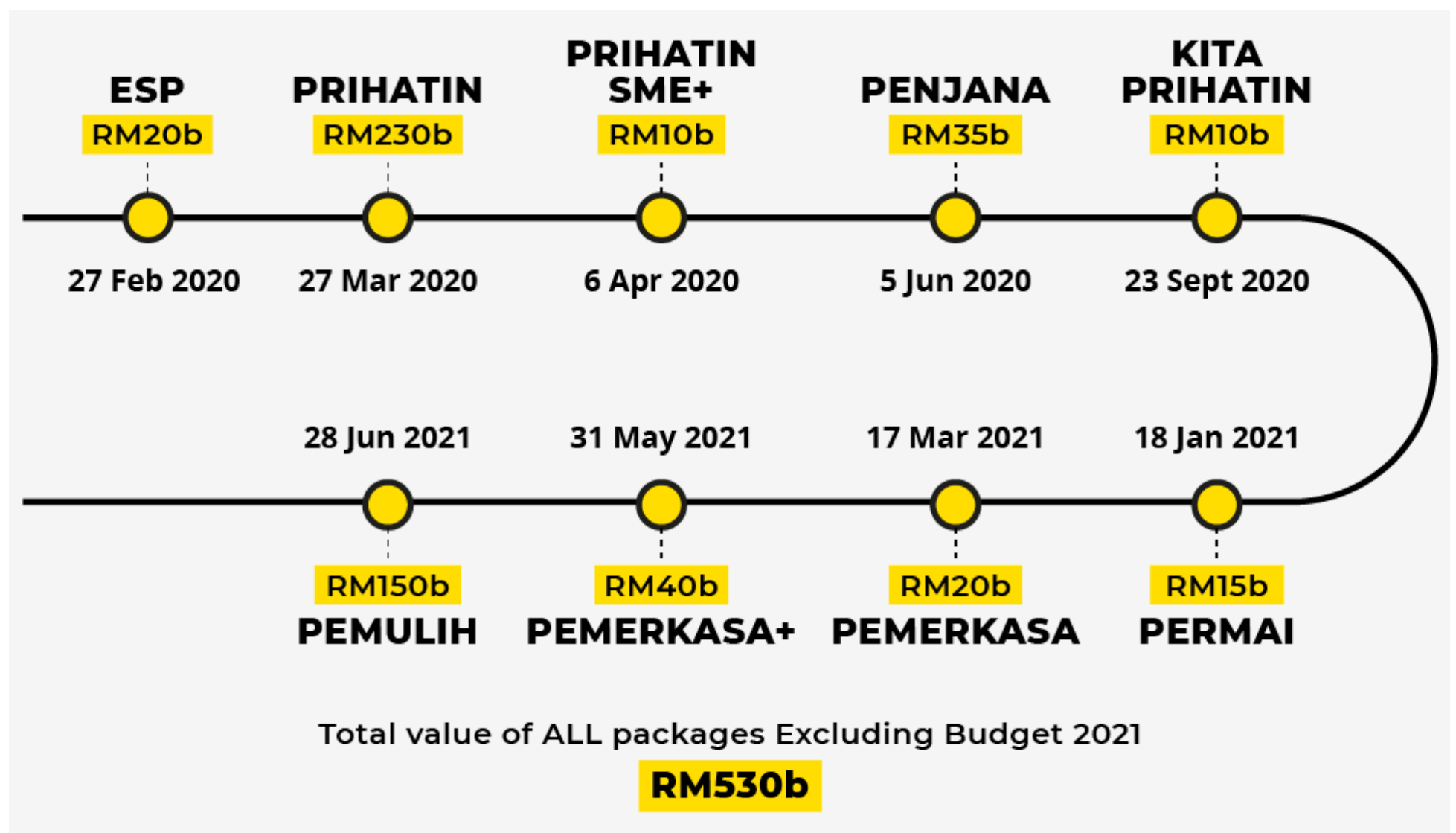


PROJEK MUHIBAH STRATEGY #03

**CONTINUED AND
TARGETED
ECONOMIC
ASSISTANCE TO
EMPLOYERS &
EMPLOYEES**

A LOOKBACK AT STIMULUS PACKAGES PROVIDED SINCE MARCH 2020

The government should be given some credit for being somewhat responsive to the public demands of greater assistance packages. However like many others, we are critical of the insufficiency of these packages. We should use the response to these packages as a means to improve future stimulus and assistance measures.

