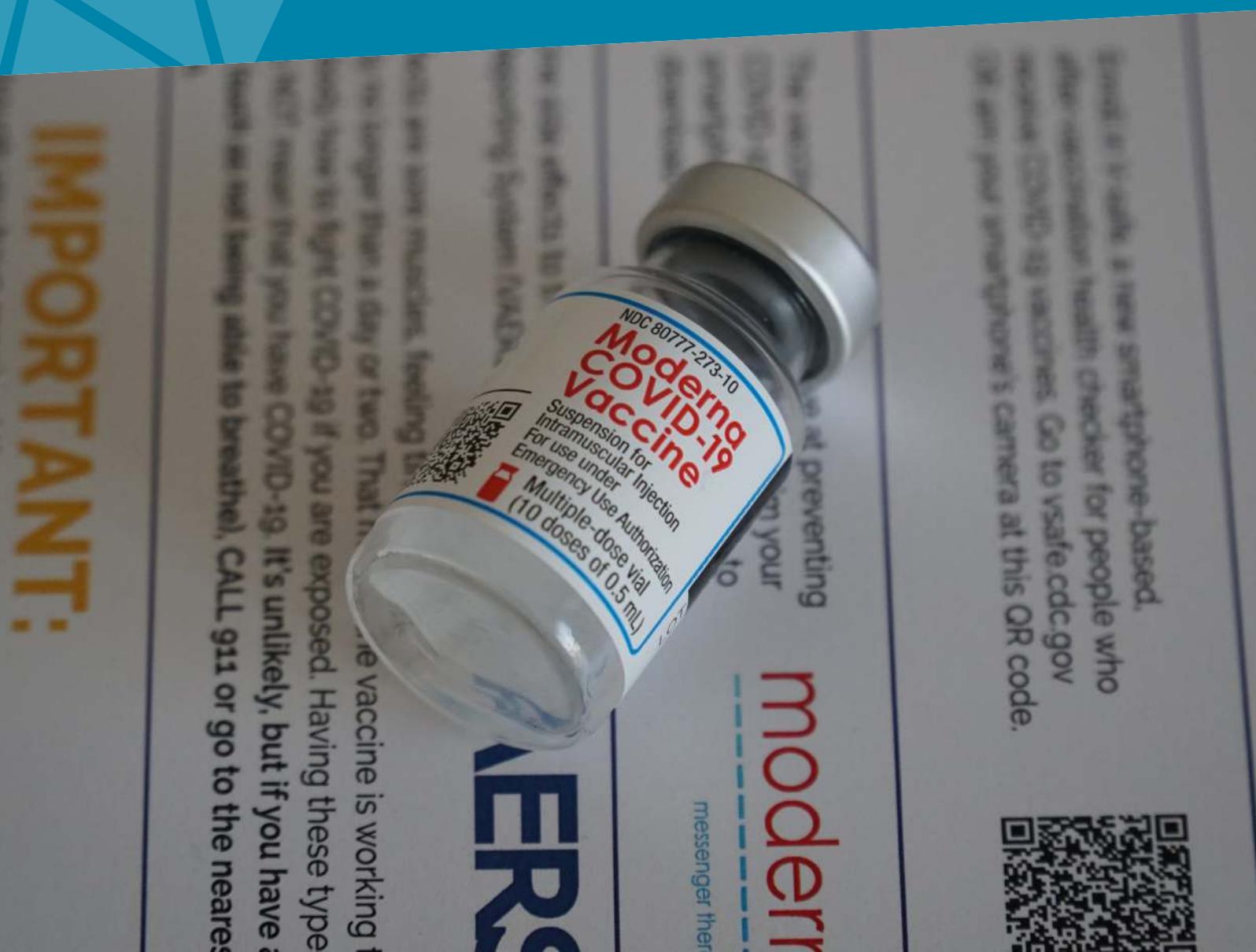


Closing the COVID Accountability Gap:

Enhancing Transparency in Malaysia through an Assistance Coordination Agency

By Sri Murniati Yusuf, Institute for Democracy and Economic Affairs



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In 2021, the International Budget Partnership published an assessment of 120 countries' management of COVID relief, which found that too many governments were using the excuse of urgency to avoid being as transparent, accountable, or inclusive as they could be. These shortcuts and limitations, however, are neither necessary nor inevitable. IBP's report showcased notable instances in which governments acted swiftly to put in place adequate transparency around their policy responses, where accountability institutions—such as legislatures and supreme audit institutions (SAIs) — stepped up to provide effective oversight, and civil society organizations contributed information on the needs of the most vulnerable. In a series of briefs, we have taken a more in-depth look at these good practices — delving into government objectives in implementing the practices, the impacts achieved, and lessons that can be drawn from these practices for their replication in other countries. The main goal of these briefs is to provide governments with information on good practices in fiscal openness and accountability that they can incorporate into their own policies, to be implemented during periods of crisis and beyond.

