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BKSS — comprehensive package a model for all

This is the first instalment of a four-part series on the Sarawakku Sayang Special Assistance (BKSS). The BKSS was among the first economic stimulus package announced last year, to provide immediate assistance and reduce the burden of the people in facing the Covid-19 pandemic.

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CHIEF Minister Datuk Patinggi Abang Johari Tun Openg (third left) presents an incentive under BKSS to a frontline worker.

Lessening the burden of the *rakyat*



MADELINE



NOR AFIZA



LAU

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AMID the threat of the Covid-19 pandemic affecting the livelihood of the masses, the Sarawaku Sayang Special Assistance (BKSS) introduced by the state government offers a lifeline to those affected.

It was among the first economic stimulus package announced nationwide last year in view of the Covid-19 pandemic ahead of the federal government's first economic package — Prihatin Rakyat Economic Stimulus Package (Prihatin) in March.

To date, a total of RM5.3 billion has been allocated for BKSS by the state government, making it among the largest, if not the largest economic package announced by any state.

What it also represents is a model that can be emulated by other states in complementing the assistance packages rendered by the central government at a micro level, rather than being fully dependent on macro level (federal) initiatives.

Economist Prof Datuk Dr Madeline Berma described the RM5.3 billion, spread throughout BKSS 1.0 to 7.0, as being comprehensive.

"It is one of the largest assistance packages in Malaysia. This financial assistance provided by the state was in addition to the fiscal stimulus packages and support provided by the federal government," she told New Sarawak Tribune.

Meanwhile, Universiti Malaysia Sarawak (Unimas) economic lecturer Dr Nor Afiza Abu Bakar described the figures announced for BKSS as eye-popping and the largest given compared to other states

in Malaysia.

For context, she said while the government in other states — Perak, Kelantan, Negeri Sembilan and Selangor — had also introduced their assistance packages, the amount that was set aside paled in comparison to Sarawak.

She pointed out that the Perak state government had announced the Perak Prosperous (Perak Sejahtera) Economic Stimulus Package (PRE) 2021 with an allocation of RM19.5 million.

The state government of Selangor announced in June 2021 a RM551.56 million stimulus package for people and companies, which would be implemented via 25 projects under 'Pakej Kita Selangor 2.0: Bersama Menuju Kejayaan'.

An allocation of RM2.7 million for organisations impacted by the pandemic in Kelantan during the total lockdown period was granted by the Kelantan government as part of its Covid-19 Cakna Rakyat Aid Package in the same month.

Additionally, Negeri Sembilan provided an additional RM10 million to help people adversely impacted by the pandemic and the total lockdown.

"To my knowledge, Sarawak is the only state in Malaysia that is giving out such a big amount and comprehensive assistance package as relatively compared to other states," Nor Afiza said.

At the same time, Unimas senior lecturer and researcher Assoc Prof Dr Evan Lau said the seven BKSS packages were initiatives by the Sarawak government to provide additional assistance, supporting the livelihood of the people.

"As of now, the state has announced seven BKSS that serve as stimulus packages that provide immediate assistance to lessen the burden of the *rakyat* during Covid-19,"

he said.

In 2020, for BKSS 1.0 which involved 16 proactive measures, a total of RM1.15 billion was set aside by the Sarawak government while RM1.1 billion was spent on BKSS 2.0 which catered to micro, small and medium enterprises MSMEs, hawkers and traders.

Under BKSS 3.0, seven measures were introduced which were more inclusive to lighten the financial burden of the people costing RM300 million. BKSS 4.0 followed later in the year at a cost of RM104.84 million to continue the measures introduced early in the year.

This year, under BKSS 5.0, a total of RM405 million was allocated while for BKSS 6.0, another RM1.4 billion was introduced which involved 15 measures comprising cash incentives and discounts to the community.

The recent BKSS 7.0 which cost RM800 million involved one-off financial assistance worth RM10,000 to businesses along with funds to allow variation of price in government works contracts.

How financial stimulus enables economic recovery

On how the financial stimulus would enable economic recovery, Madeline said it would provide a safety net in spending through cash handouts to the people.

"It also ensures the survival of businesses — supporting them, especially the small, medium sized enterprises (SMEs) and informal sectors, protecting jobs through wage subsidies and moratoriums," she said.

Madeline added the state government had also spent on containing Covid-19, including shouldering some of

the vaccination costs, testing and buying test kits as well as equipping medical frontliners with the needed equipment.

On the same question, Nor Afiza said the cash injection would prevent the economy from shrinking further and keep it alive.

"When the cash is kept in banks as reserves, it will not appear as a jolt to the economy. This is what the state government is trying to do to stimulate the economy which is also matched by the federal government's stimulus plan.

"People will face two options which is either to keep and save the money as rainy-day savings or to spend it and let it circulate in the economy. If the majority opt for storing the money, it will delay the recovery and put a damper on the economic recovery efforts and plans," she said.