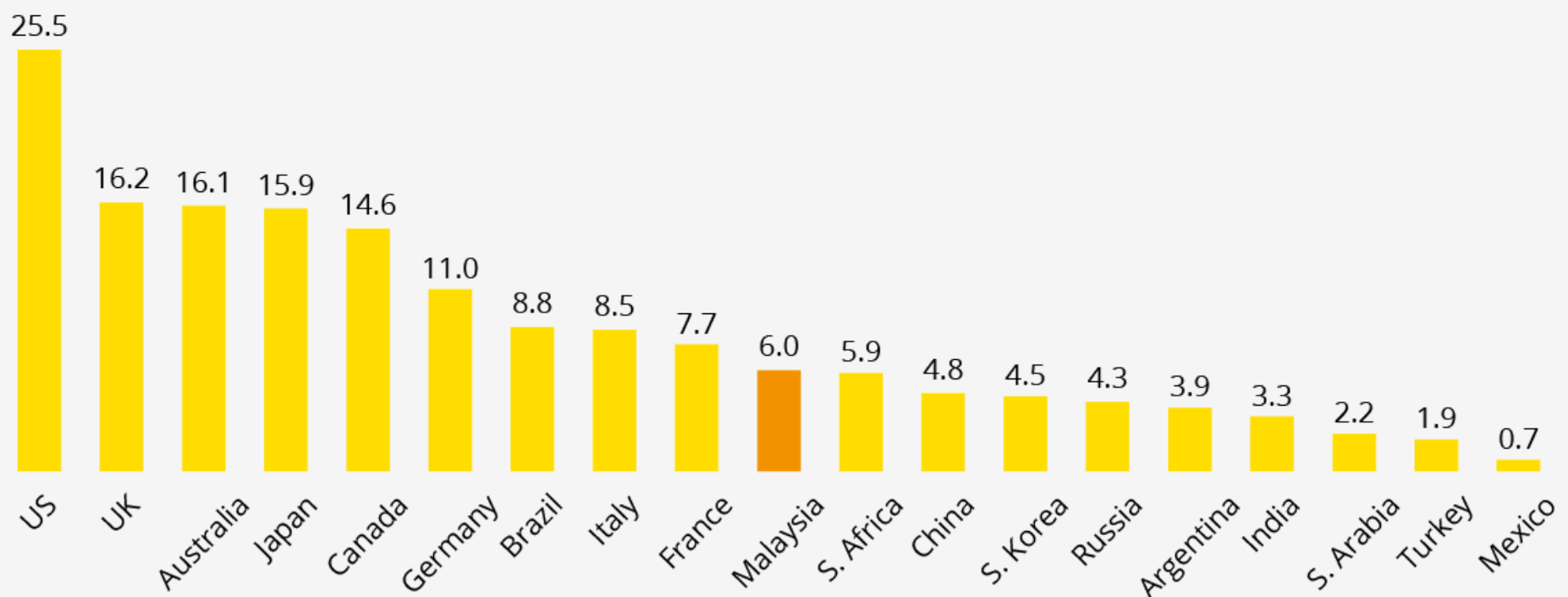


REFSA'S TAKE: MALAYSIA'S FISCAL STIMULUS MEASURES ARE INSUFFICIENT GIVEN THE GRAVITY OF THE SITUATION

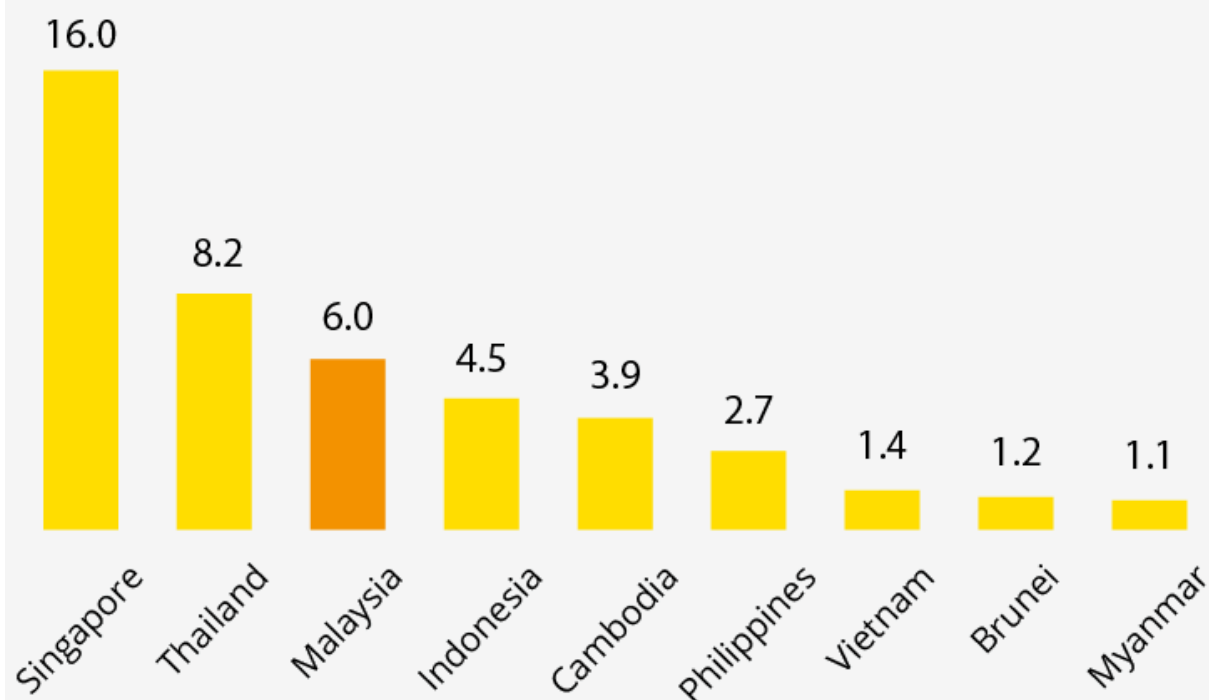
- **Non-fiscal measures** as a whole **should supplement fiscal measures** rather than taking centre stage as they are not equal in effect.
- In Malaysia, **majority of allocation is not direct fiscal sources**, but funds sourced from deferred payments (e.g. loan moratoriums, EPF withdrawals). This will cost more to individuals in the future as they are either dipping into their savings or accruing their debt further.
- Also, **Malaysia's fiscal measures paled** in comparison to the **corresponding stimulus packages** in other countries. See comparison in the next slide!

