

The image features a bright blue sky with a sunburst effect in the center. Several flags are flying, with the Malaysian flag (blue field with a yellow crescent and star, and red and white stripes) being the most prominent on the right. Other flags are partially visible on the left and bottom left.

**United Nations' COVID-19 commitment to  
Malaysia: *UN Socioeconomic Response  
Plan (SERP)***

*December 2020*

## Foreword

The impacts of the COVID-19 pandemic have been unprecedented in modern times – to date (November 2020) around 50 million people have been infected and over one million have sadly lost their lives due to this desperately pernicious infection<sup>1</sup>. Global trade and commerce are severely disrupted, and the reduction in output is approaching depression levels. Hundreds of millions of jobs and livelihoods are at risk, and the resulting social fallout will have an enormous human cost, with human development set to fall, and progress towards the SDGs has effectively been halted.

Malaysia has strong capacity in outbreak preparedness and response, as well as the infrastructure and a well-trained workforce to provide high-quality health care. These have helped establish a stable foundation for the outbreak response to COVID-19 so far. Government has also moved decisively to respond to the socioeconomic fall-out by enacting a sizeable fiscal response and recovery plans, which has sought both to re-start economic activity while also protecting the vulnerable.

The UN Country Team in Malaysia commends the Government for its leadership and emergency response – these provide a strong foundation for reducing deaths and charting a path to socioeconomic recovery. UN agencies have supported and offered advice on the emergency response. It is time now however, to also focus to the recovery process, specifically addressing the socioeconomic dimensions, while also taking stock of the existing policy package, and renew measure to maximize effectiveness and equity.

This Socio-Economic Response Plan (SERP) sets out the United Nations Country Team’s collective offer and commitment to the Government and people of Malaysia to support recovery from the COVID-19 crisis, while continuing containment and mitigation measures. It offers a strategic approach and costed programme of interventions totalling US\$ 13.7 million (MYR 56.0 million). These efforts aim to bridge the emergency response to Malaysia’s long-term development needs, building back better and leaving no one behind.

The SERP, which was developed under the overall leadership of the UN Resident Coordinator, with technical support from UNDP, sets-out the health response of WHO and essential interventions of the many UN agencies working in Malaysia. It ensures that both resident and non-resident agencies respond in a coordinated and coherent way, bringing to bear the full range of expertise of the UN system.

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***United Nations Resident Coordinator, for Malaysia, Singapore, and Brunei Darussalam***

***December 2020***

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<sup>1</sup> Based on Johns Hopkins University COVID-19 Data -2nd November 2020

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## Acronyms

ASEAN	Association of Southeast Asian Nations	IPTA	Institut Pengajian Tinggi Awam
ASEAN-6	Group of 6 ASEAN states (Indonesia, Malaysia, Philippines, Singapore, Thailand & Vietnam)	I4.0	Industry 4.0
B40	Bottom 40 per cent of households	ITC	International Trade Centre
BEPS	Base erosion and profit sharing	IUI	Internet Universality Indicators
BHEUU	Bahagian Hal Ehwal Undang-Undang	KPKT	Ministry of Housing and Local Government
BPN	Bantuan Prihatin Nasional	LFS	Labour Force Survey
BSH	Bantuan Sara Hidup	LGBTI	Lesbian, Gay, Bisexual, Transsexual & Intersex
CBO	Community Based Organization	LHDN	Inland Revenue Board
CGC	Credit Guarantee Corporation	M&E	Monitoring and Evaluation
C/ MCO	Conditional/ Movement Control Order	MAGIC	Malaysian Global Innovation & Creativity Centre
COVID-19	Coronavirus disease 2019	MARA	Majlis Amanah Rakyat
CSO	Civil Society Organization	MDEC	Malaysia Digital Economy Corporation
DBKL	Kuala Lumpur City Hall	MEF	Malaysian Employers Federation
DOSM	Department of Statistics Malaysia	MIER	Malaysian Institute of Economic Research
EAS	Employer Advisory Services	MNC	Multinational Corporations
ECRL	East Coast Rail Link	MNE	Multinational Enterprises
EIS	Employment Insurance Scheme	MOH	Ministry of Health
EPC	Energy Performance Contract	MPI	Manufacturing Performance/ Multi-dimensional Poverty Index
EPF	Employees Provident Fund	MRT2	Klang Valley Mass Rapid Transit 2
EPI	Environment Performance Index	MRUS	Migrants, Refugees, Un-documented & Stateless (descriptive term)
FOTE1/2	Families on the Edge Survey – 1 May, 2 September	MSME	Micro, Small & Medium Enterprise
IFIs Institutions	International Financial Institutions	MYSPP	Malaysia Social Protection Council
ILO	International Labour Org.	NCD	Non-Communicable Diseases
IMF	International Monetary Fund	NDC	National Determined Contribution
INFF	Integrated National Financing Framework	NGO	Non-Governmental Organization
IOM	International Organization for Migration	NHRI	National Human Rights Institutions

*United Nations COVID-19 commitment to Malaysia: Socioeconomic Response Plan (SERP)*

NPI	Non-Pharmaceutical Intervention	SOP	Standard Operating Procedure
OECD	Organization for Economic Cooperation & Development	SRF	Special Relief Fund
OHCHR	Office of the United Nations High Commissioner for Human Rights	SRH	Sexual Reproductive Health
OSCC	One Stop Crisis Centre	SUHAKAM	Human Rights Commission of Malaysia
PENJANA	Pelan Jana Semula Ekonomi Negara (Economic Recovery Plan)	TEKUN	TEKUN Nasional,
PKS	Perusahaan Kecil Sederhana	TINA	SMS helpline to reach out to survivors of domestic violence
PNK	Pertubuhan Nelayan Kawasan	TVET	Technical & Vocational Education & Training
PPE	Personal Protective Equipment	UN	United Nations
PPK	Farmers' & Fishers' Association	UNCDF	UN Capital Development Fund
PPR	People's Housing Project	UNCT	United Nations Country Team
PRASARANA	Prasarana Malaysia Berhad	UNDP	UN Development Programme
PRIHATIN	Prihatin Rakyat Economic Stimulus Package	UNSDS	United Nations Sustainable Development System
PRS	Private Retirement Scheme	UNESCAP	UN Economic & Social Commission for Asia & the Pacific
PUI	Person Under Investigation	UNESCO	United Nations Educational, Scientific & Cultural Organization
PV	Photovoltaic	UNFPA	United Nations Population Fund
PVE	Preventing Violent Extremism	UNGP	United Nations Guiding Principles on Business and Human Rights
PWD	Persons with Disabilities	UNHCR	United Nations High Commissioner for Refugees
R&D	Research & Development	UNICEF	United Nations Children's Fund
RAHIS	Rapid Assessment of Household Income	UNIDO	United Nations Industrial Development Organization
RCO	Resident Coordinator's Office	UNSDCF	United Nations Sustainable Development Cooperation Framework
RELA	Department of Volunteers	UNTIL	United Nations Technology Innovation Labs
RMCO	Recovery Movement Control Order	WAO	Women's Aid Organization
RTO	Rent-to-Own	WFH	Work from Home
SDG	Sustainable Development Goals	WHO	World Health Organization
SEDA	Sustainable Energy Development Authority Malaysia	WSP	Wage Subsidy Programme
SJPP	Business Financing Guarantee Corporation		
SME	Small & Medium-sized Enterprises		
SOCSO	Social Security Organization		

# Executive Summary

The United Nations in Malaysia's Socio-Economic Response Plan (SERP) will be delivered under five pillars (see graphic) and covers a period of 18 months. Finalized following consultations with the Malaysian Government, the SERP seeks to align itself with national recovery plans and the Draft 12th Malaysia Plan. A full set of proposed interventions are given in a separately available SERP workplan.

As one of over a hundred SERPs developed around the world by UN Country Teams, it is rooted in a common approach and a set of rights-based principles. At the heart of this is the core principle of *Leaving no one behind* - secured by delivering an inclusive response but also focusing on those most affected and vulnerable. SERP interventions explicitly seek to *build back better*, by ensuring that the recovery is both

1  **HEALTH FIRST:**  
Protecting health services and systems during the crisis

2  **PROTECTING PEOPLE:**  
Social protection and basic services

3  **ECONOMIC RESPONSE & RECOVERY:**  
Protecting jobs, small and medium-sized enterprises, and the informal sector workers

4  **MACROECONOMIC RESPONSE AND MULTILATERAL COLLABORATION**

5  **SOCIAL COHESION AND COMMUNITY RESILIENCE**

socially inclusive and environmentally sustainable and makes a decisive contribution to restarting progress towards achievement of the SDGs.

## Socioeconomic fall-out of the crisis in Malaysia

The economic impacts of the pandemic have two distinct drivers - the supply shock due to the initial lockdown measures under the Movement Control Order, (MCO), and demand shocks caused by the worsening pandemic in Malaysia's key export markets. The varying magnitude of these two shocks gives rise to differential effects on economic sectors. These in turn, shape the pattern of impacts across population groups. The initial supply shock, driven by the severity of the MCO forced a sharp contraction in output and livelihoods. The effects were deep and widespread, affecting virtually all sectors, but absent of resurgent infections, these will also be time limited. And with Malaysia's successful measures, to control the pandemic, the demand shocks have now come to dominate. These have been more sector focused, and therefore deliver a more uneven pattern of pressures.

**Socioeconomic dislocations have been transmitted through worsening trading conditions, especially for smaller businesses and rising unemployment.**

Numbers of those without jobs has more than doubled since the crisis hit, and while there has been some improvement in recent months this has levelled off at just below 5% of the labour force. Moreover, millions of others are likely being retained under wage subsidy arrangements. There are acute challenges in specific sectors, such as tourism which has seen a wholesale collapse, these will also drive geographical inequalities.

**Interactions between economic situation and the characteristics of Malaysia's labour market and the social protection framework are key in determining the likely poverty and inequality impacts.** A relatively large proportion of workers are in informal employment and at risk of job retrenchment, but

additionally, these workers not generally covered by Malaysia's social protection framework. This refers to the so-termed *missing middle* group of workers who lack social insurance cover but are not eligible for social assistance. Certain marginal groups, notably most migrants and refugees, but specifically undocumented and stateless persons face a more challenging situation, are generally in informal employment, and therefore, excluded from social protection and the COVID-19 response packages. But it is also important to recognize the varying degrees of exclusion, and that these populations are not homogeneous<sup>2</sup>.

**There are separate, significant social impacts arising directly out of the pandemic and movement restrictions, and while these have eased, ongoing conditional and enhanced MCOs threaten to prolong the effects.** Malaysia's public health response has been exemplary, but the outbreak continues with a resurgence of infections as restrictions are lifted, and certain settings (notably places of multiple occupation where physical distancing and adhering to hygiene measures are difficult to implement) present special risks. Moreover, fears of the disease and movement restrictions have served to prevent risk groups coming forward for treatment. Equally, the COVID-19 response, has sapped regular public health resources. The impact of movement restrictions on education and training is also well-documented, with schooling and educational facilities closed, with only partial remote learning possible. Delivery of other social services has also been restricted, yet family and community stress, and series of negative behaviours were heightened.

**Concurrent to the social and economic fall-out, Malaysia's strong social cohesion and community relations have come under stress.** Public social solidarity and extensive government intervention reconfirmed Malaysia as a harmonious multi-ethnic society. Going forward, with prolongation of the pandemic, this level of community, and political commitment, needs to be supported. The pandemic has also seen the emergence of stigma attached to marginalized minority communities.

### **The UN's offer of support**

**The proposed UN approach and agency interventions are framed under 15 recommendations (see Box 1 on following page), and delivery will be overseen by six inter-agency Pillar Results Groups.**

**Health remains the primary focus of the UN COVID-19 support, comprising the overriding challenge of containing the pandemic and preventing future outbreaks, alongside tackling COVID-19-related stresses and pre-existing healthcare needs.** Drawing on UN's comparative advantage rooted in WHO's global mandate and expertise, the UN will support Government to ensure that the outbreak is controlled through rigorous implementation of existing public health measures and containment efforts including testing, isolation and treatment, and in time COVID-19 vaccination. Moreover, UN will simultaneously seek to ensure pre-existing and new healthcare needs are met. UN efforts also focus on ensuring that minority groups, notably indigenous, migrants, refugees and undocumented and stateless, individuals and households enjoy core health coverage. Moreover, this includes addressing gaps in accessing to basic needs (nutrition, safeguarding against harm) and the emergence of mental health challenges related to COVID-19.

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<sup>2</sup> The text avoids classifying these groups together, as they face different challenges of exclusion, however, when their needs are addressed jointly, umbrella acronym *MRUS* is used.

**Protecting people constitutes a major body of work - addressing gaps in social protection, in education and training, and in social service provision.** Here the UN builds on its normative rights-based approach, and the depth of experience gained by UN agencies in Malaysia in public service delivery over several decades. SERP interventions will work at the policy and strategic management level to help Government meet citizens needs and ensure greater inclusion in post COVID--19 response efforts. UN agencies will seek to address the differential needs of informal sector workers, women, and youth. Additionally, to fully ensure inclusion, SERP interventions focus on hard to reach and marginalized groups.

**Box 1: Pillar Recommendations**

**Health First**

- 1: Contain the current pandemic and maintain readiness for preventing resurgence of COVID19 infections while restarting the economy under new normal conditions
- 2: Ensure adequate and affordable healthcare services, specifically testing, isolating and treating COVID19, for all populations in Malaysia, including non-nationals, specifically, migrants, refugees and asylum seekers.
- 3: Establish surveillance measures and new normal operating procedures in high risk, multiple occupancy, settings such as elderly peoples care facilities, detention centres/ prisons, and workers accommodation.
- 4: Urgently support efforts to prepare for, and safely roll-out mass COVID19 vaccination with prioritization of those most vulnerable to infection and serious health impacts.

**Protecting people**

- 5: Strengthen and expand the social protection system and social services to address the impacts of the pandemic and build back better.
- 6: Provide tailored and differentiated responses for women, children and youth and the elderly, during the recovery period
- 7: Include vulnerable non-nationals and undocumented families and individuals in the COVID19 socioeconomic policy response(s)

**Economic response and recovery**

- 8: Expedite human capital development and increase income-generating opportunities for vulnerable and most affected groups
- 9: Accelerate adaptation to a new normal, including through adoption of digital solutions.
- 10: Introduce measures to strengthen private sector resilience, enable diversification and support post COVID19 recovery
- 11: Ensure an inclusive and resilient recovery which maximizes labour utilization, while also ensuring that the rights of all workers are protected and respected, and access to remedies is provided for those affected.

**Macroeconomic response**

- 12: Develop macroeconomic analytical tools to gauge COVID19 impacts on employment and poverty, and the effectiveness of stimulus and recovery policies.
- 13: Support macroeconomic measures to promote a green economy approach to building back better, including decarbonization of the transport sector.
- 14: Take stock of the post COVID19 fiscal position, plan for SDG-compliant budget consolidation, and strengthen public finances.

**Social cohesion and community relations**

- 15: Adopt proactive measures to strengthen social cohesion during the pandemic, focusing on groups and areas under stress.
- 16: Combat misinformation and hate speech while also ensuring press freedom and maintaining civic space.

**Supporting economic recovery lies at the heart of the SERP and is an area where the UN is seeking substantive cooperation with Government in supporting national recovery plans and policies.** UN interventions drawing on agency mandates and extensive past programming, will seek to support a recovery that consciously builds back better by including all people and groups within Malaysia. This supports both equity and economic growth - since it is only through tapping the efforts and talents of all that Malaysia's full economic potential can be realized. UN inputs include both policy level work and programmatic support. A particular focus is supporting full employment via a vibrant labour market, but also one that hardwires decent work principles. It is also vital, that as movement restrictions ease, the return to work is safe and secure. Proposed interventions include tailored support for women and youth, to participate fully in employment and entrepreneurship, and dedicated programmes are offered for tackling economic exclusion for the most marginalized groups.

**Effective macroeconomic responses are key to recovery, especially as impacts become more demand shock driven. The UN will support Government stimulus and recovery efforts, but focusing on the distributional and environmental dimensions.** Drawing on agency mandates and technical capacities, interventions aim to inform and influence at the policy level - including measures to analyse the distributional dimensions of the pandemic, and a series of measures to green the recovery to deliver longer term sustainability pay-offs. These two objectives are at the heart of the build back better agenda. The UN will support Malaysia to gain the maximum developmental payoffs from the sizeable investments within recovery packages.

**Malaysia is globally renowned for its strong social cohesion and community relations, yet these have come under stress during the pandemic. UN interventions seek to assist the Government to maintain this record.** This builds on agency comparative advantages in governance and social capital building, and established programming support to marginalized communities. The UN offer includes: promoting community level engagement and dialogue to maintain social solidarity; protecting civic space to allow for public and press feedback and a vent for key concerns; and bespoke efforts to protect minority communities - notably migrants and refugees groups which have been stigmatized during the pandemic. A component of the latter are inputs to augment government efforts to combat COVID--19 misinformation, to also tackle hate speech and discrimination.

# Chapter 1: Introduction

This first chapter introduces the United Nations (UN) Socio-Economic Response Plan (SERP) for Malaysia, as the UN Country Team’s (UNCT) commitment and offer to Government and the people of Malaysia, to support a durable post-pandemic recovery. It begins by setting out the purpose of the SERP and its underpinning principles, followed by a discussion of the delivery arrangements.

The SERP has six further chapters. The first of these provides a summary socioeconomic assessment in form of a situational analysis, setting out the key socioeconomic challenges resulting from the pandemic. Chapters three through seven, focus on five pillars of the response (see graphic), and set out the directions and substance of the UN’s offer of support. The SERP has a counterpart workplan, which details the specific interventions proposed by agencies. The workplan and the SERP, remain *living documents*, subject to regular review and will be updated periodically as the recovery process develops. This current draft is based on data available in November 2020.

## 1.1. Purpose, approach and underlying principles

The Malaysian SERP is guided by the global *UN Framework for the Immediate Socioeconomic Response to COVID-19*, and global best practice being one of over a hundred of country plans developed by UNCTs around the world. Covering an 18-month period, it aims to support national effort to secure the transition from emergency health and livelihood responses to medium-term sustained recovery. The SERP is based on five pillars of action:

- 1 HEALTH FIRST:** Protecting health services and systems during the crisis
- 2 PROTECTING PEOPLE:** Social protection and basic services
- 3 ECONOMIC RESPONSE & RECOVERY:** Protecting jobs, small and medium-sized enterprises, and the informal sector workers
- 4 MACROECONOMIC RESPONSE AND MULTILATERAL COLLABORATION**
- 5 SOCIAL COHESION AND COMMUNITY RESILIENCE**

**Health first**, ensuring access to health services, protecting people from health emergencies, and enabling them to living healthy lives during the crisis.

**Protecting people**, focussed on social protection and basic services.

**Economic response and recovery**, protecting jobs and businesses, with a focus on MSMEs and informal sector workers.

**Macroeconomic response and multilateral cooperation**, supporting stimulus measures, and coordination other development actors.

