



F.A.Q



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New Straits Times - Q And A With Tengku Zafrul: We're Protecting  
Livelihoods

☐ Tuesday, Jun 09 2020

Finance Minister Tengku Datuk Seri Zafrul Tengku Abdul Aziz says the government wants to help retrenched staff retrain and reskill to find new jobs. PIC BY MOHD FADLI HAMZAH

**KUALA LUMPUR:** The govt unveiled the Economic Recovery Plan, or Penjana, on June 5. Finance Minister Tengku Datuk Seri Zafrul Tengku Abdul Aziz delves into details of the RM35 billion stimulus package, and how measures in the short-term plan will help rehabilitate the economy, which has been adversely affected by the Covid-19 pandemic. He addresses concerns and doubts about the govt's fiscal and debt positions, particularly the capacity to finance Penjana and future fiscal stimulus packages after the RM260 billion Prihatin economic stimulus plan announced in March.

**Question: Can you share your ministerial journey? How different is it from the corporate sector?**

**Answer:** I came here during turbulent times economically. I don't think we have ever seen this kind of economic challenges due to a pandemic. We had to think of outside-the-box solutions as we have never seen this problem before.

When I was in the banking sector, there were many problems and you know what are the possible solutions before deciding on the best one.

This time, when you ask your counterparts in other countries, they will say it is a bad time for them too.

The only way to do it is to look at what is important for the country and learn as much as you can. For example, China, South Korea and Japan had it (the Covid-19 crisis) earlier.



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Ministry of Finance Malaysia  
No. 5 Persiaran Perdana Presint 2,

Try to learn from what they did right and wrong. A lot of the issues that we faced in the last three months were always about making sure what was important for us to recover.

That is why the recovery process is important. If we had not done anything in the last three months, then when we want to restart and recover, it will be very difficult.

That is why we have to inject and pump in a lot more money.

Corporate function is very different from that of the government. The corporate goal is very clear: to maximise shareholders' return.

Here (as the government), you are accountable to the people and work on larger goals.

The similarity is on the execution side. One thing I learnt is, in all the planning that we do, the success is measured by the execution.

Even at the corporate or government side, execution is important.

That's why we set up Laksana (or the Unit for the Implementation and Coordination of National Agencies on the Economic Stimulus Package), where we feel that we need someone or a team to coordinate and monitor the execution.

We make sure we have a weekly report every week. We pressure agencies to deliver.

So every week, we will tell the people that this is what we have done this week. We keep updating them.

Prihatin (Prihatin Rakyat Economic Stimulus Package) and Penjana (Economic Recovery Plan) are not my work alone. It's everyone working

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together. That is important. Even the 40 initiatives under Penjana involve so many ministries. What is important is for everyone to work together.

**Question: Was it difficult to formulate the 40 initiatives under Penjana in a short period?**

**Answer:** It was hard, but if we look at what we have done, especially on the government side, Prihatin was the first test. We just came in 1½ weeks. The prime minister said, 'Let's have this package'. We had to work on it very quickly... we did not sleep.

For Penjana, we were given a bit of time. Good thing is we had a lot of engagement. I think we had engaged more than 100 bodies from various sectors and different interest groups. But we want to do it properly, and need feedback from inside and outside. To ensure that Penjana is successfully implemented, we need input from the private sector. Everybody is in it, including from government-linked companies and digital companies, such as Shopee and Lazada.

**Question: Billions of ringgit have been allocated by the government in its recovery plan and the stimulus packages before this. The country's deficit would end up touching six per cent by year-end. Your comment on this? Can Malaysia tolerate a high deficit?**

**Answer:** Malaysia's deficit is projected to increase to six per cent this year with the implementation of Penjana.

Prior to this, the 2020 Budget had projected a deficit of 3.4 per cent.

After Prihatin, the fiscal deficit projection for 2020 increased from 3.4 per cent to 4.7-5.0 per cent, and now 5.8-6.0 per cent with Penjana.

It is not too high. We have to see this from the point of view of whether we can afford to repay our national debt.