Malaysia announced its first COVID-19 stimulus package on February 27, 2020.¹ From that date until the end of September 2021, it announced eight more stimulus packages. The total value of these packages is RM530 billion, or about 36% of Malaysia's GDP (at 2020 prices). Only 16.4% of the total value is funded by direct fiscal injection. For example, direct cash assistance for low-income families, special allowances for medical and other frontline workers, wage subsidies, grants for micro small-to-medium enterprises (SMEs) and electricity subsidies. The remaining 83.6% came from either state-owned enterprises (SOEs) or the private sector in the form of loan moratoriums, soft loans, rental exemption and deductions. For example, a student loan moratorium was offered by the National Higher Education Fund Corporation (PTPTN) (student loan SOE) and the Council of Trust for People (MARA), and soft loans were offered by SME bank. Details on some of the additional spending from SOEs is reported in the National Economic Implementation and Strategic Coordination Agency (LAKSANA) reports.

This brief documents the transparency activities of a new unit, LAKSANA, created by the government of Malaysia to monitor and coordinate its COVID-19 stimulus packages. The government established this special unit on March 16, 2020² (about two weeks after the announcement of the first stimulus package) to monitor and coordinate the implementation of these packages. In light of Malaysia's poor past performance on the Open Budget Index (OBI), which measures transparency in national budgets, the establishment of LAKSANA is a credible initiative aimed at improving budget transparency.

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¹2020 Economic Stimulus Package: Bolstering Confidence, Stimulating Growth & Protecting Jobs. Speech by Tun Dr Mahathir Mohamad, Prime Minister of Malaysia. 27 February 2020. https://www.pmo.gov.my/wp-content/uploads/2020/02/2020_StimulusSpeech_V8_27022020-final.pdf

²Ministry of Finance. 2020. Penubuhan Unit Pelaksanaan & Koordinasi Stimulus Ekonomi Antara Agensi Nasional (LAKSANA) Bagi Memantau Pelaksanaan Inisiatif di bawah Pakej Rangsangan Ekonomi 2020. Press Statement, March 16, 2020. <https://www.mof.gov.my/ms/berita/siaran-media/penubuhan-unit-pelaksanaan-koordinasi-stimulus-ekonomi-antara-agensi-nasional-laksana-bagi-memantau-pelaksanaan-inisiatif-di-bawah-pakej-rangsangan-ekonomi-2020>

LAKSANA's role and activities

LAKSANA was established to ensure all the initiatives under the stimulus packages were rolled out effectively and efficiently.³ LAKSANA was initially headed by the director of the National Budget Office (NBO) at the Ministry of Finance when it was established.⁴ As of September 2021, the status of the unit was upgraded to a separate agency under the Ministry of Finance. While the acronym LAKSANA has been maintained, LAKSANA now stands for Agensi Pelaksanaan Ekonomi and Koordinasi Strategik Nasional (Economic Implementation and National Strategic Coordination Agency) instead of Unit Pelaksanaan and Koordinasi Stimulus Ekonomi Antara Agensi Nasional (Implementation and Coordination Unit for Economic Stimulus Package among National Agencies). As a permanent unit within the Ministry of Finance⁵ LAKSANA now has its own director and a staff of nine.⁶

As part of its monitoring and coordination role, LAKSANA carried out the following activities:

Reporting to the Economic Action Council (EAC) on the implementation of the package

In addition to LAKSANA, the prime minister formed the Economic Action Council (Majelis Tindakan Ekonomi) to tackle the pandemic.⁷ The council, which was established on March 11, 2020, was tasked with identifying and formulating strategy to deal with pandemic, especially ensuring public well-being and addressing related economic challenges. The council is chaired by the prime minister and consists of three senior ministers (Finance, Economic Affairs, and Internal Trade), the governor of Central Bank, health-care experts and some prominent businessmen. The council meets once a week, and LAKSANA is expected to update the council on the progress of the implementation of the stimulus packages.