**Social cohesion and community resilience**, leveraging social capital and good governance for recovery.

These five themes frame the UN’s operational response, as set out in the chapters which follow the socioeconomic impact analysis. These have a common format: beginning with a summary assessment; they offer an analysis of the gaps and priorities for action; followed by a concrete offer of UN assistance. The latter

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is made up of a theory of change and a series of interventions framed under key recommendations, which are also set out in detail in the Work Plan.

Analysis and the programming approach set out in the SERP, are anchored in five globally applied principles:

- ***Leave no one behind*** - protecting the rights and well-being of all people living in Malaysia but focusing on the most vulnerable and most affected groups.
- ***Additionality*** – offering wholly new or fully repurposed programming to directly support recovery from all impacts of the pandemic.
- ***Building back better*** – addressing the priorities but also linking to the medium term, by promoting environmentally sustainable and socially inclusive development.
- ***National ownership and focus*** – linking the UN’s intervention and offer to the priorities and national recovery plans being crafted by the Government of Malaysia, specifically with national COVID-19 recovery plans and the draft 12<sup>th</sup> Malaysia Plan.
- ***Delivering as one United Nations*** – with agencies working jointly to address COVID--19 alongside the priorities given in the recently completed UNSDCF. And where possible, also building partnerships and alliances with other national and international actors.

The UN will adhere throughout to core human rights principles within its programmed support and the policy and technical advice it confers to the Government. Specifically, these places emphasis on the *universality and inalienability* of human rights, their *indivisibility and interdependence*, and the primacy of *non-discrimination*.

### **1.2. Relationship with the UN Cooperation Framework**

The United Nations Sustainable Development Cooperation Framework 2021-2025 (UNSDCF) sets out the UN System’s overall programme of support to Malaysia over the coming five-year cycle. Prepared over the previous 18 months and informed by a comprehensive assessment of needs and the UN’s comparative advantage, the UNSDCF has been presented for Government approval later this year. It is rooted in a shared commitment to the Sustainable Development Goals (SDGs), and Malaysia’s national objectives to become an advanced high-income nation, with a development model rooted in social and economic inclusion, and environmental sustainability.

The UNSDCF and in turn the SERP, are framed by Malaysia’s external context, and informed by a series of megatrends – ongoing global climate change and the imperatives of decarbonization and *greening* production processes; rapid technological change given by the 4<sup>th</sup> Industrial Revolution; and complex geopolitics. These are made more challenging by the wholly unanticipated global health crisis and recession given by the COVID-19 pandemic. The UNSDCF adopts four SDG-based strategic priorities: *People* centred social development; *Planet*, combating climate change and environmental degradation; *Prosperity*, securing economic opportunities for all; and *Peace*, building cohesion and a just society. These are complemented by two cross-cutting themes, *Partnerships for SDG achievement* and *Gender equity*.

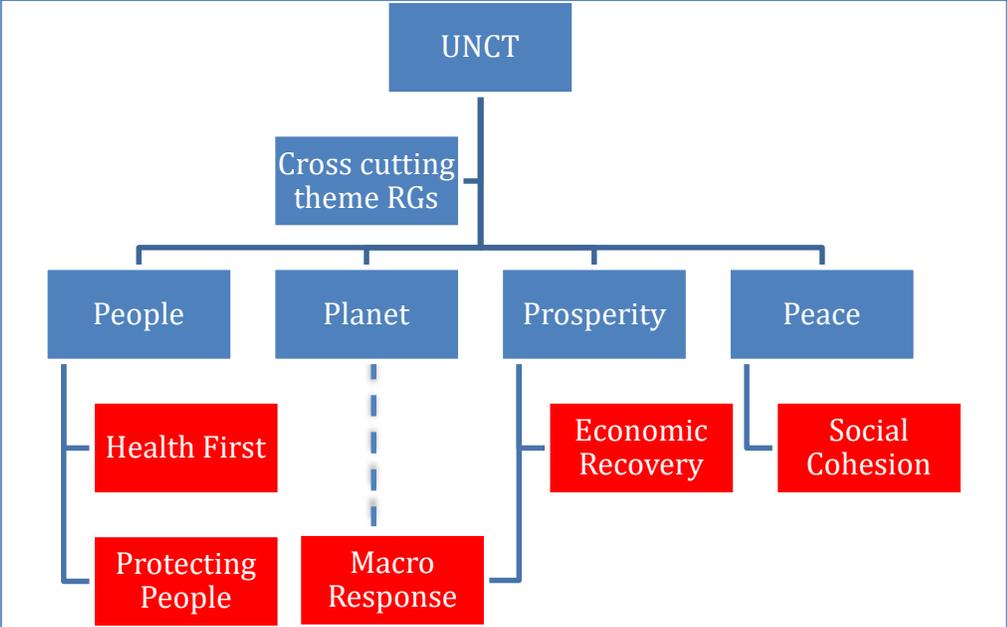
To retain strategic continuity, and adhere to *building back better*, the SERP takes account of the development analysis given by the UNSDCF and will be managed under the Framework’s programming approach. As such,

the SERP represents a supplemental short-run plan focusing on the ongoing COVID-19 response and recovery, covering a period of 18 months from its inception in late-2020. Like the UNSCDF, to hardwire national ownership and focus, it will be presented to Government for consultation and endorsement.

**1.3. Management and reporting on progress**

The UN in Malaysia, made-up of 19 agencies (9 resident and 10 non-resident) have comparative advantages in supporting COVID-19 recovery efforts, and these are detailed in each of the thematic chapters. In overall terms, these include high-level policy advice capacities based on global experiences and evidence; technical advisory services rooted in a respected knowledge base; credibility and convening power to develop partnerships with public and private actors; access to core resources and financing models; and a normative approach and principles rooted in impartiality.

The SERP will be overseen by the UN Country Team (UNCT) and managed under the SERP Workplan (framed as an addition to the UNSCDF Plan). This includes for each intervention: the core objectives and focus, UNSCDF performance indicators; details of the relevant agencies and key government actors; and summary budget and resourcing needs. Management oversight of the 5 pillars will be delivered by the 4 UNSCDF Results Groups (RGs), based on the priority areas within the Framework (cross cutting issues will be picked up by additional RGs). The alignment between SERP Pillars and RGs is summarized in the graphic below, noting also, that overall performance will be overseen by the UNCT. The correspondence between SERP pillars and the Results Groups is clear, but we also note that some of the interventions under the macro response, related to greening the economy, report to the Planet Results Group (hence the dashed line below).



Monitoring, evaluation and reporting on progress will be based on the SERP Work plan, with tailored SERP indicators, clear agency accountabilities. The UNINFO platform will be used to share information on SERP performance.

Efforts will be made to engage government and civil society in these processes. Coordination mechanisms (developed

for the UNSCDF) will be used; and liaison with the International Cooperation Division of the Economic Planning Unit (EPU) will remain the basic route of government engagement (led by the UN Resident Coordinator’s Office). The UN and its agencies will also work with a wide set of government counterparts, and specifically the Department of Statistics (DOSM) to strengthen COVID-19 M&E, specifically, to address

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data quality and gaps. This will be taken forward alongside support to SDG M&E by the standing UNSDCF M&E Group.

### **1.4. Financing the SERP COVID-19 Socio-Economic Response Plan**

Since the onset of the pandemic the UN globally has made resources available to help combat the spread of the virus, help treat the infected and deal with the livelihood impacts. In mid-2020 a global Multi-Donor Trust Fund was launched, and this will support national SERP interventions (in addition to ongoing health and humanitarian activities). This will be supplemented by the repurposing of existing UN agency programmes and raising new donor contributions. The UN Country Team (UNCT) in Malaysia working in close collaboration with the Government, is seeking to leverage funds from the national budget and from private sector sponsors.

Based on the projects identified in the SERP Workplan, a total of **US\$13.7 million is required, some US\$6.7 million** has been secured with a remaining **US\$7.0 million is** to be mobilized. A breakdown by pillar is given in Table 1 below. It is underlined that as the SERP is 18 months rolling plan, and estimates may change.

Table 1: SERP Programmes by UN Development System by Pillar

No	Pillar of Socio-economic Response to COVID-19	Required (US\$000s)	Mobilized (US\$000s)	To be mobilized (US\$000s)
1	Health First	\$2,937	\$1,666	\$1,271
2	Protecting People	\$5,924	\$4,239	\$1,685
3	Economic Response & Recovery	\$2,987	\$579	\$2,478
4	Macroeconomic Response & Multilateral Collaboration	\$915	\$5	\$910
5	Social Cohesion & Community Resilience	\$922	\$192	\$730
	<b>TOTAL</b>	<b>\$13,685</b>	<b>\$6,681</b>	<b>\$7,004</b>

Source: SERP Work Plan (in July 2020)

## Chapter 2: Socioeconomic Impact Analysis

This second chapter provides a consolidated Social and Economic Impact Assessment (SEIA) of the effects of the pandemic in Malaysia. The discussion is based both on official data and empirical studies undertaken by UN agencies since the crisis emerged (see Box 2). It serves as a summary evidence base for the following pillar chapters. It is however acknowledged that the situation is fluid and rapidly changing, and therefore, the SEIA will be updated on an ongoing basis.

### **Box 2: Building a UN Covid-19 evidence base for the SERP**

Comprehensive impact assessments of the COVID-19 crisis are paramount to inform the design and implementation of response measures. Given the focus of UN efforts on the vulnerable, it is vital that data across economic sectors, gender, lifecycle, locations, and population groups, is fully disaggregated.

Since March 2020, when the pandemic first unfolded in Malaysia, the UN agencies led by a SEIA Task Force have developed general and specialized assessments of the situation. Studies took several different forms; analysis of secondary (principally DOSM and MOH) data; quantitative (primary) surveys of vulnerable populations and businesses; (iii) qualitative studies people's experiences and responses. These surveys are drawn on extensively within the SERP, and a full list is provided in Appendix 1. Major contributions include:

- UNIDO's *Rapid Covid-19 Assessment of Businesses*, undertaken in May 2020, which focussed on SMEs.
- The UNDP-led *Rapid Assessment of Household Incomes Survey (RAHIS)*, a survey of 6,486 households, focusing on those on lower incomes, undertaken between March and May 202.
- UNDP's *Working from Home (WFM) Survey*, a rapid assessment of post Covid-19 work and study practices, undertaken in June
- IOM's *Assessment of active CSOs and community leaders working with Migrants*, undertaken in April.
- UNICEF and UNFPA's *Families on the Edge (FOTE) survey*, a longitudinal study of family welfare, with a sample of 500 lower income households, with currently two data points (FOTE1 in May and FOTE2 in September).
- WHO's Weekly COVID-19 situation reports.

Analysis and discussion trace the channels of transmission from the health crisis to the socio-economic impacts. While it provides an account of the overall severity, it majors on the distributional pattern, identifying the vulnerable and most affected groups (as these are the focus of UN support). The chapter has four parts, the first sets out the key dimensions of the pandemic and identifies the (largely economic) drivers; the second focuses on economic effects in Malaysia, first at the macro level and second on household livelihoods; the third examines the broader social consequences; and the final section reports on the Government's policy responses to date.

### **2.1 Overview of the pandemic and key drivers of COVID-19's socioeconomic impacts**

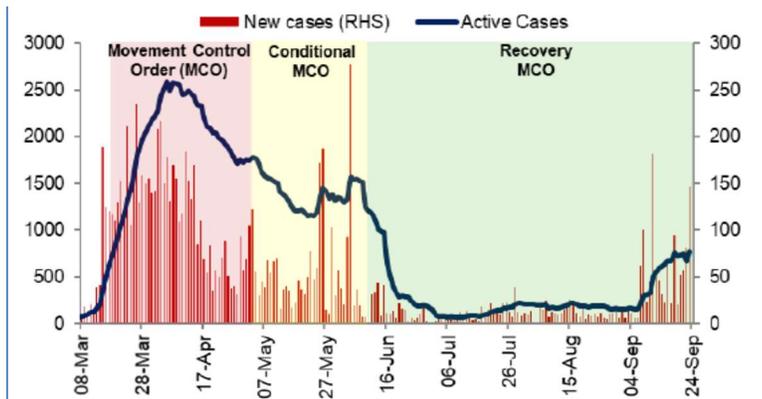
COVID19 disease first emerged in Wuhan China in January 2020, and following notification to the WHO, public health emergency was declared on 30 January 2020 and now the disease affects nearly all countries around the world. The pandemic is unprecedented in modern times and the impacts extend well-beyond the initial health crisis, with major social and economic dislocations. The crisis has triggered the biggest

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downturn in the global economy since the Great Depression, with World GDP set to fall by -4.4%, and 90 million people are expected to fall into extreme poverty (estimated by the IMF in October 2020)<sup>3</sup>.

Initial cases emerged in Malaysia in January, but confined to imported cases, local clusters then arose linked to a religious gathering in Sri Petaling in late February. Infections accelerated reaching 2,000 active cases by the end of March, with nationwide outbreaks (noting geographic incidence of disease varied considerably). With a strong response, including adoption of the Movement Control Order (MCO), including lockdown measures and closure of borders, adopted on 18<sup>th</sup> March, cases declined from a height of around 2,600 in April, to less than 250 by June, with daily infections declining throughout June and July (see Chart 1 below).

*Chart 1: Pattern of Covid-19 cases to date, from MOH data*



Nevertheless, periodic spikes reoccurred, notably in multiple occupancy settings such as detention centres, prisons and work dormitories. Moreover, the distribution of infections has become more uneven, and infection rates have remained high in Sabah state and increased in the Klang Valley as well as Negeri Sembilan. From September (again see Chart 1) cases rebounded. Subsequently, infections reached over 1,200 a day in October. Government responded with a series of Conditional and

Enhanced MCOs applied locally, with varying levels of restriction.

In analysing the distinct socio-economic effects and their distributional pattern in Malaysia, it is important to differentiate between two separate causal drivers:

- First, the **internal health crisis and containment measures**, notably the MCO and follow-on orders, which have generally abated with time. Importantly, in addition to closures imposed on the economy, impacts included disruptions to key public services, schooling and training; and more restricted access to basic health care including immunizations; and a series of attendant social dislocations ranging from depression and isolation, to increases domestic violence (these are returned to below).
- Second, the **external impacts of the global crisis** – on trade with, and travel and on capital flows to Malaysia. And given the global crisis has not abated, these pressures have continued to build, albeit, with some variation, dependent on the course of the pandemic in Malaysia's primary export markets (notably in Europe and North America) and the fortunes of overseas investors.

In turn, these drivers have two counterpart economic shocks:

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<sup>3</sup> IMF Blog, 13<sup>th</sup> October 2020 ([www.blogs.imf.org](http://www.blogs.imf.org))

- **Supply shocks**, due to movement restrictions and distancing measures, disrupting production and/ or supply chains. These delivered intense but now abating economic impacts, given Malaysia continues to effectively control the disease. But ongoing disease suppression measures and the threat of new outbreaks, means supply pressures remain ever present.
- **Demand shocks**, due to largely to the external international, recessionary effects - given the now sustained decline in global demand for traded goods and services, and reductions in global capital flows. These are likely to be more sector focused and over time could be more significant. It is important to note also, the presence of internally driven demand reductions (arising from supply restrictions

The balance of these two effects has shifted to demand side and their mix will also drive varying sectoral patterns, with the external demand shocks having the more focused effects, and hence, delivering more unequal impacts on the livelihoods of groups of workers and consumers, and in different geographical areas. Moreover, both (supply and demand) shocks have knock-on general economy (*multiplier*) effects, delivered via interconnections and linkages within the economy.

It is important that account is also taken of the Malaysian Government's now expansive socioeconomic policy response, the fiscal stimulus, social protection and other measures taken to support businesses and livelihoods, and the economy in general. This has included 5 packages in all (ESP, PRIHATIN, PRIHATIN SME+, PENJANA and KITA PRIHATIN), which were adopted from February 2020, with the latest concluded in September. Although primarily adopted to cover the MCO period, these measures have expanded (now to some RM 305 billion (US\$ 73.3 billion) gross value, with a fiscal stimulus of MYR 55 billion, (USD 13.2 billion) and will likely make a considerable difference to social and economic conditions. We return to these policy packages in the final section of this chapter.

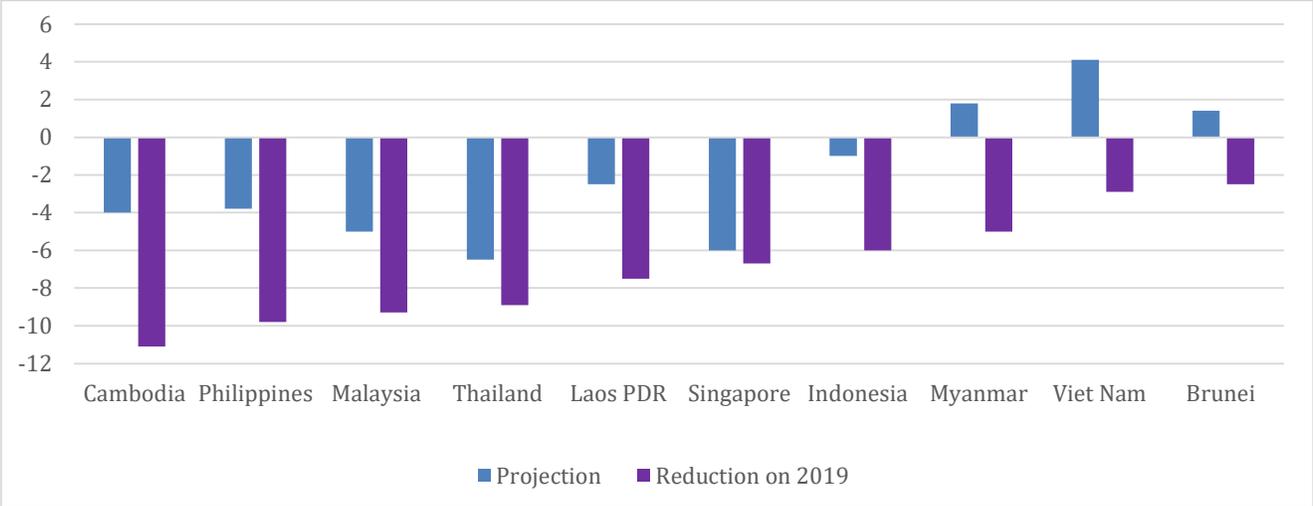
## **2.2 Economic implications**

### ***(a) Macroeconomic impacts***

The pandemic has, and continues to have, a very profound impact on Malaysia's economy. Government sources predict that GDP will fall between 3.5 and 5.5% in 2020. Effective control of the disease nationally, has meant that the supply side impacts will be less significant than in OCED nations. Yet, also like other ASEAN economies, Malaysia as a major trading and manufacturing hub and commodity exporter (trade was reported to be 110% of GDP in 2019) is heavily exposed to the downturn in global commerce. Within ASEAN, given others also performed well on initial disease control, Malaysia ranks 8<sup>th</sup> on projected GDP growth and GDP Impacts (i.e. compared against growth recorded for 2019), refer to Chart 2 below.