She said the issue now, however, would be whether the people were leaning towards saving up their money or utilising it when the nation gradually reopened the economic sectors in the coming months.

"Thus, I believe that people will opt for the second option more as the basic issue that keeps lingering at the back of everyone's mind is how to survive and continue with their lives amidst the pandemic.

"People are in dire needs to maintain their survival which covers for basic things such as food, health care and utilities," she said.

Nor Afiza predicted that the stimulus given would be reflected in salary increments in months ahead and also

aid in reducing unemployment. She said with the role of civil society in full swing, people were more willing to spend to help each other.

"These collective efforts by the government and the community will demonstrate a domino effect, both directly and indirectly, and will potentially aid in boosting the economy," she said.

In recent months, the trend of helping those affected by the pandemic grew larger with the social media pioneering the White Flag movement where aid was rendered to the ailing population, identifying them by the white flags being hoisted at their homes.

This was further supported by the society with various non-government organisations (NGOs), political parties, government agencies and private individuals chipping in to alleviate the burden of those affected the most.

Meanwhile, Lau said the BKSS was a short-term measure to revive the economy that was necessary in times of crisis such as now.

"Due to the volatile figure of the Covid-19 cases, many economic activities were directly affected. This further impacted employment and of course the *rakyat*, especially the daily wage earners.

"The cash injection does not directly bring economy recovery but more importantly, it helps individuals and families recover and restart their economy.

"This is important as the individual units form the families and together, they build society that will push the sustainable recovery of the state economy. The

injection acts as a lifeline in this crisis time," Lau said.

Recovery still a work in progress

While on paper, the theory of cash injection into the economy to stimulate recovery seems straightforward which is the view held by the layperson, economists opine that, if anything, recovery is a work in progress.

Despite the RM5.3 billion injected into the economy through BKSS, findings by the Department of Statistics Malaysia in early August suggested Sarawak's gross domestic product (GDP) contracted by negative 7.1 percent in 2020.

This prompted some quarters to question whether the spending by the state government had yielded any significant impact to arrest the economic doldrums.

To this, Madeline said among the challenges faced on the road to recovery was the reinstatement of a nationwide lockdown which had a scarring impact on the economy.

"At the same time, the movement restrictions such as the imposition of the movement control order (MCO) are costing the federal government about RM1 billion a day.

"This is along with the reduction in customer demand and spending. The lockdown also affected retail trade, along with industries of leisure and hospitality, recreation and transport. All these sectors which were affected are major contributors to the GDP," she said.

Meanwhile, Nor Afiza said the effects of government spending would not appear instantly in the early phase of

execution of the economic recovery plan as it required time for its impacts to be seen.

"Increased government expenditure will almost certainly result in an increase in aggregate demand. It is possible that this will result in greater growth in the near run. This will influence the supply-side of the economy as well, its exact impact will depend on which areas of government expenditure are expanded.

"The welfare benefits which could be seen from the aid of the BKSS 1.0 to 7.0 are among the targets in government spending. This type of expenditure will contribute to the reduction of levels of inequality. Benefits for the unemployed, for example, allow them to retain a minimum wage and avoid falling below the poverty line.

"During a normal economic scenario, some might argue that increasing welfare payment may lead to possibility of decreased incentives to work," she said.

Nor Afiza stressed that increased government spending depended on the scenario of the economy itself as well as emphasis on the intended target group.

"Having said that, welfare benefits can potentially assist the labour market in operating more effectively, especially during difficult times like this pandemic where all economic sectors come to a halt.

"It is one of the causes for the higher government spending during this Covid-19 economic state. The rise in government expenditure may have a multiplier impact on other areas of society. If government investment results in job creation for the jobless, the unemployed will have more money to spend, which will result in a rise in aggregate demand even more," she said.

She opined that the measures in BKSS 7.0 were expected to help sustain the activities of enterprises and businesses in Sarawak and consequently propel the economy.

"This will allow other sectors of the economy to gain from the government expenditure at the same time. The government's expenditure may result in a greater higher final increase in GDP than the original injection of funds in certain circumstances of excess capacity in the economy," she added.

For Lau, he said despite the contraction in the state's GDP, Sarawak along with five other states — Selangor, Kuala Lumpur, Johor, Penang and Sabah — are the largest contributors to the national GDP, making up 72.1 percent.

"This indicates that the state does contribute to the country despite the ongoing pandemic. Additionally, GDP per capita for Sarawak surpassed the national average despite the drop compared to the figures in 2019.

"The spending in the form of cash injection was to focus on providing ease for the *rakyat*, business survivals and continuity for sustainability growth in the economy," he said.

Lau predicted that because the fiscal injection and economic recovery were ongoing from last year to this year, they would render little impact in pushing the entire economy.

"I believe that more support will be forthcoming in terms of fiscal injection until the recovery path is clear," he said.



CHIEF Minister Datuk Patinggi Abang Johari Tun Openg (left) when announcing BKSS 7.0.