The highest deficit that we ever recorded was 6.7 per cent during the global financial crisis in 2009.

**Question: What about the RM10 billion direct fiscal injection in Penjana?**

**Answer:** With Penjana, our direct fiscal injection increases to RM45 billion. This means that our borrowings (from the total RM295 billion of stimulus packages) are now RM45 billion. The RM10 billion is raised from MGS (Malaysian Government Securities) and MGII (Malaysian Government Instrument Issues).

**Question: Is the country's debt-to-GDP ratio going to increase following this?**

**Answer:** Our total debt to GDP is still below 55 per cent\*.

With Penjana and Prihatin, the ratio will be about 55 per cent, which we can still afford.

There is a statutory limit that if we pass the 55 per cent and want to issue more debts, we will have to take it to Parliament for approval.

In terms of foreign borrowing, our limit is RM35 billion. The current amount is 15 per cent lower than the limit. (For the stimulus packages) we are not borrowing in foreign currencies. All in local currency.

*\* Note: The statutory debt limit of 55 per cent of GDP under the Loan (Local) Act 1959 and Government Funding Act 1983 is confined to the outstanding of MGS, MGII and Malaysian Islamic Treasury Bills instruments.*

**Question: If the situation worsens, how much more will the government inject into the economy? Do we have more fiscal space**



**to do this? How is the government going to manage it?**

**Answer:** We have to always think of the worst-case scenario. In the worst-case scenario, we have seen some countries experiencing the second wave (of the Covid-19 pandemic).

Of course, we hope it does not happen to us. But we must always assume the worst.

As a responsible government, we know that we must prepare for the worst. We have to make provisions.

Going above the (targeted) deficit number is not so important. Because first, we need to save the country and the people.

Most importantly, we must have the commitment to tell the people and rating agencies that we will bring it (deficit level) down once the economy stabilises.

Globally, every country has to do that to protect the people and the economy.

We do that, but we must have a plan after that. We cannot let the deficit stay at 6.0-7.0 per cent. And credit to Malaysia, we have done it before.

During the 2009 global financial crisis, our deficit hit a high of 6.7 per cent, but we managed to bring it down to 3.0 per cent after that.

We explained it to the rating agencies, and they understand us. And they know that we are able to bring it down. But now, the focus is on making sure that we protect our people and our economy for the immediate term.

What we focus now is mainly one-off fiscal injections. So (the government's) borrowings should go down next year.



People and businesses are getting better, the economy is improving.

Our revenue or GDP will also go up. The deficit will then go down slowly. If we do not protect our workers and businesses, it is going to be difficult when the economy recovers. For example, the domestic tourism industry.

The prime minister announced reopening of the sector and we can see the results. Of course, the economy will take time to recover. If you do not support our industries and they are completely closed down, the recovery will be slower. People want to spend, but how can they spend if there are no hotel openings and tourist spots are closing?

**Question: Is there any limit to how much we can spend? Are we willing to go beyond a 6.7 per cent deficit?**

**Answer:** Depends on the GDP and what we need as a country. We have to do whatever it takes to protect the people and the economy, but at the same time, making sure we have the ability to pay the debt in the longer term.

You see other countries spending more than us. We have to be responsible too and we want to do it especially in a more targeted manner.

The answer is we have to do whatever it takes. There is no target maximum limit as of now, except for the (55 per cent) limit that has been set before by the Act. You have to go to the Parliament to approve that.

**Question: The previous government kept on telling the people that it could not afford to make more borrowings as revenue was limited, and that the government did not have money. What is your take on this?**



**Answer:** In terms of deficit, yes, it was high then. But to me, what is your target?

If your target is one per cent or zero per cent deficit, of course we can say the government cannot do it. You have to be realistic. We are now in crisis.

Even when we are not in crisis, we are a country that is still developing. Like it or not, nearly 20 per cent of our revenue base is oil revenue. We need to diversify (from the dependence on oil revenue).

As long as our money is spent properly, specifically with regard to development expenditure, we will get a return in the long run.