International Financial Institutions (IFI) forecasts of Malaysia outturn position for 2020 tend to be at the upper end of the -3.5% to -5.5% range estimated by official sources (MOF and Bank Negara Malaysia). Both the World Bank and ADB, which published recently revised estimates in September 2020 now anticipate declines of around -5.0% for the year, and IMF hence higher at -6.0% (see Table 2 below).

Chart 2: Comparative GDP growth projections for ASEAN, ranked most affected compared to 2019 (%)



Source ADB Asian Development Outlook (September 2020) & authors’ calculations

Table 2: Alternative GDP Growth Projections for Malaysia

Organization	Current GDP growth projection for 2020	Date of projection
Asian Development Bank	-5.0%	September 2020
International Monetary Fund	-6.0%	October 2020
World Bank	-4.9%	September 2020
Bank Negara	-3.5 to -5.5%	September 2020

Sources: IFI & Bank Negara websites, accessed October 2020

Empirical data suggest sourced from DOSM (in September 2020) show a more dramatic trajectory, with quarter 2 recording a very large reduction in GDP of over -17% in output (see chart); with the half year position being equivalent to an -8.3% annual decline. This clearly reflects the heavy impact of the initial supply restrictions under the MCO, and with the easing restrictions, quarters 3 and 4 should show a rebound. Later high frequency data for domestic demand and exports appear to support this.<sup>4</sup>

<sup>4</sup> DOSM Website key indicators <https://www.dosm.gov.my/v1/index.php>

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Chart 3: Quarterly (annualized) GDP growth

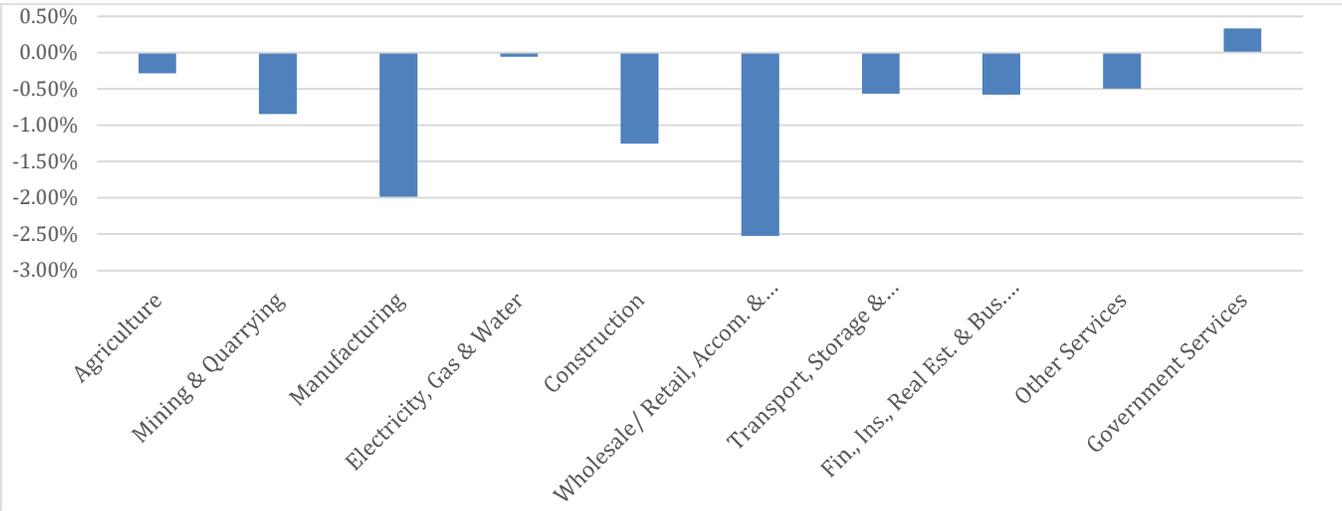


Source: DOSM (September 2020)

Nevertheless, due to its deep integration in trade, Malaysia remains very exposed to external demand effects, and the pandemic continue to rage in several of its key export markets. Indeed, the latter effect barring a major new domestic outbreaks) will likely exert the longer and more severe impact on performance. A rapid (V shaped recovery) in global commerce cannot be assumed and the retrenchment in demand is forecast to extend well into 2021. The *global new normal* may be one of chronically restricted growth in output, which is well-below the pre-crisis equilibrium.

As Chart 4 below shows these dynamics, and the interplay of supply and demand shocks, produce very marked sector effects. As the presentation in the chart, which takes account of the differing size of sectors within the Malaysians economy, makes clear, the decline in GDP is driven largely by falls in four major sectors: construction; wholesale, retail and accommodation (including tourism); mining and quarrying (including petroleum); and manufacturing.

Chart 4: Sector contributions to total % GDP change (half year position)



Source: DOSM and author's calculations

The potency of the initial supply shock is also clear in sub-sector data. Quarter Two saw very large falls in service activity volumes: wholesale and retail minus 23.4%; Food and Beverages minus 31.7%,

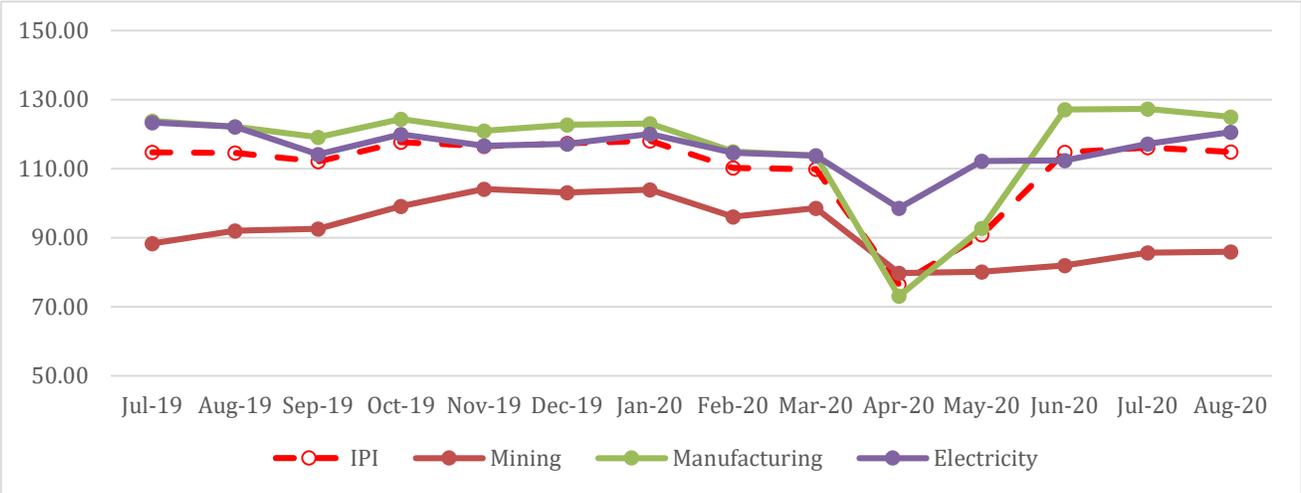
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accommodation minus 7.8%; and real estate minus 32.1%. Positively, with reopening of the economy, quarter two saw strong rebounds, suggesting that pent-up demand is also driving improvements some. Similarly, other data for construction, although initially heavily impacted, has also recovered somewhat in the months since the MCO was lifted. It is important to note however, that this sector is also subject to global demand effects, given the large number of overseas investors in Malaysia’s real estate market. Moreover, these non-tradeable activities are still well-down on the year.

Demand shocks are more challenging for policymakers, as they will persist, regardless of the level of COVID-19 infection within the country. A primary example is the collapse in international travel and reduced visitor numbers to Malaysia. These activities are captured within the wholesale/ transition and accommodation category, but unlike other components of the group, tourism is unlikely to rebound to any extent. While Government efforts have sustained this sector by stimulating an expansion in domestic tourists, activity will not return until the global pandemic has been tamed.

Most significant, and positive, is the experience of the manufacturing sector, a bulwark of the Malaysian economy, and one that is potentially heavily impacted by the global recession. As Chart 5 below shows, which tracks industrial production indexes (by sector), despite a sizeable decline of more 37% in April, production has rebounded strongly, overshooting in June then levelling off to the pre-crisis level in July and August. Time will tell if this can be sustained going forward, but the early indications are good. The data for Malaysia’s oil and gas sector (also charted below within the mining category) are less positive. Production fell in April and only recovered marginally in June and July. Again, this is underpinned by weak global demand and prices, which will only be restored by a global recovery. In overall terms, the value of production is close to the pre-crisis position.

Chart 5: Industrial Production Index (and components)



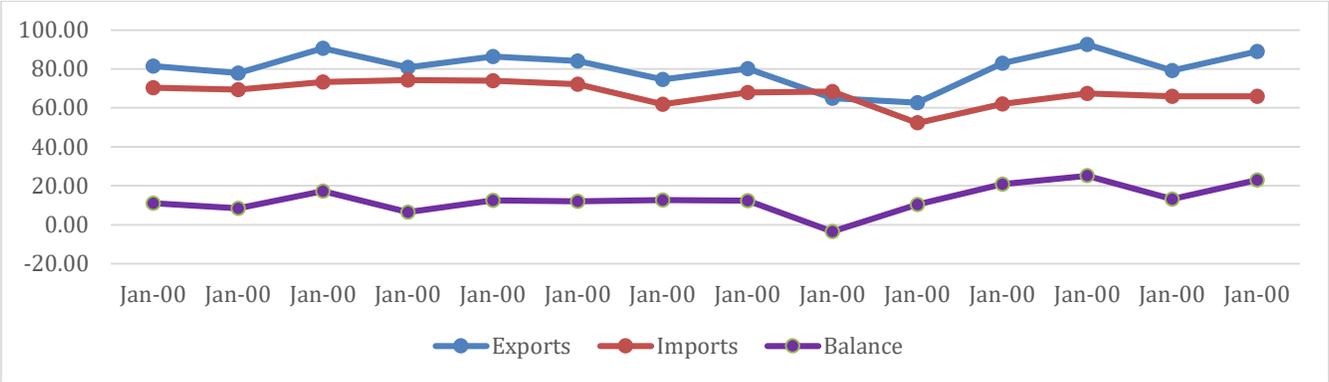
Source: DOSM and authors’ calculations

The impacts on production have also been reflected in the trade and balance of payments position (see Chart 6). With a major initial decline in exports, the MCO-related supply shock was strong enough to drive Malaysia into in deficit in May (the first since October 1997). And as Chart 7 also shows however, the trade deficit of

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around RM 3.5 billion was small however, and the position has since recovered to pre-crisis levels. These data suggest a differential (so called *K-shape*) recovery is taking place, with some sectors rebounding while others remain moribund.

Chart 6: Trends in trade in goods and services (RM bn)



Source: DOSM website, accessed October 2020

The complex sectoral pattern will likely have unequal effects on different groups and areas, which we major on in the section, but also on different types of business, with smaller, and generally more credit and cash constrained, firms hit the hardest. Press reports in November indicate that over 30,000 SMEs have been forced to cease trading<sup>5</sup>. This is especially true of the initial supply shock, which closed huge swathes of the economy. An online survey conducted by the SME Association of Malaysia survey found that nearly 7 in 10 of respondents reported having only sufficient cashflow until April 2020.<sup>6</sup> A separate on-line survey undertaken by DOSM of all enterprise sizes found more widespread impacts, with 68% of all firms reporting near zero income during the MCO, and that they had to use internal resources and credit to stay afloat.<sup>7</sup>

UNIDO’s *Rapid Assessment of Businesses following COVID-19*, also found that smaller sized firms have suffered the most. Reductions in demand has posed the biggest impact on businesses and reduced cashflow which left many firms struggling to stay in business. Cutting operational costs was the first option that the firms took to cope with cashflow difficulties, and this is despite short-term loan assistance offered by the Government. For many SMEs, borrowing was not an attractive first option, due to transactions costs and uncertainties reading their ability to make repayments. Nevertheless, some 70% of the SMEs surveyed reported receiving support from at least one of the Government’s stimulus schemes and more than 60% of

<sup>5</sup> See: <https://www.freemalaysiatoday.com/category/nation/2020/11/09/32000-smes-forced-to-close-by-COVID-19-parliament-told/>

<sup>6</sup> Malay Mail. 31 March 2020. MCO: 30pc of Malaysian SMEs have cashflow only for March, another 37pc for April. <https://www.malaymail.com/news/malaysia/2020/03/31/mco-30pc-of-malaysian-smes-have-cashflow-only-for-march-another-37pc-for-ap/1851951>

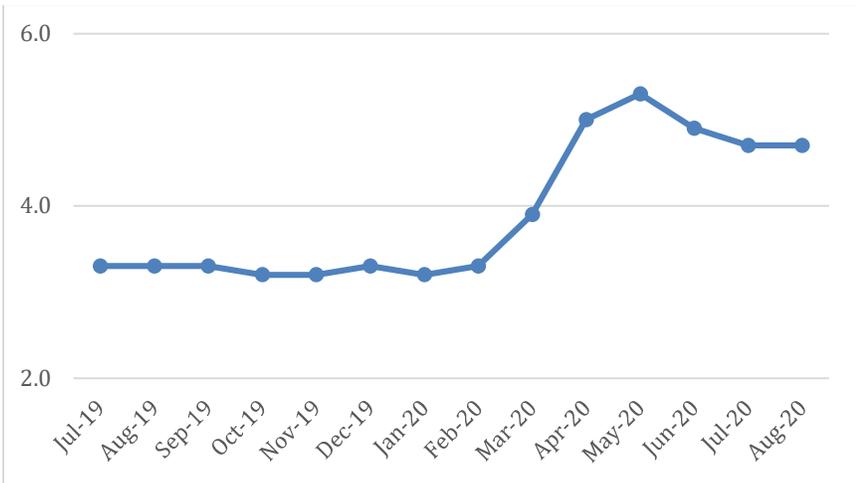
<sup>7</sup> The Star. 8 May 2020. Two-thirds of Malaysia businesses say no income during MCO, Stats Dept revealed <https://www.thestar.com.my/news/nation/2020/05/08/two-thirds-of-malaysian-businesses-say-no-income-during-mco-stats-dept-survey-reveals>

recipients reported that the schemes are either beneficial or strongly beneficial. Both UNIDO and DOSM’s assessments also found that direct financial support - wage subsidy, tax reductions and deferments, and improved loan conditions were helpful to SMEs. Respondent firms reported that they will require 4 to 6 months, (assuming trade rebounds) after the crisis to recover. Some 43% of firms surveyed expected extreme reductions in revenues compared to 2019 (i.e., more than a 50% reduction compared). The survey conducted by the SME Association in late March also reported that 82% of firms predicted losses in 2020.

**(b) Impacts on household livelihoods and deprivations**

The main economic transmission channel to livelihoods and household welfare will be via changes in employment (and hence income and consumption). Noting also that price rises, due to supply constraints, will also likely impact purchasing power, and changes in the availability of credit may also limit households’ abilities to absorb shocks.

Chart 7: Monthly unemployment rate (% of total workforce), Source: DOSM website, accessed October 2020



Malaysia’s unemployment rate peaked at 5.3% in May 2020, and showed signs of improvement in June, settling at 4.7% in July and remaining at this level in August (see Chart 7 below). However, as employment lags output changes, unemployment worsen later in the year as the external demand effects grow regardless of the lifted supply restrictions. And it is worth noting that more than three-quarters (78.7%) of surveyed firms in the UNIDO Enterprise study, reported that they are considering laying off up to 30% of their workforce. More

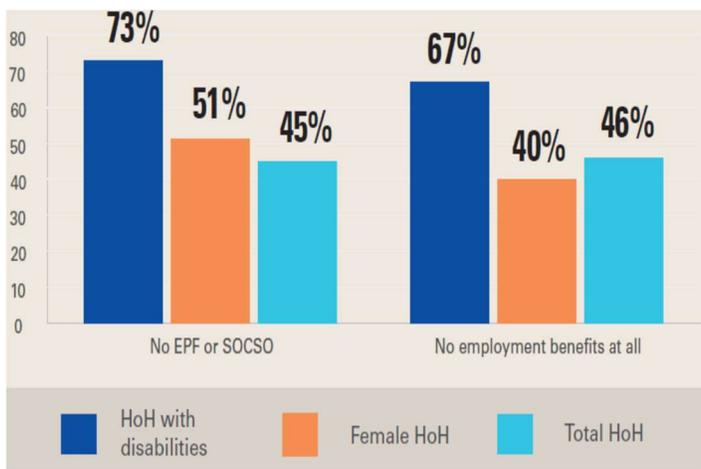
troublingly, UNICEF and UNFPA’s *Families on the Edge (FOTE)* Survey- of 500 low-income households, found in its first round (during the depth of the MCO May 2020) that some 25% of heads of household (i.e. primary income earners) were unemployed, while in round two (September 2020) this had declined to 7%, this is still well above the national headline rate.

Sectoral impacts will also be reflected in labour market changes (i.e. with a focus on tourism, retail, manufacturing, and construction). Informal sector workers are likely to be very heavily impacted given their preponderance in these sectors, and their highly flexible terms and conditions. Allied to this, there will also be gendered effects given women are more likely to be in informal employment and overrepresented in affected sectors. We are also likely to see lay-offs and then deprivations in groups not normally thought of as vulnerable. According to the enterprise survey undertaken by UNIDO, nearly two-thirds of manufacturers (63%) were reported to be planning cost-cutting measures focused on staffing costs (retrenchment, unpaid leave and hiring freezes).

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A key further consideration is how these impacts interact with Malaysia’s existing pattern vulnerability and poverty, and the established social protection system (which are bifurcated between social insurance for formalized workers, and social assistance targeted at the poor). Social assistance remains restricted to the

*Chart 8: Labour market protections among Households, sourced from FOTE2 (Sept), figure 2.8*



poorest households, and evidence suggests that participation in social insurance, and hence coverage, is below expectations. Data from the latest round of the UNICEF/ UNFPA *FOTE* survey (September) underlined the dangers of this – with close to half of the households in employment having no EPF or SOCSO registration (45%), no employment-based entitlements (46%). Data for female headed and households including people with disabilities were strikingly higher (see Chart 8).

The stimulus measures adopted by the Government, which saw greatly expanded social assistance transfers and wage subsidies, are a key consideration, with *FOTE1* (May) data reporting

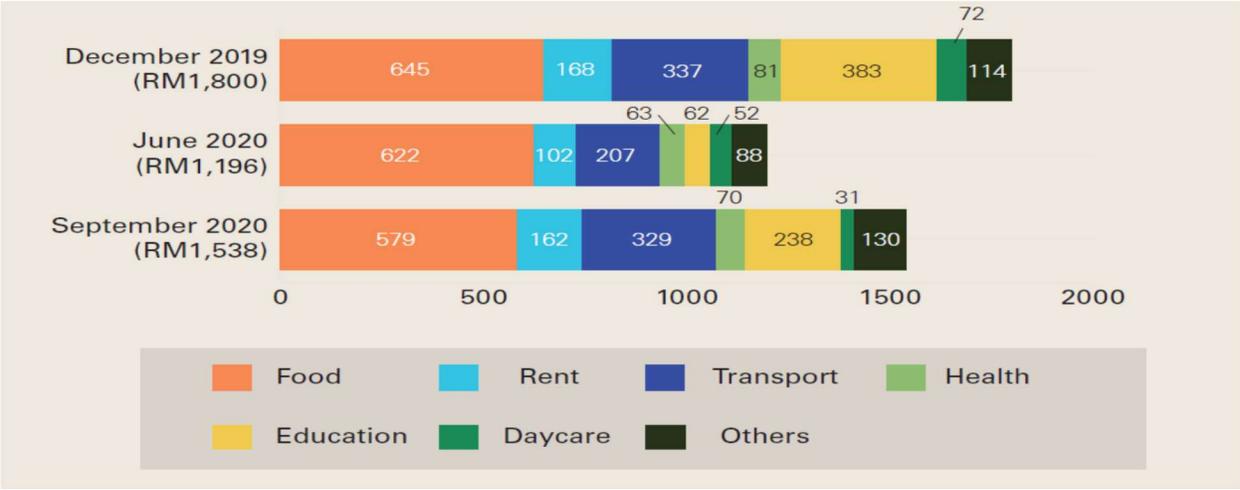
that close to 90% of low-income households had accessed these. We return to in the stimulus measures in the final section of this chapter.