³Ministry of Finance. 2020. *Penubuhan Unit Pelaksanaan & Koordinasi Stimulus Ekonomi Antara Agensi Nasional (LAKSANA) Bagi Memantau Pelaksanaan Inisiatif di bawah Pakej Rangsangan Ekonomi 2020*. Press Statement, March 16, 2020. <https://www.mof.gov.my/ms/berita/siaran-media/penubuhan-unit-pelaksanaan-koordinasi-stimulus-ekonomi-antara-agensi-nasional-laksana-bagi-memantau-pelaksanaan-inisiatif-di-bawah-pakej-rangsangan-ekonomi-2020>

⁴Muhyiddin inspects implementation of Prihatin package at Finance Ministry. *Malay Mail*, April 2, 2020. <https://www.malaymail.com/news/malaysia/2020/04/02/muhyiddin-inspects-implementation-of-prihatin-package-at-finance-ministry/1852937>

⁵Comment of the director of the Malaysia's National Budget Office, Johan Mahmud Merican, during IDEAS webinar, "Transparency and Accountability of Covid-19 Economic Stimulus Packages: Lessons Learned and the Way Forward," December 16, 2021.

⁶Agensi Pelaksanaan Ekonomi Dan Koordinasi Strategik Nasional (LAKSANA). Ministry of Finance website. <https://www.mof.gov.my/ms/hubungi/direktori/laksana>

⁷Economic Action Council Secretariat. Official Portal of Economic Planning Unit, Prime Minister's Department. <https://www.epu.gov.my/en/faq/economic-action-council-secretariat>

Updating the public on the implementation of the package

One of the most important activities that LAKSANA carried out is providing reports to the public on the implementation of the stimulus package. The press statement released by the Minister of Finance on the establishment of LAKSANA did not mention any plans to report on implementation to the public. But on April 14, 2020, the Minister of Finance held a special briefing on the progress that the LAKSANA team had made. In this statement, the minister also informed the public that he would appear weekly to brief the public on the implementation of the package. The video of the briefing, the text of the speech, and the infographics of the speech, together called the LAKSANA Reports, are publicly available on the Treasury microsite. From April 14, 2020 until October 7, 2021, LAKSANA has released a total of 71 reports. The frequency of reporting is not always consistent. At the beginning, the reports were released weekly on the same day (Tuesday), but subsequent reports were published at longer intervals. However, on average, the *LAKSANA Reports* have been published almost weekly.

Gauging public opinion of the implementation of the package

In addition to publishing reports to the public, LAKSANA also carried out a public survey from August 19 to September 22, 2020 to gauge public opinion and gather feedback on the implementation of PRIHATIN, the largest package.⁸ This package, which contains various stimulus measures amounting to RM250 billion, was announced on March 27, 2020. Among the measures are direct cash assistance for low and mid-income families (*Bantuan Prihatin Nasional*), allowances for frontline workers, and an electricity subsidy. The public perception survey involved 11,000 respondents and field trips to more than 10 locations in the country. The survey showed that 80% of respondents were satisfied with the implementation of the package, especially the cash assistance program of *Bantuan Prihatin Nasional*; 50% of respondents benefited from three to five PRIHATIN programs and 77% of respondents used the assistance to support household spending.⁹

⁸<https://penjana.treasury.gov.my/>

⁹<https://www.mof.gov.my/portal/pdf/laporan-laksana/teks/ucapan-25.pdf>

LAKSANA Reports

The LAKSANA Reports provided valuable updates on the implementation of the stimulus package. They focused mostly on reporting the amount that was disbursed and the number of target recipients that received benefits from the program. The reports also showed the allocated amount and target for the program, and provided anecdotal examples of how some recipients maximized the use of assistance to improve their quality of life.

This information allows the public to monitor progress on the overall implementation of the stimulus packages. For example, the first LAKSANA Report (April 14, 2020) shows that RM4.9 billion of the total RM10 billion allocation for the first *Bantuan Prihatin Nasional* (BPN 1.0), a one-off cash assistance program for mid- and low-income individuals and households that was part of the PRIHATIN package, has been disbursed. This RM4.9 billion was disbursed to 6.6 million out of the 8.3 million target recipients. The report also disaggregates the number of target recipients (low-income individuals and households) and the amount given to them.

This type of reporting also allows the public to track the pace of implementation. In the case of BPN 1.0, the information presented in the LAKSANA Reports suggests that the pace of disbursement has been relatively fast. The program was announced on March 27, 2020. By the end of July 2020, almost four months after the announcement, the bulk of the allocated funds had been disbursed to target groups. It should be noted that in the course of the implementation, the allocated amount of BPN 1.0 was revised to RM11.5 billion, and the number of target recipients was revised as well: from 8.3 million to 10.77 million. The LAKSANA Reports updated the public on the changes to the allocations and targets.

The reports also provide updates on the implementation progress of the overall package. This information is not provided regularly, but is discussed in some reports. For example, LAKSANA Report 55 shows the progress of implementation for five packages: PRIHATIN, PENJANA, KITAPRIHATIN, PERMAi, and PEMERKASA. The report shows that RM165.7 billion from the PRIHATIN package and RM19.69 billion from the PENJANA package have been disbursed.