But if we spend on operating expenditure, that is where we need to be very careful because that one is less productive

If we do not spend at all, do you think our economy will recover when the world recovers? We must remember that the pandemic does not only affect Malaysia. We are part of the global economy.

**Question: How fast can we recover from the pandemic?**

**Answer:** Depending on the global economy, Malaysia's trade to GDP is more than 100 per cent.

If you look at the export sector, we are opening it first. We open it gradually.

While we tell the manufacturing sector to open up, it is still not at 100 per cent capacity as the demand is not there. The world economy is slowing down, so the global demand is low.

Our rate of recovery will depend on the demand side, both domestically and globally. Secondly, it will depend on how bad the industries are



affected.

That is why we introduced the wage subsidy programme and loan moratorium, among others.

**Question: With 40 initiatives under Penjana, what is its impact on the people and businesses?**

**Answer:** Balance is always about life and livelihood. Penjana is about protecting people's livelihood. So far, 2.2 million workers have benefited from wage subsidy up to end-May, where up to RM1,200 of their monthly wages are subsidised by the government.

I am not saying that we have saved 2.2 million jobs, but the government has saved a lot of jobs.

Without the wage subsidy, many companies would not have been able to remain in business.

We provided a hiring subsidy under Penjana, where we provide cash assistance of between RM800 and RM1,000 for each employee. For this, we have allocated RM1.5 billion.

The government has also allocated RM2 billion for reskilling and retraining, which will help them in job matching. Hopefully, after two to three months, they can get a new job after reskilling.

**Question: Who is conducting the retraining?**

**Answer:** We are going to announce more details on this soon. My ministry, together with the Ministry of Human Resources, is monitoring this closely.

The Social Security Organisation, Human Resources Development Fund and other agencies will be involved too.



We will also include feedback from Bank Negara Malaysia and the Securities Commission as we want to include as much employment as possible. Our plan is to train people who want to be trained. It might involve simple skills.

Besides that, we also need to accept the gig economy and, sometimes, we need to reskill them so they are able to do self-employment jobs.

If we look at the unemployment rate that was recently announced by the Department of Statistics, it stood at 3.9 per cent in the first quarter of this year, involving 508,000 people.

The unemployment rate is expected to increase to 5.5 per cent this year.

Therefore, we need to make sure that we provide assistance to employers to retain their staff.

At the same time, we must accept the economic challenges that we are facing and not many companies are able to do this, even with wage subsidy assistance provided by the government. So we want to help these retrenched staff to retrain and reskill to help them find new jobs.

We must remember that a lot of people will enter a new employment market. So we have to make sure companies will create new platforms, especially for the new economy. Then we will provide them with a hiring subsidy to employ these people.

**Question: Without Penjana, do you think the unemployment rate will be manageable?**

**Answer:** I think that without Prihatin and Penjana, the rate will be much higher as companies will decide to shut down or lay off people to save money. But we want to retain the workforce as much as we can.



It is also important to keep people in the workforce once the economy stabilises.

**Question: A lot of SMEs are affected during the Movement Control Order period. How is the government providing assistance to them?**

**Answer:** SMEs are divided into four categories: micro businesses, small businesses, medium businesses and mid-tier companies.

So the assistance to them differs from each level.

According to our study, 50 per cent of SMEs are not able to sustain their business after one month.

That is why we came up with the Special Relief Facility (SRF) for them. So far, RM10 billion has been distributed from the SRF, of which 80 per cent is government guaranteed at 3.5 per cent interest.

For micro SMEs, we have distributed RM700 million, comprising RM500 million from Bank Simpanan Nasional and RM200 million from Tekun, with zero interest.

For big companies, Danajamin Nasional Bhd is providing a government-backed RM50 billion financial scheme to them, where the minimum guaranteed loan size is RM20 million for each business.

We also provide SMEs with Geran Prihatin Khas of RM3,000 to restart their businesses. We are allocating RM2.1 billion for this and have received 650,000 applications.



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