Drawing on the UNDP-led Rapid Assessment of Household Incomes Survey (RAHIS) completed in May 2020, which focused on lower income groups; two in every five households experienced a decline in income by more than half during the MCO, while nearly a quarter saw their incomes fall between 21% and 50%. Only 14% of households reported income reductions of less than 20%.

The *FOTE1* (June) survey recorded similarly, that close to 60% of the surveyed households had seen a decline in incomes; and that overall, median incomes had fallen by around one third. *FOTE2* (September) positively found that median incomes had increased by some 23% (on June), but remained around 9% below the baseline. Unsurprisingly, both surveys also showed that the income impacts were higher for female headed households (a total decline of 25% on the base).

The impacts on household consumption are also will to have been profound, especially for the poor and vulnerable. *FOTE* survey data (both rounds, see Chart 9), shows low-income households reported a large overall (around 30%) decline in expenditures to June 2020. This rebounded in September by 29% (on June), but was still some 9% below December 2019. It is also worth noting that the largest reductions focused on discretionary spending (education related expenditures were down some 84% in June). Moreover, even with the food category, households had shifted to cheaper sources of basic caloric needs, including eggs and carbohydrates (rice and noodles).

Chart 9: Average Household Expenditure per month, December 2019, June and September 2020



Source: FOTE2, Figure 2.17

Unsurprisingly, RAHIS data showed that as many as a quarter of the very poorest households (earning less than RM 1,000 per month, less than half the current poverty line<sup>8</sup>), reported not being able to afford food and necessities. Moreover, households straddling the poverty line (earning between 1,500 and 3,000 RM per month) also experienced difficulties, with 53% of being unable to repay loans and meet rent payments during MCO. In line with the UNIDO SME survey (see above), workers employed by SMEs reported a marked decline in activity levels (28%). With a similar proportion or having to reduce work and even stop work altogether (26% of workers) for mobility reasons. Paralleling the FOTE data, respondents in the RAHIS survey identified direct income support - some 87% of self-employed workers either as transfers to individual households or to SMEs as wage subsidies - as the most useful form of support. Moreover, 64% of salaried workers and 47% of these engaged in fishing and farming shared this view

UNDP’s later *Work from Home* (WFH) Survey underlined the difficulties in adapting to a new normal working modality for many workers, with lost incomes and family stress. The study also revealed considerable gendered impacts; women who hold greater care and domestic responsibilities are disproportionately burdened while working from home, especially in the 35-44 age band. Women were also more likely to report increased weekly expenditures, reflecting their roles as holders of the household budgets, and potentially also increased prices.

IOM’s survey of CSOs supporting migrants shows the situation of these communities is especially challenging - with close to 90% of these CSOs reporting that migrants and refugees were facing very serious employment impacts (job losses lay-offs and/ or and enforced leave). This is unsurprising given the pattern of impacts,

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<sup>8</sup> Per DOSM: the revised PLI has an average threshold value of MYR 2,208 per household per month, with a food component of MYR 1,169 and a non-food component of MYR 1,039.

and that these groups are largely confined to the informal sector - and hence, are also not eligible for social protection and subject to retrenchment without benefits. The study also evidenced considerable impacts basic consumption needs, with, 65% of the CSOs reported that their constituents cannot afford food, and some 50% unable to pay their rent. It is important to underline that the most challenged within these groups are undocumented (including stateless) migrants and refugees, noting additionally, that undocumented Malaysian nationals face similar constraints.

Unfortunately, as yet, there is no authoritative and nationally representative account of the poverty impacts of the crisis<sup>9</sup>. Nevertheless, in the light of the discussion above, it is possible to set out four sets of stylized conclusions:

First, while positively, several of the highly impacted sectors are formalized and workers should be able to fall back on social insurance, the level of coverage is questionable. Moreover, Malaysia's income distribution is skewed negatively, and hence vulnerability (to poverty) is high. Therefore, marked deprivations may still emerge even within non-traditionally disadvantaged groups.

Second, informal workers are vulnerable as they are unable to access social insurance, nor do they qualify for social assistance. Often referred to as the *missing middle*, these workers, and their families at risk of falling into poverty if the income shock is prolonged (i.e. if further MCOs are imposed, and in sectors the global demand effects are high). Migrant workers are especially affected within this group, as they highly informalized due to their status.

Third, those currently categorized poor are likely to be heavily impacted by even by small reductions in purchasing power. The poor constitute, according to the revised poverty 2019 line, 5.6% of households. These households would be most the affected, especially given only a portion receive regular social assistance.

Fourth, there will be other distributional effects. Gendered impacts can be seen in the FOTE data for female headed households, while caution is needed, and the same can be anticipated for women generally. This will likely have knock-on effects on family welfare, given the likely pattern of intrahousehold allocations, with women-controlled incomes being more focused on these activities. Additionally, there will be geographical variations - with areas where certain sectors dominate employment, suffering disproportionately. This is most apparent in the case of tourism, but the emergence of urban poverty hotspots (given the focus of retail and construction activity) in cities, cannot be ruled out.

### **2.3 Wider social impacts**

There are further major social and human development impacts of the pandemic, which are not directly or wholly, related to the economic fallout. These largely stem from the initial health crisis and official responses, notably, the level of closure imposed by the MCO. Ongoing and future imposition of geographical *Conditional*

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<sup>9</sup> FOTE2 estimates poverty for its (restricted) sample – December 2019, 44%, June, 61% and September 2020, 50%.

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and/ or *Enhanced MCOs* will heighten these impacts, and in turn, will likely drive further inequalities, given their localized application.

First, regarding the overall health effects, although COVID19 cases and deaths have successfully been limited in Malaysia, risk and fear regarding the disease is very substantial. Evidence has suggested this has had a particular effect on the behaviours of COVID19 susceptible individuals, with co-morbidities, who have tended to avoid treatment for their pre-existing conditions. Additionally, travel to health facilities is restricted and resource re-allocation to COVID-19 testing and treatment will potentially have weakened regular healthcare provision. Indeed, RAHIS found that households with disabled people and family members with a long-term limiting illness overwhelmingly reported finding it harder to access healthcare during the MCO. Key issues were the postponement of appointments alongside the difficulties of securing transport and limitations on numbers travelling within private vehicles. Similarly, around a third of households in FOTE1 (June) reported some difficulties in accessing healthcare.

About a quarter of the households in the RAHIS survey reported observing one or more forms of negative behaviours among their family members, most frequently increased depression and/ or withdrawal symptoms, stemming from fear and lockdown conditions. And in line with global evidence<sup>10</sup> RAHIS and FOTE1 (June) data also suggests the MCO increased general anxiety, with FOTE data showing that that 66% of all households had experienced emotional distress.

Calls data and press accounts also suggest that this has driven anti-social behaviours, and most troublingly an uptick in domestic violence. This is rooted also in rising tensions within families and the burden of increased care work and domestic disputes. RAHIS respondents reported increased levels of psychological distress among children and increased use of tobacco and tobacco products. Women respondents were more likely to report stress and negative behaviours than men. In February and March 2020 alone, the Women's Aid Organization of Malaysia reported a 44% increase in calls and inquiries, with the Government welfare hotline reporting similar spikes in calls. Little psychological support was made available by official providers, save for very basic written and online information. Only around 42% of households reported receiving support from any source - including relatives or friends and community organizations<sup>11</sup>.

These dimensions are likely to have disproportionately affected poor and vulnerable communities. Poorer households have more limited coping mechanisms, weaker fallback positions, and their communities often lack social capital. FOTE data is also indicative of high dependency ratios in low-income families, with a high proportion of low-income households affected by disability and chronic illnesses, and caring for elderly relatives and children, hence reducing income earning capacities. Nevertheless, FOTE1 data (for low-income households) was more equivocal. Although more respondents (25%) reported worse health than those reporting better health status (18%), some 57% reported status as unchanged.

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<sup>10</sup> Research undertaken by Johns Hopkins University and reported in UNDP's special edition of its global Human Development (HD) report 2020, indicates that health effects are likely to be sufficient to materially weaken HDIs.

<sup>11</sup> UNDP, 2020. Rapid Assessment of Household Income (RAHIS).

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However, the FOTE1 survey also makes clear the serious threat that COVID-19 has presented for food and nutrition security – finding evidence of declining dietary quality, including a shift to cheaper, less healthy food types among lower income families. This is in a context where child malnutrition indicators were already deteriorating before the crisis.

IOM's study of the CSOs working with migrant and refugee communities, flagged more serious health and welfare challenges. A majority of the CSOs reported hardships in accessing healthcare, due to beneficiaries being undocumented (and hence excluded *de jure*), and/ or the high costs of medical care for foreign citizens when documented (*de facto* exclusion). Moreover, the threat of detention and deportation looms large, preventing undocumented migrants coming forward for treatment. Overcrowded detention centres themselves have become epicentres of infection. Even migrants seeking to leave Malaysia were reported to be avoiding official channels, for fear of detention due to the health risks, and instead seeking irregular and potentially dangerous routes.

Within education, closures of schools, further and higher educational institutions and training centres under the MCO will have had a likely, a lasting impact on educational attainment, and longer human development and productivity loss. Moreover, mitigation measures, such as online and remote study are unlikely to be fully compensating and will have uneven distributional impacts. Data from RAHIS supports this - about 69% of households reported having children who are affected by school closures, and 70% of these reported that their children were not able to study consistently every day at home. Data from FOTE1, however were more positive, with 80% of all households reporting that children were participating in online learning. Yet concerns were raised about the quality of learning, given most children share smartphones with their parents and siblings. Moreover, FOTE2 (September) showed the overwhelming majority 76% of households, preferred school over remote learning.

Finally, it is likely that there will be still further developmental implications of the pandemic. While Malaysia has made great strides towards both global and national development goals, several SDG challenges may be exacerbated, and there may even be reversals in progress. These include the pre-existing lack of robust progress on the quality of the environment challenges (particularly given increases in medical and other waste streams and reduced recycling); take up of technology may be worsened by disrupted supply chains; and patchy inclusion of disadvantaged groups (notably migrant workers, and undocumented non-nationals).

Clearly, the welfare impacts, especially of lockdown conditions, have been hugely problematic. At the same time, however, it is encouraging that almost half of the RAHIS households felt their community was relatively more united during the MCO period. Some three-quarters also reported that they completely trust Government information on the disease and that Malaysia is taking the right strategies to combat its spread. Interestingly, only 21% responded that they trusted social media information, and this is positive in the light of the documented level of misinformation and even hate speech online. FOTE also found that low-income households had proved resilient and had adopted successful coping strategies. Most positively, many FOTE respondents reported improved community engagement, informal social solidarity, and self-reliance.

## 2.4 Government Economic Policy Responses to COVID-19

The Government adopted a significant socioeconomic policy response targeted at firms and households negatively impacted by the crisis, and to support demand in the wider economy. This was implemented from February 2020 onward, with 5 rolling packages of support (see table 3 below), but clustered around 2 major interventions: PRIHATIN, which centred on cash transfers and wage subsidies; and PENJANA, which supported businesses, with a focus on SMEs.

The total potential support, including fiscal and regulatory measures, is estimated at RM 305 billion (some 21.5% of GDP), with the fiscal stimulus at RM 55 billion (3.9% of GDP). Additional non-fiscal measures included for businesses, mandated delays in tax and fee payments and loan moratoriums (to ease cashflow payments), and some easing of the monetary position by the central bank. A fuller account of the structure of the main packages is provided in Appendix 2.

**Table 3: Summary of economic support packages**

Package	Date	Summary	Total value (MYR bn, % of GDP)	Fiscal injection (MYR bn, % of GDP)
Economic Stimulus Package (ESP)	February	General & sector targeted	20.0 bn, 1.4%	3.5 bn, 0.2%
PRIHATIN	March	Cash transfers, wage subsidies, regulatory measures	230 bn, 16.2%	31.5 bn, 2.2%
PRIHATIN SME+	April	Tailored SME support	10.0 bn, 0.7%	
PENJANA	June	Business support	35.1 bn, 2.5%	10.0 bn, 0.7%
KITA PRIHATIN	September	Extensions of earlier fiscal initiatives	10.0 bn, 0.7%	10.0 bn, 0.7%
Total			305.1 bn, 21.5%	55.0 bn, 3.9%

Source: MOF & authors' calculations

The fiscal injection was sizeable but ranked midtable (3<sup>rd</sup>) compared to Malaysia's ASEAN-6 counterparts (Singapore at 8.1%, Thailand at 5.8% of GDP, posted higher inputs). There is also some evidence that the fiscal impulse, the net impact of tax and spending decisions on the budget balance<sup>12</sup> was lower than the fiscal injection. But equally, these data do not take account of the effect of forgone taxes and increased non-discretionary spending (so-called automatic stabilizers). Hence the overall effect on aggregate demand, is less clear, but the deficit is set to grow substantially from around 3.4% to around 7.5% of GDP<sup>13</sup>, with accumulated debt rising above 60% of GDP by the end of 2020.

<sup>12</sup> IMF. [www.elibrary.imf.org](http://www.elibrary.imf.org) - the *fiscal impulse* is a measure of the impact of fiscal (tax and spending) decisions on the budget balance, i.e. an estimate of the expansionary or contractionary pressures on aggregate demand.

<sup>13</sup> Kananga Economic Briefing, September 2020.

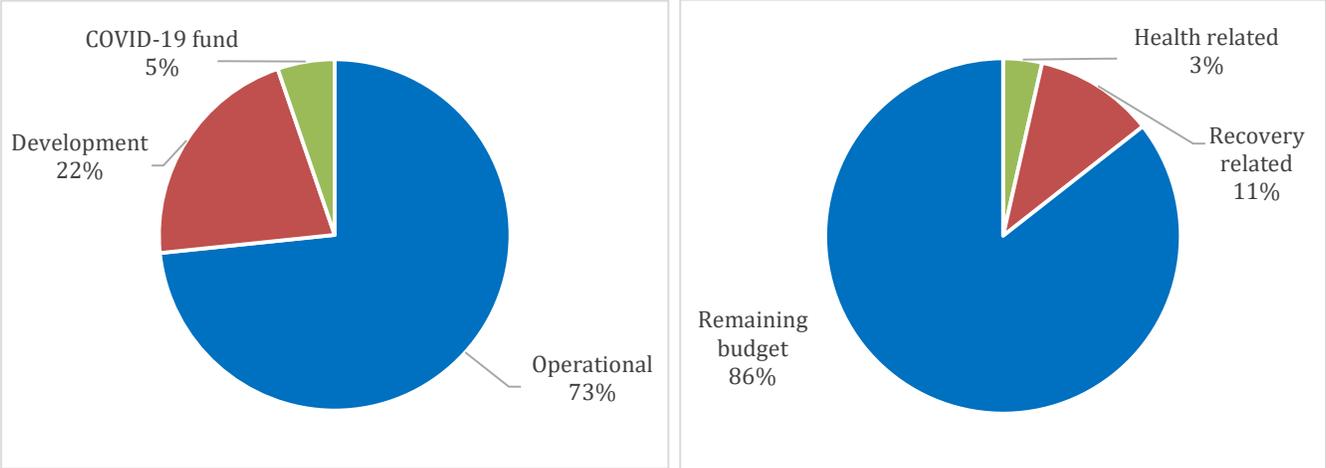
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It is important to recognize that the numbers scope of direct recipients of cash transfers and other support is unprecedented – transfers were made to all registered low income (bottom 40%, B40), and middle 40% households, PWDs, single mothers, civil servants and some informal sector workers. Similarly, some 570,000 SMEs received cash subsidies. The initial allocations were renewed in September, in light of the ongoing global recession and imposition of localized CMCO and EMCOs

However, the more substantial income support measures are derived from the Employee Provident Fund (EPF), Private Retirement Scheme (PRS) and Employment Retention Programme (ERP). And therefore, these are limited to formalized workers (and only 60% of workers have EPF or civil service benefits). Moreover, social assistance covers an even smaller proportion of families. This (in line with the survey evidence above) speaks to a sizeable under-compensated missing middle.

During November 2020, the Government brought forward its budget proposals for the 2021 fiscal year, billed as a budget to support COVID-19 resilience and recovery, these were subsequently debated in parliament. These included a roll forward of many of the stimulus measures, alongside health expenditures (including provision for vaccines), but crucially also provided large outlays on infrastructure and education and training. At headline level (see first chart below) the budget includes a higher share devoted to development (capital) spending, and a sizable five percent wholly devoted to the COVID-19 Fund (direct expenditure on the disease). Disaggregated analysis undertaken for this report, makes clear the portion of spending on tackling the wider fall-out of the disease (health and socioeconomic impacts) is very substantial at around 14% in total (some MYR 46.5 billion). MOF sources have asserted the COVID-19 related share is still higher at 17% of the total. It is also underlined that these analyses only refer to the spending measures, yet the budget proposals also include a swathe of tax and regulatory concession aimed at supporting businesses income and cashflow positions, and therefore, the total fiscal effects are likely to be even more substantial.

Chart 10: Analysis of 2021 Budget – by standard category & COVID-19 related spending



Source: MOF and Author’s calculations

Macroeconomic data from MOF, accompanying the budget suggest 2021 economic growth of around 7% for the year, and roughly in line with other authoritative projections (ADB 6.5%, IMF 7.8% and World Bank 6.9%). However, the MOF’s fiscal projections are rather more optimistic with the deficit in 2021 falling to

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5.4% of GDP (versus 6.0 % in 2020), and this is underpinned by a strong rebound in public revenues. Yet the resulting economic slowdown will likely continue to have a highly negative impact on tax and non-tax revenues, and the ongoing stimulus spending will also grow the deficit. Other commentators project a worse deterioration in the public finances (the latter to well-above the debt ceiling of 60% of GDP).

Regardless of the final outturn, these fiscal pressures will almost certainly limit the Government's fiscal space in the medium to long term, with implications for further stimulus measures should the pandemic be prolonged. Carefully phased plans will be required to restore the public finances, without prejudicing the recovery or harming longer run development objectives including achievement of the SDGs. It is important that protections are afforded to human development related spending in future budget rounds.

