



ENABLING ECONOMIC EMPOWERMENT



## **COVID-19 RESPONSE MEASURES**

### ***Recommendations to the Malaysian Economic Action Council***

### **From the Economic Club of Kuala Lumpur & KSI Strategic Institute For Asia Pacific**

In response to the call from the Economic Action Council's for public feedback in the formulation of economic measures in response to the COVID-19 crisis, the Economic Club of Kuala Lumpur (ECKL) and KSI Strategic Institute for Asia Pacific (KSI) are pleased to submit the following recommendations and feedback. The proposals build upon the initiatives already undertaken by the government prior to 26<sup>th</sup> March 2020.

#### **INDIVIDUALS/EMPLOYEES**

1. **Subsidies for workers who have been required to self-quarantine or need to care for family members who are infected with COVID-19.** Different subsidy amounts can be determined for full-time and part-time workers. Workers who do not have medical privileges (part-timers, workers in the gig economy) who suspect they have the virus should be fully subsidised by government health systems (although it already charges affordable rates). This is to further encourage the infected to step forward to seek help in the process of annihilating the virus.
2. **Ensure availability of disposal income for basic necessities.** As many workers are unable to work, many have been unable to bring in sufficient or any income. Measures need to be developed keep income flows moving during such times. While the government's measures for workers under furlough receiving RM600 a month via SOSCO's Employment Retention Programme/Employee Insurance Scheme is commendable, it must be pointed out that a large portion of society is not covered by this scheme or other forms of social welfare protection, particularly those in the informal economy, the self-employed, and those living in poverty. The present Bantuan Sara Hidup scheme of RM300 (increased from RM200) with an additional RM50 via e-wallet is a step in the right direction, though highly insufficient as pay-outs are on an annual basis. Affected individuals should be given a more realistic amount of RM600 per month (matching ratios similar to ERP/EIS) to enable the purchase of bare necessities (other expenses in utilities, loans etc) have been sufficiently address. Also, the government should conduct a more realistic assessments whether or not RM600 a month is sufficient for individuals to sustain themselves throughout this period of unemployment. Some economist have recommended payments of RM1,100 for a period of 3 months.
3. **Institute automatic cash transfer.** While Malaysia has data constraints, this crisis presents an opportunity to strengthen mechanisms of accessibility to unemployment insurance. A quick solution is to distribute massive cash transfers through a combination of e-payment systems, bank accounts, and BSH database, especially given present health concerns, as people should not be encouraged to move around to make claims. This policy is well documented by Claudia Sahm, former economist at the Federal Reserve and current head of Equitable Growth, a Policy think tank.

4. **Implement debt and rent moratorium across all sectors, with specific clauses on banning evictions.** While Bank Negara's move to apply moratoriums for loans, financing repayments, payments principal and interest by individual and SME borrower is commendable, those renting (as well as their landlords) will still face problems. The government can replace rent lost as part of wage replacement for both businesses and for individuals.
5. **Interest-free student loans.** The move by PTPTN to postpone payments is applauded. However, it is uncertain if the postponement comes interest free (just as Bank Negara's moratoriums were not interest free, as interest are accrued). Delays in student loan payments should be made interest free during such times.
6. **Emphasize the need to advise EPF contributors to withdraw from Account 2 only.** The governments earlier move to allow EPF members to make RM500 withdrawals (up to a period of 12 months) was not advisable to the long-term compounding effects it will have on the account holders post retirement savings. Bearing in mind the earlier announcement cannot be rescinded, the government must avoid any further withdrawals from EPF savings. This withdrawal should only be a last resort.
7. **Provide Additional Child Support.** Give provisions to families / single parents for funds child support.
8. **Others**
  - Provide incentive to increase mobile banking/payment uptake and other mobile resources by self-employed workers (e.g. street vendors).
  - Individuals displaced by the MRO (eg. students and renting tenants) may require temporary accommodation, but feasible strategies under MRO conditions must be devised.