REFSA'S TAKE: MALAYSIA'S FISCAL STIMULUS MEASURES ARE INSUFFICIENT GIVEN THE GRAVITY OF THE SITUATION

Fiscal injections (% of GDP) among G20 members, 2020-21



Fiscal injections (% of GDP) in ASEAN, 2020-21



REFSA'S TAKE: SUPPORT FOR BUSINESSES IS INSUFFICIENT

VERDICT: Conceptually the measures point in the right direction, but on the whole the amounts committed, (perhaps loan moratorium is the exception?), are unlikely to be transformational for most companies' cash position. Why?

- **Loan guarantee scheme:** conditions attached to the guarantees (e.g. the large collateral requirements) make them ill-suited to be taken up.
- **Wage subsidy programme:** Many employers found these conditions too onerous, compared to the relatively small subsidy amount, and have therefore opted not to join the scheme.
- **Bank loan moratorium:** Merely defers the payment, also hinders banks' recovery throughout the pandemic
- **Special grants for SMEs:** Comparatively small amounts which are not necessarily adequately helpful

REFSA'S TAKE: SUPPORT FOR WORKERS & HOUSEHOLDS IS INSUFFICIENT

Some examples:

- i-Lestari scheme: does not cover self-employed or informal workers, since it is **only open to EPF contributors**.
- Unemployment payouts through EIS: the payments **do not entirely replace lost income** and remain **limited in time**.
- Direct cash transfer through BPR: reserved only to those earning below certain thresholds. The amount of the **payouts is relatively small** too.

VERDICT: Apart from the inadequate size of the existing payouts, another concern is the insufficient breadth of support. E.g. informal workers may not have sizable EPF contributions nor are they likely to have signed up for EIS.

REFSA'S TAKE: OVERALL SUPPORT IS INSUFFICIENT

The level of fiscal support has not been commensurate with the damage to the economy caused by the lockdowns, especially this year.