## Chapter 3: Pillar One - Health First

### **3.1 Summary Assessment**

**Continued vigilance, preparedness and enhanced public health responses to contain the current outbreak and prevent new outbreaks of COVID-19 disease in Malaysia remain essential.** Malaysia's COVID-19 public health response has been exemplary, and the Government has taken rapid actions to ensure a comprehensive public health response and increase capacity for testing, isolation and treatment for people with COVID-19 as well as tracing and quarantining contacts. but there has been a resurgence of infections as restrictions have been lifted; and certain settings (notably, places of multiple occupation where physical distancing and adhering to hygiene measures are difficult to implement/enforce) present special risks. Moreover, fears of the disease and movement restrictions have served to prevent risk groups coming forward for treatment.

**A backlog of non-COVID infections has likely built-up, and these require attention, to ensure there are no lasting health deprivations.** During the peak of the pandemic, health resources in Malaysia were focused on preventing infection and treating COVID-19 patients, and this reduced capacity to provide basic health services (medical appointments and elective surgeries were postponed, immunization campaigns for children delayed). Equally, some at risk groups have been reticent to attend medical facilities because of fear and anxiety of infection, and moreover, movement restrictions reduced the ability of patients to travel to healthcare facilities.

**Fear of COVID-19 and movement resections, and the associated isolation and confinement, have given rise to a series of mental health issues including stress and depression.** Existing mainstream healthcare provision is not equipped to deal with these challenges, and policy responses have been patchy. With further localized restrictions and prolongation of the pandemic, these pressures will only worsen. Given these stresses have attendant negative behavioural impacts (including domestic violence and substance abuse) action is needed to avoid lasting damage to the social fabric.

**Direct and indirect health impacts will disproportionately affect disadvantaged groups, and special efforts are needed to reach out to those at risk of being left behind.** These groups include regular and COVID-19 specific vulnerable groups (the elderly, people with disabilities, people living with HIV and AIDS); and additionally, groups who lack access to quality health care (informal workers, migrants, refugees and the extreme poor). Migrants and refugees, especially the undocumented, are especially exposed given their fear of detention, lack of cover and hence reticence to come forward. Multiple occupation facilities (detention centres, prisons, elderly persons homes), which accommodate several disadvantaged groups have become epicentres of infection.

**Preparations for COVID-19 vaccine introduction and deployment have started, but key challenges remain to be addressed.** Malaysia has allocated a total of MR 3 billion (USD726 million) for COVID-19 vaccines purchase within the 2021 budget. The current plan for Malaysia is to obtain doses of COVID-19 vaccines for 60% of the population and will prioritize frontline workers followed by elderly as well as persons with comorbidities. A steering committee for development of a national vaccine action plan with five working groups has been formed to prepare for deployment of COVID-19 vaccines. Malaysia has a

functioning immunization programme however the scale and deployment for adult vaccination regarding logistics and adverse event monitoring will be challenging

### **3.2 Gaps and priorities**

**In recent months, COVID-19 infections have rebounded, while the authorities continue to trace and isolate cases, sizeable clusters of continue to emerge, and there is some risk of escalated transmission.** It is important that a tipping point is not reached in Malaysia, especially as this would likely require the re-imposition of MCO, with it, the severe socioeconomic and attended health impacts. Effective targeted/ localized containment measures and innovative approaches are needed to avoid a blanket lockdown and enable Malaysians to live with *the new normal*.

**The elderly face elevated risk of developing severe COVID-19 illness and death if infected, yet an explicit age perspective has been neglected in the health and economic support measures.** In Malaysia, those above the age of 60 and those with chronic illnesses comprise the bulk of COVID-19 fatalities, and global data indicates that the fatality rate for people over 80 is five times the average. Support for older persons, their families, and their caregivers should be an essential part of countries' comprehensive response. During times of isolation, older people need safe access to nutritious food, basic supplies, money, medicine. Dissemination of accurate information is critical in ensuring that older people understand how to stay physically and mentally healthy and what to do if they should fall ill<sup>14</sup>.

**Informal workers face increased exposure to COVID-19 health risks, lack comprehensive health coverage, while also working in sectors most affected by the economic downturn.** Some 1.4 million people (9% of total employment) are employed in the non-agriculture informal sector<sup>15</sup>. Almost 70% are own-account, and hence, vulnerable workers, with inadequate access to healthcare and income replacement. Given this, remote working is not a viable option. Moreover, these workers are heavily represented in hardest hit sectors of the economy<sup>16</sup>. While, positively, the government has introduced voluntary and flexible savings schemes for informal workers (*i-Saraan*) and the *Self-Employment Social Security Scheme*) these do not respond well to the differentiated impact of the pandemic and movement restrictions.

**Prisons and other multiple occupation facilities (elderly care homes and workers dormitories) are COVID-19 vulnerable, and an increasing vector of infection in Malaysia.** It is essential that everyone regardless of their status has access to affordable and quality healthcare. Experience globally has in borne out the need to isolate adults living in close-proximity, and to actively shield those prone to co-morbidities (the elderly, people with disabilities, people living with HIV). Yet, practice has not been sufficiently robust, particularly in prisons, which suffer also from overcrowding, and there have seen several outbreaks which

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<sup>14</sup> WHO (3 April 2020); UN News (1 May 2020)

<sup>15</sup> Informal Sector Workforce Survey (DOSM, 2017)

<sup>16</sup> The Sun Daily, Marginalized community on the edge (March 2020). Available from: <https://www.thesundaily.my/local/marginalised-community-on-the-edge-BD2173517>

are now driving community clusters. Immigration, detention centres represent a key challenge. Following enforcement actions, centres began to report large numbers of positive COVID-19 cases. This is due to crowded spaces, and poor standards of hygiene and access to healthcare.

**Migrants and refugees, undocumented nationals and non-nationals, and stateless persons, face challenges in accessing healthcare, specifically COVID19 testing and treatment, and in securing basic necessities.** Over half of the respondents to the IOM's survey<sup>17</sup> of CSOs and leaders supporting migrants and refugees reported that migrant and refugee households are largely unable to access public healthcare; and that CSOs (the primary provider of these services) lack resources to meet expanded demand. Moreover, fear of arrest has limited willingness to come forward. While, initially, the Government committed that no action would be taken against undocumented persons and that screening<sup>18</sup> would be equivalent to citizens, immigration enforcement actions cemented fears. Heightened levels of family stress; lack of work severely impacting on health and nutrition were reported. Women with young children were identified as particularly vulnerable.

**Indigenous peoples who already face multiple health challenges and limited access to basic services, face specific pandemic-related deprivations.** Core vulnerabilities, including morbidities, cramped living conditions and limited access to water and sanitation exacerbates infection vulnerabilities. While there have been no fatalities, risks remain, and community anxieties are evident<sup>19</sup>. There have been reports of Orang Asli communities retreating to more remote spaces and suffering food insecurities.

**COVID-19 vaccine deployment will face unprecedented logistical, operational and communications challenges.** Roll-out efforts can utilize existing systems in Malaysia, but four specific gaps, which could give rise to major bottlenecks, will need to be addressed urgently. These are: (i) emergency use authorization processes; (ii) measures to ensure vaccine safety; (iii) maintaining, cold chain supply and delivery (for mRNA vaccines); and (iv) enabling funding and payment mechanisms.

### **3.3 UN Offer and recommendations**

The UN's offer is grounded in two sets of comparative advantages: (1) the core technical expertise of the WHO, as the lead global agency charged with assisting member states to counter the pandemic; and (2) the

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<sup>17</sup> Survey shared among Civil Society Organizations (CSOs) and community leaders. In total, 37 responses were received: 31 respondents from CSOs and 6 responses from community leaders. The total population represented (of CSOs and areas) is estimated at 40,000 people but these estimates are affected by double counting, particularly in states with multiple organizations serving the same target populations

<sup>18</sup> New Straits Times, *Don't worry about being detained, just come forward for COVID-19 testing, please* (March 2020). Available from: <https://www.nst.com.my/news/nation/2020/03/577004/dont-worry-about-being-detained-just-come-forward-COVID-19-testing-please>

<sup>19</sup> Khor, G. L. and Shariff, Z. M., 2019. *Do not neglect the indigenous peoples when reporting health and nutrition issues of the socio-economically disadvantaged populations in Malaysia*. *BMC Public Health* 19, 1685 (2019). Research provided evidence of worsening health for indigenous peoples in Malaysia, including an increase in underweight and stunted children and in obesity in adults, which indicates increased risk of diabetes, hypertension, and cardiovascular diseases

access and capacity afforded by existing agency programming (IOM, UNHCR, UNDP, UNICEF, and UNODC) in migrants, refugees, undocumented and stateless MRUS) persons indigenous communities and prison and detention centres, which are especially exposed to the health impacts of the pandemic. The Theory of Change, therefore, operates at the aggregate level, by supporting the Government with technical advice and information to limit current and future outbreaks, and address the needs of at-risk groups; and via advocacy and programming to ensure the health of disadvantaged (vulnerable) communities are not neglected. Three recommendations are made, which in turn are supported by groups of relevant intervention.

***Recommendation 1: 1: Contain the current pandemic and maintain readiness for preventing resurgence of COVID-19, while restarting the economy under new normal conditions.*** WHO will support Government with guidance on disease containment applying non-pharmaceutical interventions at specific locations, such as schools, workplaces, and public transport-hubs. In addition to engaging communities and CSOs for grassroots inputs, WHO will help establish clear metrics and M&E systems to assess the real-time effectiveness of these measures.

WHO will continue to offer assistance to Malaysia's health systems planning to build back better and resume provision of non-COVID-19 services. This will include exploring innovative care pathways and service delivery at primary care level, public and private hospitals for COVID-19 and other conditions such as NCDs and mental health services.

The UNCT, led by WHO, will collaborate with the Government to build capacity for aged care facilities to ensure prevention and control of COVID-19 and prevention treatment of non-communicable diseases (NCDs). ILO and IOM will offer technical advisory services to medical supply manufacturing companies to eliminate risks of labour violations.

***Recommendation 2: 2: Ensure adequate and affordable healthcare services, specifically testing, isolating and treating COVID-19, for all populations in Malaysia, including undocumented and stateless persons, specifically, migrants, refugees and asylum seekers.***

UNCT, with UNHCR and IOM leading, will support the Government in researching best practices and alternative models for financing for non-citizens' access to healthcare (in the light of COVID-19). Joint work with MoH and relevant ministries, will offer viable proposals which ensure that public health and affordability considerations are fully reflected.

***Recommendation 3: Establish surveillance measures and new normal operational procedures in high risk, multiple occupancy, settings such as elderly peoples care facilities, detention centres/ prisons, and workers accommodation.***

UNCT led by WHO will engage and Government partners in mass communication and community engagement through RCCE (Risk Communication and Community Engagement), on the risks inherent in containment measures and promoting the new normal, and provide services build capacity to ensure compliance with SOPs. This will include advocacy and community engagement to improve understandings and sustain behavioural change regarding COVID19 prevention, adopt a focus on marginalized populations such as refugees, asylum-seekers and migrants, and specific settings such as prison and detention centres.

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WHO will build capacity in multisource surveillance including use of modelling and projections to inform decision making for prevention, early detection, and response to new cases of COVID19, including non-pharmaceutical interventions (NPIs). IOM will specifically work with the Customs and Immigration Department and port authorities, to support surveillance and measures to reduce COVID19 threats at borders.

UN agencies will advocate, sponsor research, provide technical guidance and build capacity on enhanced non-institutional alternatives to detention for all vulnerable children. Options include family-based care (kinship care, foster care). UNICEF, specifically, will continue to address the mental health and psychosocial needs of children and adolescents.

IOM and UNHCR will support efforts to reach all populations who may not read or understand Malay or English, to ensure that all populations receive the correct information on protection and prevention.

***Recommendation 4: Urgently support efforts to prepare for, and safely roll-out mass COVID-19 vaccination with prioritization of those most vulnerable to infection and serious health impacts.***

The UNCT, led by WHO will support specific aspects of the national COVID-19 vaccine deployment plan. WHO will support regulatory preparedness and safety monitoring of vaccines, for example, can help strengthen the country's regulatory requirements for monitoring the safety of the vaccines in domestic population and share information about the legal steps for no-fault vaccine injury compensation. Usually, countries would establish independent procedures including causality assessment through an independent committee. WHO will provide guidance on prioritization of deployment of first approved vaccines from a tightly targeted proportion of the population, building over time to 20%, represent of the country's most vulnerable population.

The UN RCCE group, including WHO, UNICEF, IOM, and UNHCR, will work on advocacy and communication with specific information targeting the national political leadership, other stakeholders, and the public, to promote vaccine acceptance and uptake. One of the biggest challenges to be overcome will be vaccine hesitancy within the public, due to safety concerns.

## Chapter 4: Pillar 2 - Protecting People

### 4.1 Summary Assessment

**Social impacts of the pandemic have been widespread, with hardships experienced by many households, but poor and vulnerable groups have suffered disproportionately.** Detrimental effects on household and individuals' welfare arise primarily from greatly reduced purchasing power, which serves to limit capacities to buy goods and services to meet basic needs (nutrition, shelter and health). The uneven distribution of impacts is also likely to increase disparities and exacerbate social tensions. Excluded and marginal populations, indigenous communities, and RMUS groups, face more severe pressure as they are not fully included in assistance packages and lack opportunities to participate in the labour market.

**While Government has supported families with lower incomes, Malaysia's social protection system requires further strengthening if it is to fully alleviate the impacts of the crisis and build future resilience after Malaysia exits the COVID-19 response.** There are two underlying key dimensions. Firstly, a large proportion of the population continues to lack effective social protection cover. Commonly referred to as *the missing middle* – these are workers in the informal sector, and hence unable to participate in social insurance, nor are they poor enough to benefit from poverty-targeted social assistance, and some low paid formal sector workers who are de facto excluded. Additionally, the flagship cash transfer programme *Bantuan Sara Hidup (BSH)* for B40 households, which aims to fill this gap, does not deliver benefit levels sufficient to protect against the type of income shock represented by COVID-19. And moreover, there is no backstop in place when these temporary measures expire, despite increased vulnerability. Secondly, so-called Life Cycle programmes - built around differentiated needs at birth/ pregnancy, childhood/ youth, working age and for the elderly - are underdeveloped in Malaysia. This has ensured that base resilience to income shocks, remains low

**Initial restrictions imposed under the MCO have greatly affected the delivery of key public services, and especially day-care facilities, schools, colleges, and training institutions.** This has had an immediate impact on educational attendance at all levels, worsened child welfare (including nutrition, social and cultural life) and increased household burdens and family stress. In the medium term, this may lead to increased drop-out rates (which correlate strongly with interrupted learning). Equally, in the longer term, this may have implications for educational performance, and in turn, reduced labour productivity. Global evidence suggests that online and remote learning is poor substitute for in-situ learning. Other sources also suggest that the reach and take-up of these alternatives is uneven, further fuelling inequalities and disparities. Furthermore, given rebounding case numbers, the future reimposition of movement restrictions cannot be discounted.

**The pandemic has had clear gender differentiated impacts in Malaysia, placing disproportionate pressures on women.** Commonly, women are the primary care givers within households, responsible for day-to-day management of the family budget, and are often working in low paid jobs, sometimes in the informal sector, and hence, are financially dependent on their partners. A substantial spike in domestic violence and abuse has also been reported by women's rights groups in Malaysia during the MCO period. The usual support systems in place to protect women have also been disrupted by the pandemic; call centres and

refugees have been closed or overwhelmed, and as noted, social services highly disrupted. The unpaid care work performed by women has also not been properly recognized.

**Similarly, young people have faced specific challenges during the crisis, due both to the initial lockdown and labour market retrenchment.** Rates of youth unemployment (which were already comparably high) are increasing, youth aged 15 to 19 are almost 1.7 times more likely to be jobless than young adults and almost 5 times more likely to be unemployed than average. During the crisis, it is inevitable that employers have reduced hiring of entry level staff and looked to lay-off young workers first. School and college closures (see above) have also aggravated isolation and stress. Ad hoc evidence suggests that youth have also been the victims of physical abuse within the family. Young people may also be more exposed to, and engaged in, anti-social behaviours (drug taking, sexual abuse/ coercion and early pregnancy).

**Migrants and refugees, and especially, undocumented (including stateless), persons, face special challenges due to weak fallback positions and their varying eligibility for COVID19 response packages, and this has been further exacerbated immigration enforcement actions.** Migrants are a sizeable population group - IOM estimate the number of foreign workers at between 3.5 and 5.5 million and within these, the number of undocumented workers between 2 and 4 million. Migrant workers typically earn low wages, cannot access social assistance, and hence have very limited ability to survive income shocks; and they often work in, or are confined to, the informal sector. Immigration enforcement raids which peaked in April and May (but noting enforcement actions have continued), have heightened family stress and community tensions. These have also heavily impacted provision of basic services, given that undocumented families especially, are increasingly reticent to come forward. There is some evidence of poor execution of these actions, with large numbers detained and fast tracked for deportation, risking breaches of the non-refoulement principle.

#### **4.2 Gaps and priorities**

**Reforms to Malaysia's social protection system which are already underway need acceleration, and the existing package of COVID-19 support merits further expansion.** Direct income support can play a vital role in countering the socioeconomic effects of the pandemic, and in building resilience for future impacts. The relief measures introduced under the PRIHATIN Rakyat package offer some basis for further repositioning. Specifically, there is a need to provide better social protection for lower-middle income families and to fully eliminate the *missing middle*. It is vital also that stronger support is offered to key vulnerable groups during the recovery stage (expectant mothers, families with children, people with disabilities and the elderly).

**Educational deficits are emerging due to the initial MCO lockdown, and ongoing restrictions on schools, colleges, and training institutions.** There is a need to regain lost learning, and to deliver innovative solutions to avoid future deficits in schooling, where movement control has been reintroduced at local level.

**The gendered effects of the pandemic in Malaysia require further analysis and differentiated policy responses.** The full effects of the pandemic on women's welfare in the home and in the labour, market is not well-understood; disaggregated data and more analysis is required. Current responses have been gender blind as opposed to gender responsive- given there are no direct income support transfers targeted at

women; nor have additional, police, health, and judicial services been deployed to address women's documented needs, most notably the spike in domestic violence during the MCO and under ongoing CMCOs and EMCOs.

**The social protection package and employment measures do not directly address the needs of young adults or families.** A spate of social challenges (isolation, anti-social behaviours, exposure to abuse and sexual exploitation) driven by the forced closure of workplaces and educational institutions merits attention.

**The socioeconomic response, specifically direct income support and wage subsidy programmes require reshaping to meet the specific needs of MRUS workers.** Gaps include certain groups' exclusion from basic social protection measures, livelihood opportunities support, and MCO public service provision, especially schooling and social services. Access varies by status, with undocumented migrants and refugees experiencing more severe constraints.