## **BUSINESSES**

1. **Provide Wage Subsidy and Business Relief.** This is especially for SMEs which are the overwhelming majority of Malaysian businesses. The UK, for example, has guaranteed 80% of all employee wages up to GBP2,500. Singapore government's wage credit scheme co-funds monthly wage for employees. Australia is providing not-for-profits and small businesses with turnover of under AUD50 million tax-free cash up to AUD100,000 and a minimum of AUD20,000. Malaysia can consider providing a one-off grant to SMEs who are eligible.
2. **Tailored stimulus for each industry.** The first stimulus package introduced on 27th February 2020 was highly focused on tourism-related sectors, but government should employ a more holistic strategy to minimise business failure and support the entire economy, rather than just parts of it. Having a blanket standard stimulus package will risk some businesses being left out.
3. **Alternative to mortgage moratorium.** Canada's move should be examined. Its government purchased up to C\$50 billion of insured mortgages pools. The reason is to provide stable funding to banks and mortgage lenders to ensure continued lending to is consumers and businesses. Feedbacks from Malaysians banks and financial institutions are necessary to gauge their ability to sustain prolonged periods of moratorium, otherwise, the Canadian solution might be work considering.

4. **Protect commercial tenants who cannot pay rent due to COVID-19 from evictions.** Tenants in federal government, state government, or local council can be **exempted** from paying rent for 3-months.
5. **Others**
  - Incentivise telecommuting and building a digital workforce working from home
  - Ease credit and liquidity conditions for purpose of funding.
  - Expedite approval processes for all these initiatives.
  - Offer SMEs with guaranteed secure loans through banks, with the government taking significant portion of risk-share arrangement.
  - Give refunds to businesses paying medical leave for those infected by COVID-19 (up to 14 days).
  - Defer SST payments for 3 months.

## **HEALTHCARE**

1. Empowering and enrolling private hospitals and clinics with testing kits and safety gear will help alleviate the crisis. This will also allow the private healthcare sector to play a bigger role. Although a host of private hospitals are offering COVID-19 testing service, it is not nearly enough. Without these mitigation efforts and the stabilisation of the current problem any economic planning will not be on good grounds. Health goals take precedence as no form of rebates in SST or tourism subsidies would spur people to travel domestically.
2. **Incentivise voluntary testing.** Suspected COVID-19 tests and sick leave should be counted as unrecorded. For SMEs, this may be supplemented by government funding, as part of wage replacement. As testing is important, a lot of people who are infected are reluctant to get themselves diagnosed if they don't have the financial capability to foot the bill. To combat this, private hospitals should treat COVID-19 patients either for free or by only taking a nominal sum. Making diagnosis, treatment and medication either free or inexpensive will greatly reduce the barrier to treatment for the needy. This will prove pivotal in our fight against the virus.
3. **Commission special COVID-19 health fund.** Government can create a special fund by legislation where monies received will be utilised solely to fight against the spread of COVID-19 and render financial help to those affected by the virus. The special fund should be managed by a non-partisan group representing the government, opposition and civil society representatives. Such a committee can be an all-party committee comprised of 2 MPs from PN, 2 MPs from PH and 4 Civil Society members (using APPG model).
4. **Implement more effective tracking methods.** South Korea uses smartphones to watch and track quarantined citizens.
5. **Other health-related recommendations**
  - Remobilise resources to prepare for prolonged social distancing.
  - Convert some non-essential manufacturing plants into producing healthcare equipment.
  - Ramp up imports of ICU equipment; procure land and space for hospital (Spain temporarily nationalised the entire healthcare system)
  - As healthcare personnel is stretched thin, enlist medical students and medical faculty members, retired medical practitioners to help out.

## **OTHER RECOMMENDATIONS**

1. **Ensure food security.** Every support should be given to food producers and the related supply chain. Fishermen and farmers too should be included. The certainty of food distribution and supply assurance is also important. Long-term contingencies should also be in place should these traditional avenues of supplies fail through self-sufficient means of food production and stockpiling – BNM RM1 billion agrofood facility is the right step forward, but greater promotion of the programme needed.
2. **Stronger fiscal measures needed.** The goal of the stimulus is to sustain consumption. Relief for individuals and businesses during this difficult time is to prevent cash flow problems and the negative multiplier effect from becoming a solvency crisis that could cause massive unemployment and other related problems.
3. **More effective communications.** Establish joint MOH-Minister of Communication and Multimedia taskforce to educate, communicate, and keep Malaysians informed about the virus via channels of traditional print media, broadcast media, and social media. Misconception and misinformation of the virus need to be addressed to nurture greater sense of urgency.
4. **Rationing via e-wallet.** Should food scarcity become an issue, e-wallets can be utilised to monitor rationing of essential/controlled items.
5. **Issue long-term bonds.** One creative way to do this is by coordinating with a few countries and issue bonds together.
6. **Borrow money.** The government should consider this option. Germany may increase borrowing by as much as a €150 billion with the purpose of mitigating the economic impact brought by COVID-19.

ECKL & KSI  
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