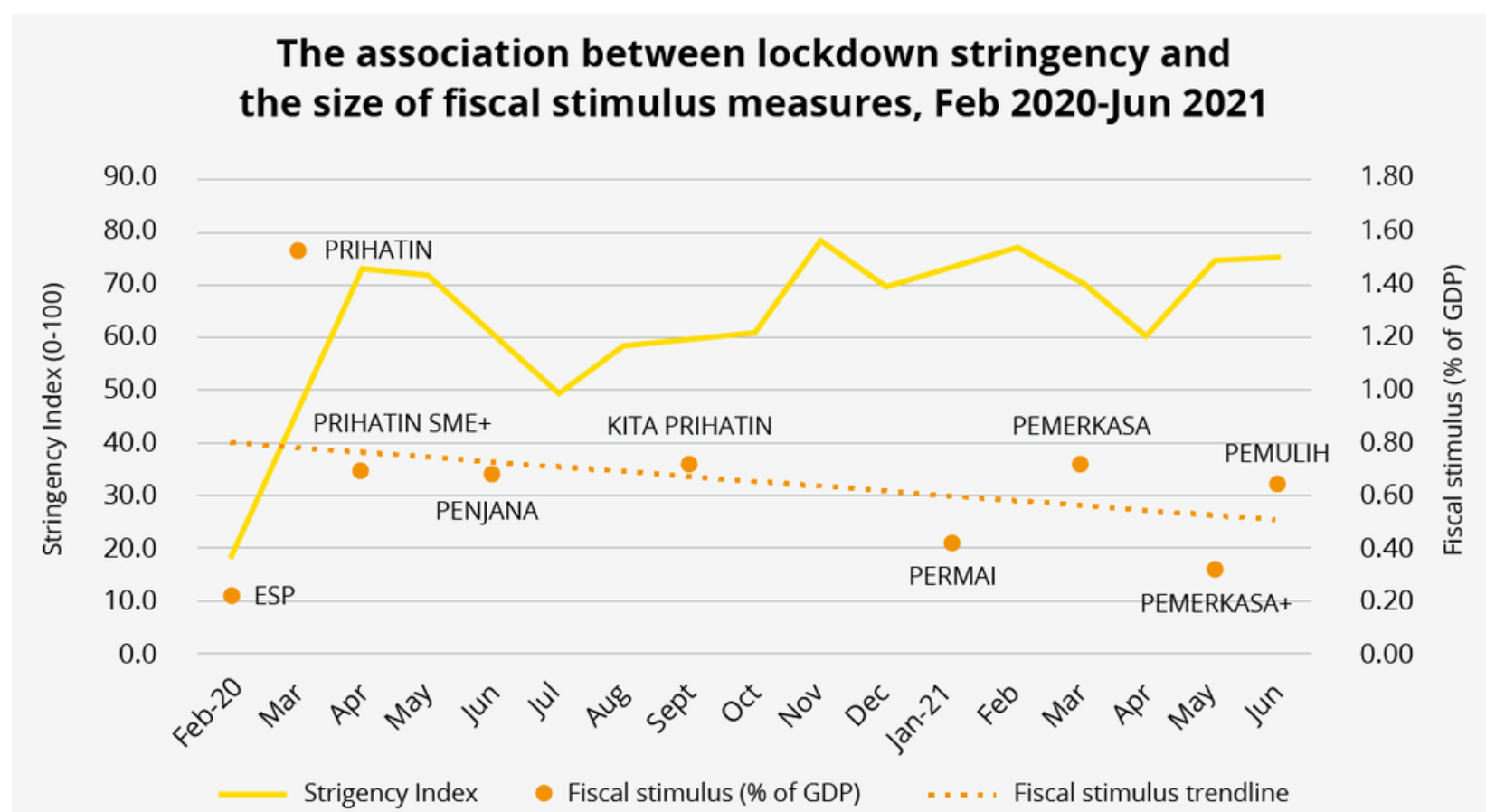


Chart above highlights that since the start of 2021, Malaysia's lockdowns have been at or near their peak, however, fiscal support has been smaller in magnitude.

VERDICT: Lockdowns must be accompanied by thorough assistance!

REFSA'S STRATEGY RECOMMENDATIONS

1

Raise the arbitrary debt to GDP ratio and interest service ratio through crisis period

- Allow the government to **engage in more thorough deficit-financed expansionary fiscal policy** to save livelihoods and businesses

2

Increase the level of spending to individuals and small business owners

- **Use big data** to accurately identify those who need the most help

Example: businesses that had a large share of employees test positive for COVID-19; those in the worst hit sectors such as F&B, retail and tourism

- **Evaluate existing bottlenecks** when applying for various schemes

POLICY RECOMMENDATIONS

3

Find "out of the box" ways to increase revenue collection

- **Look for scope to increase spending** through trust funds (but responsibly!) E.g.: vaccine procurement through KWAN funds, or Universal Service Provision Fund under MCMC, or Education Malaysia Global Services under the Ministry of Higher Education
- Explore scope for capital gains tax or other **tax income**

4

Enhance social protection, especially for informal and gig economy

- Provide full payment, and subsequently a 50% subsidy, for **informal and gig workers to subscribe to the EIS programme**
- Use vaccination status and EIS enrolment collectively as **preconditions for renewal of business licenses**

WHAT DO YOU THINK?

With many businesses and workers, particularly in the informal sector suffering from financial loss and uncertainties, **what are some measures the government can take to support the livelihoods of those affected by the lockdown?**

Let us know your thoughts in the comments section!

ABOUT #PROJEKMUHIBAH

Projek Muhibah introduces ten policies to address the socio-economic challenges caused by the COVID-19 pandemic in Malaysia.

The goal is to help Malaysia build back better, towards a more resilient and equitable economy, a more economically secure workforce, and a stronger and more supportive community.

Visit www.refsa.org/projek-muhibah for more information.