### **4.3 UN offer and recommendations**

The UN's comparative advantage within this pillar, is rooted in: its commitment to a rights-based approach, framed globally and within the Malaysia UNSDCF; its core technical capacity; and its track record in-country delivery and support to government. The theory of change here relies, on building an approach which actively promotes an inclusive and comprehensive response to the pandemic (applying to all and working across domains). This will deliver short and long run payoffs, by simultaneously helping to suppress the virus, restarting the economy, and laying the groundwork for renewed progress towards the SDGs. The UN's delivery focus, given below under three recommendations is primarily at the institutional and policy level regarding the social protection and educational systems, but also on tackling specific pressures on groups at risk of being left behind – women, youth and RMUS communities.

***Recommendation 5: Strengthen and expand the social protection system and social services to address the impacts of the pandemic and build back better.***

The UN will collectively support analyses of existing social protection policies and programmes and future delivery options, including impact evaluations, analyses of affordability and fiscal space, and feasibility/implementation assessments. This will complement UNICEF's and UNFPA's ongoing longitudinal study *Families on the Edge*, which has already reported two rounds of results.

ILO, UNDP and UNICEF will also share global experience of good practices in developing and rolling-out COVID19 related, and wider social protection reforms. This will specifically address: the efficacy of social protection for low-income families and informal sector workers; the development of a more reliable social protection databases, via expansion of existing registries and opt-in provisions; and strengthening coordination and linkages between social protection and complementary services and interventions.

UN agencies will advocate for reform and deliver a series of stakeholder dialogues to increase awareness of the key social protection challenges, and reform options (with political parties, policymakers, and the media). These efforts will link to national social welfare systems strengthening and will include development of related documentation.

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UN agencies will engage Government, communities and civil society groups to implement social welfare measures and mitigate the social impacts of the pandemic in aged care settings, home care, childcare (including children in residential care institutions), and provide psycho-social support.

To strengthen the COVID-19 response, ILO and UNICEF will advocate and provide technical inputs for strengthening the capacity of the social services professionals, including supporting the pending Social Work Profession Bill. This will include ensuring professional designation, and recognition of social work, and child protection as essential services. In parallel these agencies will support a competency-based, capacity building framework applicable for all social workers including NGOs as it is a crucial part of emergency services.

The UN will advocate for a review of essential workers resources needed for emergencies. This would include planning for replacement staff for those who are self-quarantining, and additional flexible funds for key systems and services in response to crisis conditions (notably, child protection and gender-based violence).

In collaboration with the Ministry of Women, Family and Community Development, and the Department of Social Welfare, UNICEF will: conduct a mapping of the social services workforce with a focus on child protection; develop a workplan/ roadmap to strengthen the profession and provide inputs for a harmonized competency framework. Additionally, UNICEF will provide a policy brief on mitigating the impact of COVID-19 via strengthening of the social work profession, and documenting lessons learned from frontline social service providers during the pandemic.

UNICEF will undertake a detailed analysis of nutrition-needs and necessary interventions for children and families in underprivileged households and support the strengthening of linkages between social protection and nutrition interventions.

***Recommendation 6: Provide tailored and differentiated responses for women, children and youth, and the elderly during the recovery period.***

The UN will continue to advocate for the enhancement of victim response and survivors' reintegration services for gender-based violence (GBV). UNFPA will work with the MOH and the MWFCD to address these needs via enabling digitalized access to information on gender-based violence and domestic violence cases for law enforcement' legal and support professionals; and enhanced support for One Stop Crisis Centres (OSCCs) to deliver integrated services to gender-based violence cases; and will assist MWFCD to draft a National Plan of Action on GBV.

UNFPA will advocate for support to elderly women, especially those in care homes who are at risk of COVID-19 infection; and raise the needs young men and women regarding sexual and reproductive health, specifically during future lockdown periods.

The UN will seek to collaborate with the Government on research, and will provide technical guidance and capacity building, on alternative and non-institutional care for vulnerable children. This includes technical guidance and support to identify and develop alternatives to detention for vulnerable women and children affected by migration. Specifically, IOM, UNICEF and UNHCR will provide technical guidance and capacity-building in designating suitable accommodation or placement options. UNICEF will also contribute to evidence-generation for national care reform efforts by conducting a national survey of children in residential care centres, in collaboration with MWFCD, DSW, DOSM and civil society partners.

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To deliver an inclusive post COVID-19 recovery, ILO will support Government, and labour and employer organizations on law reform, industrial relations, forced labour, human trafficking and child labour. In turn the UN will extend this to the protection of migrant rights, including ending gender-based discrimination, violence and harassment, and enabling access to social protection, job opportunities and skills development.

UN agencies will undertake coordinated measures to support women during ongoing control orders. This will include: community service mapping; provision of hygiene and dignity kits (especially to the most vulnerable); technical assistance to deliver the National Action Plan on Trafficking in Persons (NAPTIP) on Anti-Trafficking and Elimination of Violence against Women (EVAW); dissemination of information (in Bahasa and Mandarin) on domestic violence (via pocket guides and social media); and delivery of GBV training, including training-of-trainers; and supporting remote GBV case management.

The UN will advocate for and support development an integrated Sexual Reproductive Health (SRH) plan to increase knowledge and positive attitudes among most at-risk populations. Allied to this, agencies will support enhancements to existing SRH programmes – Kafeteen, Youth Centres and NGO interventions ensure their sustainability during the pandemic.

UNDP will support the elderly through the development of aged-friendly cities policies framework to ensure the Government of Malaysia is prepared as an aging nation.

### ***Recommendation 7: Include vulnerable non-nationals and undocumented families and individuals in the COVID-19 socioeconomic policy response(s)***

IOM will work with ministries and embassies to ensure safe, orderly and dignified returns of stranded migrants, particularly those who have lost their livelihoods due to the pandemic. Specifically, the UN will implement the Alternatives to Detention (ATD) pilot project for children affected by migration and their caregivers, in collaboration with Government, CSOs, partners and other relevant stakeholders such as SUHAKAM.

The UN will continue to advocate for a moratorium on immigration detention in the interest of upholding human rights, protecting public health, and curbing the spread of COVID-19. The UN will provide technical and policy advice in implementing an amnesty programme, with IOM providing support outreach, messaging, and coordination with the embassies of sending countries.

The UN will support the Government in providing a holistic refugee protection environment in line with the Government's review of the current refugee management policy. This will include through UNHCR, collaboration to implement a national asylum framework. Similarly, the UN will support Government in pursuing an integrated and comprehensive approach to migration during the pandemic and its aftermath.

IOM and UNHCR with CSOs, refugee leaders and government officials will inform and educate communities on the dangers of irregular migration including boat movements and trafficking and helping to create safe spaces for migrants in unsafe situations. The UN will support regional dialogues that on comprehensive solutions for migration challenges exacerbated by COVID-19.

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IOM will support to the Government to improve its migration policy response through the Migration Governance Index (MGI) Review. This will enable confidential evaluation of policies and provide a new evidence-base for evaluation.

In the state of Sabah, IOM, UNDP and UNICEF will work on settlements ensuring that undocumented migrants and citizens alike, have access to aid, basic utilities, waste management and opportunities to ensure that these communities are more resilient to the pandemic.

IOM and UNHCR will work with the Government and partner countries on durable solutions for refugees who are increasingly facing challenges with COVID-19. The UN will continue to facilitate refugee resettlement to third countries, engage in legal work rights, and support safe returns. For those who opt to return to their countries of origin, the UN will advocate for facilitate safe voluntary repatriation and economic integration channels should be made available without any financial fines or detention times served.

To ensure that all children, primarily including children affected by migration, still have access to education, the UN will support its network of partners currently providing alternative access to education. This will include technical and policy support to the key ministries and continuing advocacy with all relevant stakeholders in Government and in Parliament.

## Chapter 5: Pillar 3 - Economic Response & Recovery

### 5.1 Summary Assessment

**The economic impacts of the crisis are rooted in an initial severe supply shock associated with imposition of movement restrictions, followed by a more persistent and more sector-focused (mainly external) set of demand shocks.** The level and pattern of impacts, and the emerging recovery, is shaped by the interplay of these two shocks. While the position is dynamic, some sectors and types of businesses, and hence, certain population groups will be more impacted than others. Key considerations on the supply side, are emergence of further COVID-19 outbreaks and imposition of localized control orders, and on the demand side, the duration of the global pandemic and hence, the depth of the recession.

**Delivering a successful recovery that also builds back better requires that interventions explicitly support economic inclusion.** This implies replacing lost demand and enabling the economy to soak-up unemployed and under-employed labour. This can be through repurposing plant and capital, retraining workers, developing new markets (rebalancing to greater domestic and regional demand), and tapping new productive technologies.

**SMEs have suffered disproportionately, mainly due to reductions in demand, and although Government support is playing a significant role, gaps remain.** Limited cash flow, following dramatically reduced orders, has resulted in either business failures or rapid cost cutting measures. The supply constraints imposed under the MCO, but also disruption to global trade specifically border closures, continue to play some role. UNIDO's *Rapid COVID-19 Assessment of Businesses* survey showed that shortage of inputs, and difficulties in fulfilling contracts are major impacts. Regardless of the level of engagement in trade, responding firms have faced the same level of shortages.

**At household level, those on low incomes are the most at risk, but some groups not traditionally recognized as such, are now also highly vulnerable.** These specially include informal sector workers, but also those with both formal and informal jobs in highly impacted sectors, such as tourism. A further dimension is a set of interactions with characteristics of Malaysia's labour market: the high level of overall informality (relative to its income level); large numbers of documented and undocumented migrant worker; and embedded gender and age biases.

**Transmission to household livelihoods is primarily taking place via growing unemployment, at the same time there is (likely) downward pressure on wage levels and conditions, and there are workplace risks associated with the return to work.** Progressive labour market policies are key to securing an inclusive recovery. It is important COVID-19 related unemployment is tackled aggressively via a series of passive and active labour market measures. But it is also vital that the return to work, any newly created jobs and working conditions, associated with the new normal, adhere to decent work standards.

**There is some evidence that the rights of some marginal workers are being compromised in the post COVID-19 economy.** The surge in demand for PPE has pressured the United States and the European Union in lifting bans on this sector imposed over labour abuses relating to migrant workers. The Malaysian glove manufacturing industry, for example, has been marred by accounts of excessive recruitment fees, 12-hour

shifts for low pay, lack of access to social security, violations of occupational and safety standards, and confiscation of passports.

## **5.2 Gaps and priorities**

**Badly affected sectors require support in accessing new sources of demand and new productive technologies.** Malaysia's economy is highly diversified, and the barring reinstatement of a nationwide MCO, should be in a position to attenuate the external demand shock. However, adjustment may be prolonged, and certain hard-hit and important sectors (in terms of economic weight and employment share) notably construction, tourism, and lower value manufactures, will remain well-below capacity and require additional support.

**To adapt to *the new normal*, firms, especially MSMEs, need enabling to access new markets, reduce their dependence on external suppliers, and evolve new ways of working.** This requires repurposing of plant, adoption of new technologies, and repositioning certain sectors to service domestic consumption and less affected regional markets. It is also important to build the resilience of supply within the most affected sectors, both internally and externally. Online channels, delivery modalities, and remote working solutions are important to build SME resilience (see Box 3 on digitalization). The UN acknowledges PENJANA economic package as a critical and game-changing response but is keen to ensure support is fully taken-up.

**New employment opportunities need to be identified and supported for displaced workers, especially those in vulnerable and most affected groups.** Better understandings of the linkages between the crisis' impacts on employment and livelihoods are needed via better analytics and data. This also needs to take account of existing labour market biases. Labour market measures are important, including active policies, retraining displaced employees for new sectors and upgrading of skill sets; and passive measures, reducing taxes and restrictions on hiring and harnessing new technologies to support flexible work.

**Tailored responses will be required for excluded groups, who suffer from exceptional levels of vulnerability during the crisis.** These include MRUS persons and their families, and indigenous communities. The former are largely excluded from response packages, and the latter's participation highly constrained. It is unlikely therefore that standard labour market interventions would secure their economic inclusion and recovery.

**Measures are needed to ensure decent work conditions and to tackle discrimination and exclusion, during the return to work and as new normal working modalities are adopted.** This includes promoting decent work standards and ensuring that employers' obligations are maintained (specifically, securing COVID-19 safe and sanitary conditions and existing salaries/ benefit levels). Gaps have also emerged in labour protections and workers access to legal remedies, particularly disadvantaged groups. These include elimination of forced labour, child labour and human trafficking. It is noted that the crisis has led to a large increase many employment-related complaints (unfair dismissals, health issues, and allegations of forced labour) and this is placing stress on the system, and that further support is needed to ensure channels of redress. Constructive consultations between representatives of employers and workers recovery in the labour market are also important, but currently lacking. Additional work is needed to ensure non-citizen populations needs are better met by national economic recovery plans.

**Malaysia currently lacks a national guideline on business and human rights that establishes norms, timelines, and the responsible agencies.** If responses to the pandemic are to be well grounded and vulnerable workers are not exploited, social dialogues between workers, employers and the government need to take place. Systems in place for adjudication and resolution of disputes between employers and workers such as unfair dismissals and collective agreements, also need to be improved.

### **5.3 UN Offer and recommendations**

The UN's comparative advantage within this pillar, is given by its core commitment, and UN agencies' well-established programming to support an inclusive economy - given by growth policies that simultaneously maximize output and promoting equity. The pillar's theory of change is rooted in supporting (an inclusive) recovery for all, but with a focus on the most vulnerable (the poor and near poor) and affected (informal workers and disadvantaged groups). This is delivered under three recommendations via data and analytics; policy and technical advice; and through targeted interventions. Building back better is also at the heart of the TOC, linking to long term development is key, with TA and programming also supporting inclusive and sustainable growth. It is important also to note some cross over with the following pillar on macroeconomic responses, notably in respect of delivering environmental sustainability, which are generally clustered within that pillar.

#### ***Recommendation 8: Expedite human capital development and increase income-generating opportunities for vulnerable and most affected groups***

TVET provision, and especially in the near term, efforts to reskill and retrain displaced workers will be a focus of the UN's efforts. This includes accelerated innovation in on-line learning; adoption of a learning and training anywhere, anytime approach; reducing the digital gender gap through skills building and promoting women led MSME start-ups.

ILO, with CSOs and TVET providers, will pilot digital skills outreach for vulnerable groups to broaden access to technical and vocational education and training opportunities.

ILO, with the collaboration of the Institute of Labour Market Information and Analysis (ILMIA), will support labour market research capacity and industry associations such as MEF and FMM, will also conduct a rapid impact assessment of jobs and skills needs and support for reskilling and/or upskilling of those affected by COVID-19.

IOM, and ILO, will collect grassroots feedback inputs through a social dialogue on employment retention schemes, and by conducting surveys on tax incentives and labour inspection.

#### ***Recommendation 9: Accelerate adaptation to a new normal, including through adoption of digital solutions***

The UN will promote adoption of online platforms as a means of supporting existing and developing new livelihoods. Agencies will: support resilience of the internet to ensure via accessibility and health of the internet; make catalytic efforts to support businesses to innovative, shift and diversify via digital platforms (operational safety, business management and new e-commerce markets); and strengthen digital skills

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development (via on-line coaching and training). Efforts will focus on key sectors such as tourism and food processing, and on supporting digital payments for SMEs

The UN will support the process of bridging the digital divide, particular attention given to women and youth working in home-based MSMEs.

UNDP and UNFPA will support women workers in the informal economy and those engaged in unpaid care work, via a COVID-19 impact assessment; followed up by policy proposals for enabling alternative livelihoods and new skills needs.

UNDP and UNCDF will support a social dialogue assessment followed up by an inter-ministerial strategy on e-commerce and digitization support for SMEs and MSMEs.

The UN will promote work sharing arrangements. UNDP specifically, will advocate and support the Government's nationwide work-sharing, telecommuting, and *future of work* programmes.

### ***Recommendation 10: Introduce measures to strengthen SME resilience, enable diversification and support post COVID-19 recovery***

The UN will support Government measures to diversify and build the resilience of Malaysia's economy. This includes: enabling establishment of national SME supply chains and reducing dependence on global intermediaries and suppliers; helping to facilitate FDI to Malaysia; and strengthening capacities based on Malaysia's (past) industrial linkage programmes, and building supportive ecosystems (such as business associations and quality networks). International Trade Centre (ITC) will support the development of a conducive business environment for Malaysian MSMEs, through trade policy formulation and implementation in support of post-COVID recovery and improved quality management and sustainable practices in the agri-food sector.

UNIDO will seek to support the government to co-create and shape its SME Recovery Programme, and COVID-19-related industrial development policy, to ensure SMEs are resilient, more diversified, and less dependence on material and fossil fuels.

UNDP (and provisionally UN-Habitat) will support the establishment of an Urban Observatory network across Malaysia. Urban observatories share common aims; (i) to create sustainable urban monitoring systems in support of local planning and management processes, linking data to policy; (ii) To strengthen local capacity for the development and use of urban indicators that facilitate the collection of disaggregated data at city and sub-city levels; and (iii) To promote local ownership of urban indicator systems and a culture of monitoring in the urban planning.

### ***Recommendation 11: Ensure an inclusive and resilient recovery which maximizes labour utilization, while also ensuring that the rights of all workers are protected and respected, and access to remedies is provided for those affected.***

The UN will undertake analysis and advocacy to hone Government's efforts to support inclusive recovery. Firstly, by building as case for continued assistance for MSMEs as lockdowns are eased in selected localities; second, to review how local communities can be enabled to foster jobs, enterprises; and third, to support the livelihoods of vulnerable groups.

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The UN will facilitate the mainstreaming labour protection provisions for migrant workers, refugees, and stateless persons (especially the banning of child labour). This will be delivered through advocacy to Government and other stakeholders, and technical inputs to the amendments of relevant laws

IOM and ILO will support development of guidelines and their translation for migrant workers. And the UN will provide remote training to employers, worker associations or workers on best practices and worker rights

### ***Box 3: How rapid digitalization can maintain the economy and support the post-COVID-19 new normal***

As the socioeconomic effects of Covid-19 impacted Malaysia, consumers, producers, citizens and CSOs have evolved digital innovations to enable social and economic and life to continue. Globally and in Malaysia, the emergency is accelerating a shift towards E-commerce. Digital transacting and trading is ideal in times of social distancing; new convenient online services are being developed; online training and learning can also help regenerate a worker's skills. There are also parallels in other key services. Drawing on the UNDP study of WFM modalities, four key areas can be identified:

*Income and business opportunities:* Almost 10% of survey respondents reported that they had shifted to online-based work, chiefly by starting small e-businesses to supplement or replace lost income. Much of this has utilized social media platforms, as a fast and convenient marketplace.

*Assisting vulnerable people:* Some 10-15% of the responses reflected communities coming together to donate and distribute food, personal protection equipment, and daily necessities to vulnerable groups and to front liners. Neighbours, resident associations, religious groups, student bodies and CSOs crowdsourced, donated assets and their own time via online (social media) platforms. Crowdfunding, and conducting charity sales online were mentioned by at least 10% of the entries.

*Online learning and training:* Teachers and schoolchildren have had access to online learning via the MOE digital learning platform, TV education and other digital applications. UNICEF worked with MOE to strengthen teacher capacity via the Teacher Digital Learning Community (i.e. "Komuniti Guru Digital Learning") and this initiative has been highlighted as best practice for remote learning.

*Tackling isolation and maintaining family and community bonds:* Individuals and families have relied on the internet to maintain both their mental and physical health, connecting with family and friends through online games and exercising together using fitness videos, some doing so with neighbours. The month-long U-Report Solution Mapping Campaign from UNDP and UNICEF documented 280 submissions of grassroots innovations – most of which involved going online. Encouragingly, most of these were initiated by youth and community groups.

Nevertheless, there are challenges. Income groups often do not have the luxury of space and digital tool to work from home, due to the nature of their work, and because of cramped living spaces compounded by childcare. Similarly, parents, teachers, and children struggle to keep up with their learning.

While the pandemic has brought people together and spurred community innovations, there is a danger this momentum, if not supported, may dissipate. It is important that platforms and funds are provided to support more grassroots innovations, and social entrepreneurs.

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IOM and ILO will develop employment rights guides and translate them into migrant workers' respective languages. IOM and ILO will also provide remote training to employers, workers' associations, and groups of workers directly, on best practices.

IOM will support larger companies to identify and reduce forced labour in their companies and supply chains through company audits, improved management systems and remediation guidelines. And IOM with the Ministry of Trade and Industries, will conduct capacity building and awareness seminars for SMEs on the prevention of forced labour and trafficking.

The UN will advocate for employment retention schemes (wage subsidies) can be made open to all and regardless of type of employment, and nationality. There is an urgent need to protect vulnerable workers through regular benefits (including informal workers and the self-employed) via mandated or voluntary employment insurance for these groups.

ILO will promote workplace cooperation and communication, and information sharing between workers and employers to address the myriad of safety and health, conditions, and working time arrangements associated with post-COVID-19 return to work. ILO will encourage reforms to dispute resolution mediation and arbitration systems. ILO will promote collective bargaining between workers and employers including wages which will address the economic and productivity consequences of the pandemic.

UNDP and ILO will support the preparation of a National Action Plan on Business and Human Rights, which is comprehensive and in line with international CSR standards. This will include training on a range of standard-setting (UN and OECD) guidelines, and linkages will be made to trade and investment policy.

UNDP will raise awareness of the UNGPs with Government and private sector, making the business-case for adoption, and the importance of the trade and human rights nexus. This will be done through: learning events to showcase implementation best practices; short-form documentaries and video animations; and social media promotional materials. Legal training will also be provided to key stakeholders such as SUHAKAM, judiciaries, and the Ministry of Justice

## Chapter 6: Pillar 4 - Macroeconomic Response & Multilateral Collaboration

### 6.1 Summary Assessment

**The COVID19 pandemic has had a profound impact on economic output and in turn on employment in Malaysia, with latest projections suggesting GDP will decline by around 5% in 2020<sup>20</sup>.** As discussed,

#### ***Box 4: Malaysia's green economy challenge in the post-pandemic period***

Malaysia has a long-standing commitment to transitioning to a low carbon economy and to protecting its natural environment. As a signatory to the Paris Agreement, Malaysia has committed, under its intended Nationally Determined Contribution (NDC) to a reduction of greenhouse gases by 45% by 2030. This consists of 35% of unconditional basis and 10% conditional basis upon the receipt of climate finance, technology transfer, and capacity building from developed countries. There has tended to be a disconnect between policy commitment and implementation. The gap between what is decided or planned and what is implemented to improve environmental outcomes needs attention, especially at subnational level.

COVID-19 and specifically, the large fiscal expansion given by increased investment spending, offers a real opportunity to kick-start implementation efforts. Positively, the government has also shown renewed leadership. The Ministry of Energy and Natural Resources has recently announced a tender for 1 gigawatt large-scale solar farm, its largest ever, and explicitly linked this with broader COVID-19 recovery efforts. The project is estimated to bring in an additional US\$927 million in investment and create 12,000 new jobs. Moreover, stimulus and recovery plans include US\$2.9 bn for rooftop solar panels and LED street lighting.

It is vital these moves are capitalized on – to build back better and deliver a step-change in environmental sustainability. Malaysia faces the choice of acting now, while the costs of doing so are relatively low, and a resourcing opportunity is available, versus continuing an unsustainable trajectory with inevitable climate consequences. Moreover, the most severe climate change effects are still reversible.

The role of the private sector is vital. Global experiences show that large investments can be *nudged* and leveraged via tax and other incentives measures. However, Government needs to continue to lead on strategic investments - especially for infrastructures and public goods - where the private sector remains reticent. Public investment can play a role in crowding-in and channeling private capital flows. Complementary regulatory steps are also needed to address existing failures associated with fossil fuel consumption, production, and related investment.

Joined-up, whole of government approaches are needed if SDG benefits are to be realized. Implementing environmentally friendly policies would encourage SDG-conforming renewables technologies (hydrogen and biomass). This would revamp value chains in power generation, infrastructure, transport, and construction. These can also be linked via Government leadership and effective messaging to consumption – greening marketing strategies and purchasing decisions - delivering a genuinely circular and sharing economy.

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<sup>20</sup> See discussion in Chapter 2, the average rate of the IFI and the Government projections is 5.1%

these impacts are driven by both supply and demand shocks, but given the latter is now dominant, the socioeconomic crisis is increasingly becoming trade and macroeconomic rather than health, related. Moreover, the sectoral impacts, are becoming more varied, fuelling disparities and inequities between different groups of workers. Inclusive macroeconomic policy responses are vital, both in righting the imbalances in the economy and delivering greater equity.

**The Government has delivered a major fiscal stimulus, it is vital this level of support is maintained during the recovery stage, and that components are designed and implemented effectively.** This requires that support be matched to macroeconomic needs focusing support on vulnerable groups and most affected sectors, while also supporting overall aggregate demand in the economy. It is underlined that these two objectives are complimentary, given poorer households and under-utilized sectors offer the greatest multiplier effects.

**Building back better requires that macroeconomic policy responses, specifically, the opportunities offered by exceptional investment, address environmental and climate change objectives.** Malaysia's annual total carbon emissions from 1990-2014 grew at an average rate of 5.5% per annum over the period. The energy sector remained the largest contributor of emissions over the period where it accounted for around 80% of the total, and data for 2015 shows that fossil fuels accounted for 96% total energy consumption. While several international assessments have shown the country making shifts towards realizing its aspirations for a sustainable economy, Malaysia has not achieved resource decoupling. New investment within the stimulus package, offers an opportunity to deliver a major greening of the economy (see Box 4).

**Given large reductions in tax revenues and sizeable stimulus spending, medium term fiscal consolidation will be required, and it is vital the tax base is strengthened by eliminating *tax termites*, and cuts to SDG-supporting budgets are limited.** To preserve aggregate demand, any budgetary reductions, and tax increases, should be delayed until the economic recovery is well-established. It is also important that future budget adjustments are properly phased, social spending is prioritized, and support targeted on the vulnerable is maintained. Efforts are also needed to address Malaysia's chronically below potential tax revenue raising performance (see Box 5), and structural spending issues, notably through the elimination of fossil fuel subsidies<sup>21</sup>.

## **6.2 Gaps and priorities**

**The simulation and analysis of distributional impacts of the pandemic, via macroeconomic modelling would contribute to policymaking and collaborative recovery efforts.** While the Government and IFI actors have deployed sophisticated analytical tools to gauge the impacts of the pandemic on overall output,

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<sup>21</sup> Public revenues declined from 21% in 2012 to 17% of GDP in 2018; tax buoyancy (increased revenue for each % of GDP growth) declined from 2.2 in 2002 to 0.5 in 2017 (i.e. now increasing at a lower rate than GDP). Tax composition is skewed towards direct taxes (over 50%) and growth of indirect taxes remains sluggish (note GST between 2015 and 2018 temporarily boosted this). The share of petroleum dividend (a non-tax revenue) has also declined sharply.

analysis of the employment, poverty and inequality is lacking. This is a significant gap, given the likely disparities between sectors and groups of workers. It is also important to develop disaggregated data frameworks and modelling tools for simulating *ex ante*, the effect of various policy options, allowing better calibration of future stimulus packages and recovery interventions.

**While stimulus and national recovery plans already include green investments, there are further opportunities to *build back better* and deliver long-run environmental sustainability gains.** This means making a decisive shift away from a carbon intensive economy by first, reducing subsidies to fossil

***Box54: Tax Termites and the need to boost revenues***

Fiscal or tax termites, the reduction in the tax take versus its potential, via aggressive avoidance and evasion, is a major challenge in Malaysia. Examples include virtual domicile of high-net-worth individuals in tax havens; multinational corporate transfer pricing (inter-company lending, royalty payments and head office charges) and exploitation of the effective under-taxation of digital economy transactions. These restrict fiscal space and undermine spending priorities, and crucially, reduce the capacity of Government to respond shocks like Covid-19.

Many of these issues arise because of the intense competition between countries for FDI and portfolio flows; ultimately, regional, and global solutions are needed. But there are also internal often policy-driven causes. Malaysia has a complex system of FDI incentives employed, poor accountability of high-earning taxpayers, and a significant shadow economy. Underpinning this is a culture of avoidance and underreporting, which undermines public trust and confidence in the whole taxation system. Today, large Malaysian firms are paying effective tax rates of lower than 10% compared to the prevailing statutory corporate tax rate of 25% due to a host of weak incentives and tax practices.

This is a short and long run development priority. In addition to the pressing fiscal pressures imposed by COVID-19, Malaysia's oil-based tax revenues has fallen by half (as a share of GDP) between 2009 and 2018. Equally, as well as lost revenue, the incidence of hidden, informal, and hard-to-tax sectors creates an unfair disadvantage to compliant taxpayers.

There is much room to increase efficacy of revenue collection through both short- and long-term reforms and this will become vital given the major retrenchment of revenues because of the pandemic. Tax corporate registration is a key area – only around 62% out of 1.2 million companies were registered with Inland Revenue Board and just 8% are subject to tax. Another is informality in the labour market, only 16.5% of the 15 million-strong work force were subject to individual income tax. Improvements in Tax assessment and collection practice is also vital. In the longer run, reviews and reforms of incentive structure both in Promotion of Investments Act and the Income Tax Act are needed. The World Bank estimates that such measures could potentially increase the local compliance by 30% and increase GDP by a further 1%.

fuels and using taxes as tools to reduce the carbon footprint and support greater biodiversity conservation; second, targeting stimulus and recovery investment spending on green infrastructure; and third, equipping Malaysia with the policy tools and mechanisms to transit to a green growth trajectory. The COVID-19 crisis has created both the impetus for systems to be rethought and rebuilt, and an opportunity to secure the investment needed to green the economy.

**Assessments of the fiscal position, and mechanisms for dialogue and consultation on the budgetary position are required.** As noted in the UNDP's Asia Pacific Regional Economist Network's Assessment of

COVID-19 impacts <sup>22</sup> an urgent analysis of fiscal space as government resources is needed. This is in the light of both greatly increased stimulus spending and the large falls in government revenues experienced throughout the region. This needs to focus on the short- and medium-term positions, ensuring that aggregate demand is maintained during the recovery and the vulnerable are sufficiently well-supported, and later that future budget adjustments protect SDG supporting expenditures.

**Expanding Malaysia's tax base, a longstanding policy aim, is central to fiscal rebalancing, and the pandemic offers a spur to deliver concrete policy changes.** Malaysia has experienced a longer-term decline in both the tax base (tax revenues relative to GDP), and tax buoyancy (the relationship between the growth in the tax take and growth in GDP). Underpinning this are several factors: an imbalanced tax base, focused on direct taxation of incomes and profits, versus under taxation of consumption; a host of *fiscal termite* issues – specifically, base erosion and profit sharing (transfer pricing strategies to shift costs to low tax jurisdictions), and high net worth tax payers avoidance (for example, domiciling in tax havens; untaxed activity in the digital economy; and still high levels of informality; and suboptimal tax incentives (especially regarding FDI) and suboptimal spending policies (e.g. subsidies to fossil fuel production). Again, see Box 5.

### **6.3 UN offer and recommendations**

UN offer here emphasizes the distributional and SDG questions connected to macro policy decisions, specifically arising out of stimulus and recovery policy packages, and the need to promote policy coordination and coherence. Key objectives are the delivery of an equitable and inclusive economy and leveraging stimulus related investment to delivery longer term, specifically environmental benefits. Our core comparative advantage arises from the UN's normative and technical grounding in these areas. The theory of change focuses on influencing policy debates through advocacy, offering new data and analysis (specifically of distributional patterns) and policy/ technical advice. Interventions are provided under four recommendations. It is noted that environmental sustainability inputs, which might have as easily be included in the previous pillar are placed here for consistency and ease of presentation and oversight.

***Recommendation 12: Develop macroeconomic analytical tools to gauge COVID-19 impacts on employment and poverty, and the effectiveness of stimulus and recovery policies.***

Building on the rapid economic assessment prepared for the UNCT's internal use and the extensive the existing analytical capacity with Government, the UN will sponsor the adaptation of model-based tools to gauge the ongoing impacts of the pandemic on employment and poverty. This exercise will employ computable general equilibrium (CGE) approaches and draw on Malaysia's existing Social Accounting Matrix (SAM), a statistical tool that shows the pattern and distribution of economic activity developed by DOSM. This will enable distributional analysis of (simulated) macroeconomic impacts. These will be developed in concert with the EPU and MOF.

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<sup>22</sup> UNDP (2020) *Social and Economic Impacts of COVID-19 in the Asia-Pacific Region*. Position Note prepared by the Asia-Pacific Economist Network. Bangkok: United Nations Development Programme.

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The UN will further collaborate with other development partners, including the International Financial Institutions (IFIs) and national think tanks, to develop a policy dialogue on the post COVID-19 recovery approach and key policies. This will offer a forum for the UN to share its research outputs, alongside others, and spur more collaborate policy support going forward.

***Recommendation 13: Support macroeconomic measures to promote a green economy approach to building back better, including decarbonization of the energy, transport and waste sectors.***

The UN, specifically, UNDP, UNEP and UNIDO, will build a macroeconomic case for hard wiring environmental sustainability within the proposed *National Economic Recovery Plan* and deliver clear policy proposals. This would take advantage of COVID-19 related investment spending to *Build Back Better*, boosting the economy in the short to medium term, and deliver long term environmental gains. This case is envisaged to focus on: (i) boosting renewable energy infrastructure such as solar farms, biomass, and hydrogen energy facilities. (ii) Delivering rapid energy efficiency projects with a focus on retrofitting existing plant/ machinery and buildings.

The UN will work to integrate of environmental taxation systems and price mechanisms by developing a menu of tax and other selective incentives to nudge and spur to businesses to invest to deliver sustainability.

The UN will support green economy coordination and enabling capacities to ensure policy coherence especially between different levels of Government, to green production and consumption. This will include tackling ineffective policy execution mechanisms and reforming unclear mandates and outdated policies.

UNDP via its programme, *Green Technology Applications for the Development of Low Carbon Cities (GTALCC)*, and UNIDO's *Sustainable City Development project* will deliver catalytic incentives to ensure a sustainable post-COVID-19 recovery. This includes demonstrating proof of concept projects (notably on solar PV; and technical assistance to support green transport); and technical support for the design of green infrastructure including bike lanes, pedestrian zones and public transportation (Bus Rapid Transit). This project will continue supporting green city initiatives in several flagship locations - in Cyberjaya, Iskandar Malaysia, Melaka and Petaling Jaya.

At the policy level, UN agencies are to develop research and policy papers on the environmental aspects of economic growth in the post COVID-19 period. UN agencies will also deliver a programme of knowledge sharing events: (i) *Business and Climate Change*, fronted by UNIDO and the UN Global Compact; (iii) *Building Back Better through the Green Economy* presented by UNIDO; (iii) *Impacts of COVID-19 on eco-tourism, conservation and local development*, by UNESCO.

UNIDO will continue demonstrating the potential for a low carbon post -COVID-19 recovery via its project on the adoption of solar thermal technology in Malaysian hospitals (eight localities have been identified for the demonstration by early 2021).

UNIDO, UNDP and ILO will build a case for and offer technical support to the Government in developing strategies to progressively withdraw fossil fuel subsidies. The aim being to allow carbon price movements to reduce consumption and deliver the NDC goals, and free up misdirected resources. This includes design of the core compensation arrangements, and a proposed roadmap towards full implementation.

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UNDP will build a case arguing for the progressive reduction of fossil fuel subsidies. The aim being to allow carbon price movements to reduce consumption and deliver the NDC goals. This will, as a by-product free up resources that might then be utilized for recovery.

UNDP will also support accurate, credible monitoring, reporting and verification of carbon emission reductions—including use of green technologies and mitigation measures, and support proposals for a credible enforcement mechanism.

Within a portfolio of works on greening the city and circular economy, UNDP and UNIDO will: assist development of non-motorized transport and urban mobility systems to reduce traffic jams and air pollution; help develop integrated waste management solutions; reduce single-use plastics, specifically noting the burgeoning level of medical waste under the COVID-19 emergency; and strengthen green infrastructure development and city planning; and build public awareness, participation and engagement

***Recommendation 14: Take stock of the post COVID-19 fiscal position, plan for SDG-compliant budget consolidation, and strengthen public finances.***

UN agencies, led by UNDP, via the new joint work programme, INFF: Developing Financing Partnerships to Accelerate SDG achievements in Malaysia, will support Government in managing and supporting SDG planning and financing. This includes several elements which will be focused on the post COVID-19 position: –a Development Finance Assessment, SDG costing and SDG expenditure tagging (including gender responsive budgeting) and improved multilateral cooperation on capital flows.

Under the INFF the UN will assist Government to assess the fiscal impacts of the pandemic, given the inevitable retrenchment of public revenues, and the additional COVID-19 stimulus and recovery spending. This will research also provide evidence-based policy guidance on the phasing of budgetary adjustments and consolidation, and debt management informed by the need to ensure SDG supporting expenditures are protected. This is a key collaborative activity across agencies and with partners.

The UN will support targeted efforts to tackle tax termite challenges. This includes addressing tax evasion and aggressive avoidance schemes, supporting Government double down on transfer pricing and base erosion by MNCs, and on improved compliance by high-net-worth individuals. Allied measures will include making the case for investments into R&D and better use of technology to sustain taxation methods, resulting in higher compliance rates. This workstream will be linked to ILO's efforts to formalize the economy.

UNDP via its COVID-19 Sustainable Finance Mapping will provide insights and tools needed by the private sector to increase SDG-supporting investments including assist Government in managing cross-border capital movements and tackle tax evasion and other types of fraud.

## Chapter 7: Pillar 5 - Social Cohesion and Community Resilience

### 7.1 Summary Assessment

**The loss of livelihoods, with the vulnerable hit the hardest, has the potential to drive social tensions.** The longer the crisis persists, the greater the likelihood that more severe deprivations and inequities will emerge and strengthen the potential for community fractures. Restricted movements, initially via the universal MCO and latterly with location-specific control orders, has caused family stresses and social dislocations. The socioeconomic response, given within the stimulus package, relieved some of these pressures, but questions can be raised about their adequacy.

**Conversely, the COVID-19 crisis also offers opportunities to strengthen social cohesion and inclusiveness.** Positively, the government's socioeconomic policy response has prioritized several often-overlooked groups and has been applied without discrimination against different ethnic communities or political persuasions. Spontaneous social solidarity has also been evident - positive examples abound on how people rallied to help each other, and a stronger sense of community and oneness has emerged during the initial MCO. However, with time, there are signs that this social solidarity may dissipate.

**Underlying these issues, are the existing social and political cleavages within Malaysia, and while historically robust, social cohesion and civic space could come under stress.** It is vital that the policy response remains equitable and perceived as such. Moreover, cities, which are at the core of outbreaks and hence ongoing movement restrictions, require specialized efforts. There has also been a parallel pandemic of misinformation about the virus and its causes. Reporting within online spaces and print media, has at times, been unhelpful to the maintenance of Malaysia's strong inter-community relations. The restrictions imposed by the pandemic have in turn, tended to shut down civic space, which often serves as a safety valve for expression. The Government has worked to address these issues, but further engagement with civil society and vulnerable communities, would help maintain Malaysia's whole of nation approach to COVID-19.

**Undocumented persons face heightened pressures, as they lack official recognition, are excluded from official response efforts and have suffered from hate speech and social stigma.** There have also been some policy coordination weaknesses - these groups were also the target of immigration enforcement actions throughout 2020, and this is despite initial commitments to disregard immigration status during the pandemic. Widely shared social biases and exclusion has have interacted with misinformation about COVID-19, to further constrained the human rights of these groups. Use of hate speech has been documented and this has encouraged xenophobia towards those regarded as outsiders.

### 7.2 Gaps and priorities

**Efforts to preserve community relations during the pandemic, especially those within migrant and refugees groups, can be strengthened through engagement with CSOs and community leaderships, and by combating misinformation.** Government by working together with key civil society actors can foster civic engagement and challenge associated pandemic-related misinformation. Establishing intergroup or interfaith dialogues with communities on socio-economic impacts will encourage better understandings,

tolerance and encourage citizens and institutions to take a stand against racism and xenophobia. This also requires regulatory measures to stem hate speech and misinformation, but without threatening freedom of speech.

**Urban communities require special attention as these areas are the locus of ongoing movement restrictions and pre-existing tensions.** Effective urban monitoring will better protect health and identify discrimination and stigma experienced by disadvantaged groups. In turn, city level management and delivery will enable holistic services responses and enhanced accountabilities.

### **7.3 UN offer and recommendations**

The UN's comparative advantage within this pillar is given by its core normative non-discriminatory approach anchored in the declaration of human rights. The theory of change seeks to address the societal and community pressures arising out of the pandemic, by supporting Malaysia's strong framework of inter-community relations, maintaining civic space, and via key interventions to support socially stigmatized (notably migrant and refugee) groups. In all four recommendations and sets of interventions/ responses are offered.

***Recommendation 15: Adopt proactive measures to strengthen social cohesion during the pandemic, focusing on groups and areas under stress.***

UNDP will support local community leaders and CSOs to encourage tolerance and inclusiveness via civic engagement, intergroup and interfaith dialogues and community actions to foster better understanding during the pandemic. Agencies will also encourage local authorities to counter xenophobia via regulatory measures, notably to stem hate speech and discrimination, as well as improve measures to social cohesion via national unity efforts. This will adopt a special focus on the highly diverse communities in urban areas. UNDP will offer grants to human and women's rights organizations that deliver innovative approaches to support and represent vulnerable groups and local communities. Priority will be given to CSOs working to address negative behaviours, xenophobia, and racism.

ILO will implement a public campaign to raise awareness and engage youth to promote better understandings and cross-community harmony within the workplace, with a focus on workers within MRUS groups.

***Recommendation 16: Combat misinformation and hate speech while also ensuring press freedom and maintaining civic space.***

The UN will undertake monitoring to support the Government's efforts to halt the spread of misinformation, and augment this to address hate speech. Noting this must be achieved without pressuring the media or threatening freedom of expression. Where possible, engagement will be made with relevant stakeholders including civil society networks, academic institutions, SUHAKAM, and social media groups will be supported to enhance reporting on violations of freedom of expression. IOM will coordinate a series of trainings for the media to promote understanding and dialogue about accuracy in reporting on migrants and refugees.

The UN will reach out to law enforcement agencies to sensitize and train officers to ensure that freedom of association and expression are protected in line with human rights and international labour standards. And

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the UN will support CSOs in building their legal capacities to defend the right to political participation during the pandemic, also noting the need to ensure people are protected from COVID-19 infection.

IOM will conduct an awareness raising campaign to address stigma towards Rohingya refugees and other migrant groups, arising out of the pandemic. This will be directed at the general population, enforcement agencies, and politicians.

UNESCO will promote use of Internet Universality Indicators (IUI) to measure the health of the internet – openness, neutrality, accuracy.

UNESCO will also strengthen critical thinking to counter disinformation and misinformation through its Media and Information Literacy intervention, which seeks to foster enhanced understanding of international standards on freedom of expression.

UNDP will work with the Ministry of National Unity on positive framing of the Prevention of Violent Extremism, non-discrimination, tolerance, and community cohesion through national unity efforts. UNDP

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## Appendix 1: UN Generated Impact Assessment Studies

No	Title of Impact Assessment	UN Agency	Target Beneficiary Group	Respondent Type	Status	Method	Pillar
1	Rapid Socio-Economic Impact Assessment	RCO	All	- NA -	Completed	Desk Research	I - V
2	Rapid Household Impact Survey (RaHIS)	UNDP	All	Households	Completed	Quantitative (n=6,486)	II, III
3	SME Competitiveness Outlook 2020: COVID-19: The Great Lockdown and its Effects of Small Business	ITC	MSMEs, SMEs	Companies	Completed	Quantitative	III, IV
4	Work from home (WFH) experience Survey/ telecommuting survey (Two surveys: 1 = employees and 2= employers)	UNDP	Employees, employers	Employees, local enterprises, NGOs, MNCs	Completed	Quantitative (n1~1,000; n2~200)	III
5	COVID-19 grassroots solution mapping	UNDP, UNICEF	All	Youth, community groups	Completed	Quantitative (n=280)	I, II, III, IV, V
6	The socioeconomic impacts of COVID-19 in Malaysia: Policy review and guidance for protecting the most vulnerable and supporting enterprises	ILO	Workers and Enterprises	No respondents	Completed	Analysis of secondary data	I, II, III, IV, V
7	Restricted Movement Order and The Refugee Community-Based Organizations	UNHCR	Refugees	CBOs	Completed	Quantitative (n=47)	II, IV
8	Rapid needs assessment of the impact of COVID-19 on migrants, refugees and the stateless	IOM	Migrants, Refugees, Stateless individuals	CSOs, Community Leaders (CLs)	Completed	Quantitative (n=37)	I, II, III
9	Families on the Edge: Mixed methods longitudinal research on the impact of the COVID-19 crisis on women and children in lower income families	UNICEF /UNFPA	Women and children, low-income households	Households in Government housing Project (PPR)	On-going (first two rounds complete)	Mixed methods (n=500)	II, III

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10	Impact Assessment of COVID-19 on Malaysian- Industrial Sector	UNIDO, MITI, UNGC, FMM	MSMEs, SMEs	Companies	finalized & submitted to MITI, July 2020	Quantitative (n=57)	III
11	Global COVID-19 policy response tracker platform (Note: this is an ongoing tool to track SDGs, it is not a conclusive study)	UNU-IIGH	All	Government, secondary data	Data collection ongoing	Qualitative	I, II, III, IV, V
12	Impact of COVID-19 on Social Cohesion and Community Resilience	UNDP	All	Web scraping, FGDs	Completed	Mixed	V
13	Digital Platform for e-Commerce in Sabah	UNDP, UNCDF	MSMEs, SMEs	N/A	Report is being finalized	Qualitative	II, III, IV, V
14	COVID-19 - U-Report Financial Constraints Survey	UNDP	Youth & Young Adults	Youth & Young Adults	Completed	Quantitative	II, III, IV, V
15	Weekly COVID19 situation reports.	WHO	Cases, fatalities	COVID-19 infections	Ongoing	Quantitative	I

## Appendix 2: Government Recovery Packages

Theme	Key points	SERP Pillar
<b>(1) PRIHATIN INCLUDING ESP &amp; PRIHATIN SME+ (RM260 billion, February, March, April 2020)</b>		
Curbing the COVID-19 outbreak	Purchase of medical equipment such as ventilators and ICU equipment, personal protective equipment (PPE) and lab equipment for COVID-19	I: Health First
	Purchase equipment and services related to COVID-19 which include obtaining medical expertise from private healthcare service	I: Health First
	Special fund to conduct more COVID-19 tests for insurance and takaful policy holders	I: Health First
	Deferment of family insurance and takaful premium or contribution payments for 3 months for affected individuals.	III: Economic Response & Recovery
	Increase special allowance for healthcare personnel from RM400 to RM600	I: Health First
	Special RM200 allowance for military, police, customs, immigrations, civil defence, firefighters and RELA <sup>23</sup> members involved in MCO	I: Health First
Bantuan Prihatin Nasional (BPN) Cash assistance for Bottom 40 and Middle 40 households	RM1,600 for households with monthly income of RM4,000 and below RM1,000 for households with monthly income of more than RM4,000 up to RM8,000 RM800 for single individuals aged 21 years old and above with monthly income of RM2,000 and below RM500 single individuals aged 21 years old and above with monthly income of more than RM2,000 up to RM4,000 per month	II: Protecting People (Social Protection)
	Disbursement of Bantuan Sara Hidup (BSH) balance in July 2020 (not COVID-19 specific)	II: Protecting People
Assistance to Students	One-off RM200 cash assistance per tertiary education student	II: Protecting People

<sup>23</sup> Department of Volunteers Malaysia

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Food Assistance to Vulnerable Groups	Elderly in shelters; And children in shelters; Disabled in aid centres, Homeless people; and Orang Asali	II: Protecting People (Social Protection)
Skills Development Fund Corp	Defer loan repayment under Skills Development Fund Corporation (PTPK) for 6 months to 174,500 borrowers	II: Protecting People
mySalam	Benefit of RM50 per day (maximum of 14 days) to individuals from Bottom 40 per cent households quarantined as patients under investigation (PUI)	II: Protecting People
Private Retirement Scheme (PRS)	Allow early withdrawal of up to RM1,500 from Private Retirement Scheme Account B without tax penalty from April to December 2020	III: Economic Response & Recovery
Exemptions on Housing and Business Premise Rentals	Extend exemption of PPR rental to 6 months for 3,636 PPR houses under KPKT Deferment of 6 months rental for 4,649 units of rent to own houses (RTO) under KPKT Exemption of 6 months rental for 40,000 public housing tenants under DBKL Exemption of 6 months rental on all Federal Government-owned premises such as school canteen, nursery, cafeteria, convenience store and others	III: Economic Response & Recovery
Electricity Bill Discounts	For household customers in Peninsular Malaysia, tiered discounts for electricity consumption - 1 April 2020 until 30 September 2020	III: Economic Response & Recovery
Telecoms Services Incentives	Free internet to all customers throughout the MCO period beginning 1 April 2020	III: Economic Response & Recovery
	Increase network coverage and capacity to maintain telecommunication network availability and quality	III: Economic Response & Recovery
Assistance to Civil Servants and Pensioners	RM500 one-off cash assistance to non-executive civil service (grades 56 and below) including those working on contract-basis	III: Economic Response & Recovery
	RM500 one-off cash assistance to pensioners	III: Economic Response & Recovery

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Food Security	<p>Assistance on input for agriculture, livestock and fisheries to encourage domestic production</p> <p>Infrastructure facilities for food storage and distribution as well as crop integration program</p> <p>Special funds between RM100,000 and RM200,000 to each viable Farmers' and Fishers' Associations (<i>Pertubuhan Peladang Kawasan (PPK)</i> and <i>Pertubuhan Nelayan Kawasan (PNK)</i>)</p>	III: Economic Response & Recovery
Wage Subsidy	Wage Subsidy Program of RM600 per month for 3 months to workers earning less than RM4,000 to prevent them from being terminated	III: Economic Response & Recovery
Cash assistance for E-Hailing Drivers	One-off cash assistance of RM500 to full-time e-hailing drivers	III: Economic Response & Recovery
Government service contractors	<p>Payment for contractors' workers in government contracts such as cleaning &amp; food supply in schools, IPTAs, public training institutions &amp; other agencies.</p> <p>Extension of contract period by one month compensating for the MCO period</p>	III: Economic Response & Recovery
Funds to Assist SMEs	Special Relief Fund (SRF) for SMEs with reduced interest rate from 3.75% to 3.5%	III: Economic Response & Recovery
	Additional funds for the All-Economic Sector Facility to a total of RM6.8 billion	III: Economic Response & Recovery
	Micro Credit Scheme with interest rate of 2% without collateral	III: Economic Response & Recovery
	Credit Guarantee Corporation (CGC) BizMula-i and BizWanita-i schemes with funding up to RM300,000 per SME with business records of less than 4 years	III: Economic Response & Recovery
	Guarantee facility of RM5 billion and increase guarantee coverage from 70% to 80% by <i>Syarikat Jaminan Pembiayaan Perniagaan (SJPP)</i> (Business Financing Guarantee Corporation)	III: Economic Response & Recovery
Assisting Business Cashflow	Employer Advisory Services (EAS) program by EPF including payment deferment, restructuring, and rescheduling of employer contributions options	III: Economic Response & Recovery

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	Exemption of Human Resources Development Fund (HRDF) levy for all sectors for a period of 6 months	III: Economic Response & Recovery
	Deferment of monthly income tax deduction for all SMEs for 3 months	III: Economic Response & Recovery
	Six months' deferment or loan repayment moratorium, conversion of credit card balance to term loan and restructuring of corporate loans Moratorium on loans from TEKUN, MARA and cooperatives and other government agencies providing loans to SMEs	III: Economic Response & Recovery
Social Financial Programme	Initial capital for micro entrepreneurs through zakat and matched with micro financing at affordable rates	III: Economic Response & Recovery
Guarantee Facility Scheme for Corporates	Provide guarantee facility of up to 80% of the loan amount to finance working capital with a minimum loan size of RM20 million per business	III: Economic Response & Recovery
Focus on Domestic Investment Activity	Identify small projects such as repair of roads, upgrading dilapidated schools in Sabah and Sarawak, cleaning places of worship and police stations as well as improving tourism facilities which will benefit G1-G4 class contractors	III: Economic Response & Recovery
	Continuation of all projects under the 2020 Budget including the ECRL, MRT2 and the National Fiber Optic and Connectivity Plan	III: Economic Response & Recovery
Ensure sustainability of fiscal and debt position	Direct fiscal injection to ease the burden of citizens and businesses in this difficult economic situation (RM25b)	IV: Macro Response
	Two-month salary of the Prime Minister, Cabinet Members & Deputy Ministers will be deducted & channelled to COVID-19 Fund	IV: Macro Response
	Ministries to review budgets to look for savings for use to meet the medium-term measures to curb the outbreak	IV: Macro Response
<b>(2) PENJANA PACKAGE (RM 35 billion, May 2020)</b>		
Empower People	Wage subsidy - extend 3 months for Wage subsidy - extend 3 months for businesses that are not allowed to operate: Incentive for hiring jobless; 40 years and below (RM800 million); 40 years old and above and OKU (RM1000 million) for 6 months	III: Economic Response & Recovery

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	<p>Upskilling of jobless through short courses subsidy RM600</p> <p>50million matching grant for gig economy platform</p> <p>25million to MDEC global online workforce</p> <p>Work from home - RM5000 tax relief</p> <p>Tax rebate for Parents for kids related expenses</p> <p>MY30 unlimited travel pass for public transport on PRASARANA from 15JUN until end of 2020</p> <p>RM300 one off payment to PWDs before Hari Raya AidilAdha</p> <p>Peak B40 get extra RM50million for medical coverage</p> <p>Free internet 1GB from 8am to 6pm every day until end of year. Plus, free access to government COVID-19 websites</p>	
<p>Propel Businesses</p>	<p>Micro business transition to digital to get matching grant up to RM140million by MDEC e-dagang</p> <p>Private business to run “Shop Malaysia Online” with RM70 millions matching grant from MDEC</p> <p>RM700 million to PKS for digital transformation</p> <p>RM2 Billion PENJANA loan scheme for PKS</p> <p>RM1 Billion PENJANA loan scheme for Tourism operators</p> <p>RM400 Million for small businesses</p> <p>RM200 Million for bumiputra businesses</p> <p><u>RM300 Million for MARA:</u></p> <p>Cash loan for contractors in class G2 G3</p> <p>Tax incentive for business spending on COVID-19 related expenses</p> <p>RM10 Million for MAGIC Social Activist</p> <p><u>Tax Incentives:</u></p> <p>RM20k rebate for 3 years for new SME company establishment</p> <p>Stamp Duty for merger is waived until 30 June 2021vation</p> <p><u>Investment Incentives:</u></p> <p>RM1.2 Billion for digital transformation for domestic venture capital</p> <p>National Tech and Innovation Sandbox to develop new technology such as drone delivery</p> <p><u>Industry 4.0:</u></p> <p>Government to move to online counters through digitization</p> <p>Campaign buy Malaysia</p> <p>Contactless payment: RM50 credit into e-wallets</p>	<p>III: Economic Response &amp; Recovery,</p> <p>IV: Macro Response</p>

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	<p>Home Ownership Campaign to be reintroduced: Property within RM300k to RM2.5Mil; Until 31May 2021; Waiver of RPGT until 31Dec 2021 limited to 3 properties per individual</p> <p>Waiver of 100% sales tax for CKD cars, Waiver of 50% sales tax for CBU cars</p> <p>0% tax for foreigner factories to relocate to Malaysia</p> <p>5 years of 100% tax allowance for local factories</p> <p><u>Tourism:</u></p> <p>Tax delay for tourism business extended</p> <p>No tax on tourism from July 2020</p> <p>RM1k individual tax relief for travel</p> <p>RM225 million for culture and arts</p> <p>RM350 million for agriculture 100% waiver export of palm oil until 31 Dec 2020</p>	
<b>(3) KITA PRIHATIN (RM 10bn; September 2020)</b>		
Wage Subsidy Programme 2.0	<p>Three-month wage subsidy at RM600 per employee (max 200 employees).</p> <p>For businesses experiencing a drop in revenues of 30% on 2019.</p> <p>Expected to reach 1.3 million people</p>	<p>III: Economic Response &amp; Recovery,</p> <p>IV: Macro Response</p>
Geran Khas PRIHATIN (GKP) Extension	<p>Re-opening of grants to microenterprises scheme</p> <p>To reach 200,000 micro business, to ease cash flow and revenue reductions.</p>	<p>III: Economic Response &amp; Recovery,</p> <p>IV: Macro Response</p>
Bantuan PRIHATIN Nasional (BPN)	<p>Cash transfers (social assistance/ basic income guarantee) for B40 and M40 households</p> <p>Transfers of RM 300-1000 to 10.6 million households/ singles.</p>	<p>II: Protecting People</p> <p>III: Economic Response &amp; Recovery,</p> <p>IV: Macro Response</p>