Unfortunately, the LAKSANA Reports only provide extensive reporting for certain programs. IDEAS, a Malaysian civil society organization that monitors the LAKSANA Reports,¹⁰ suggests only 73 programs are included in the LAKSANA Reports from April 14, 2020 to July 1, 2021 (a total of 59 reports). Out of 73 programs, only 14 receive substantial and extensive reporting (reported more than 20 times in the LAKSANA Reports). Among them are wage subsidy programs, microcredit schemes and direct cash assistance. Most of the programs that receive substantial reporting are part of the COVID-19 Fund, a special fund established by the government to finance the some of the stimulus package programs and funded by the annual budget. The reports also shy away from showing the percentage of implementation of the total package. For example, Report 55 does not show that after one year of implementation, only 66% of the total PRIHATIN package (RM165.7 billion out of RM250 billion) had been implemented.

The systematic use of the LAKSANA Reports has been minimal apart from IDEAS, which collated the information and created a data set from the LAKSANA Reports to provide other organizations with a better analysis of the stimulus packages' data. Nevertheless, the information presented in the reports is useful for the public and civil society organizations (CSOs) to provide feedback or inputs on the implementation. For example, one pressure group questioned the government's decision on wage subsidy based on a LAKSANA Report.¹¹

¹⁰IDEAS collected all the stimulus package data and created a data set that will enable researchers to identify the following information in the stimulus package: source, type, objective, target group, target sector and value. The data set has been shared with CSOs, MPs and relevant stakeholders to enable them to monitor stimulus package implementation. The data set is currently only shareable by request and is undergoing a second review.

¹¹<https://www.astroawani.com/berita-malaysia/rakyat-malaysia-gusar-hanya-20-peratus-pekerja-dapat-bantuan-mtem-244507>

Lessons learned

Malaysia's experimentation with LAKSANA shows that it is possible for a country that does not have a strong track record in budget transparency¹² to establish new practices that improve budget transparency and public participation. The establishment of the unit was aided by the electoral environment, the need to consolidate public opinion in favor of the new (minority) Perikatan Nasional (PN) government¹³ and ongoing civic action around budget transparency.

First, a key lesson is that emergencies create the necessary conditions to institute reforms that support budget transparency and public participation. In addition to having a relatively large stimulus package, the PN government also created mechanisms to show the public that it intended to ensure efficient and effective implementation. By combining proactive transparency about the implementation of the stimulus packages through both the LAKSANA Reports and a public perception survey, the government demonstrated its commitment to budget transparency and showed that it valued a positive public perception of the implementation of its stimulus packages. LAKSANA undoubtedly set a higher bar for transparency and accountability than had been seen in Malaysia's handling of emergency spending previously.¹⁴ In the case of future stimulus packages, the public will expect the government to at least match, if not exceed, LAKSANA's transparency track record.

Another lesson is that having transparency champions in key leadership positions can ensure that reforms stick. In Malaysia, it appears that the appointment of a nonpolitician as finance minister bolstered LAKSANA's monitoring and transparency activities. The PN government appointed Tengku Zafrul, who was a former CEO of major local bank, CIMB Group. This is the first time a nonpolitician was appointed to a position that was traditionally held by a senior politician from the ruling party. But reform-minded individuals can also be found within government and should be given the necessary autonomy and powers to implement transparency and public participation practices, especially during emergencies.

Finally, governments can support additional analysis of their monitoring and transparency portals by independent third-party actors. For example, in Malaysia the public perception concerns of a minority government could be considered the main impetus for establishing LAKSANA. Yet the role of Malaysia's civic movements, which are stronger and more vibrant than in the past, should not be discounted. The role of IDEAS and other civic action groups in analyzing LAKSANA data and making actionable recommendations could be supported in the future and formalized to facilitate public participation and improve implementation of the stimulus package.

¹²Malaysia only scored 47 on the 2019 Open Budget Index.

¹³Prior to creating LAKSANA, Malaysia witnessed a sudden change of government. The Pakatan Harapan (PH) coalition government, which came power in 2018 after defeating the Barisan Nasional (BN) coalition that ruled Malaysia for more than 60 years, fell on February 24, 2020. The collapse was triggered by the exit of some members of its party from the coalition. As a result, the PH government lost its majority. After five days of political negotiation, a new coalition government called Perikatan Nasional (PN) was sworn in on March 1, 2020. The new government successfully secured an adequate number of representatives, but it did not enjoy a large majority. Unlike its predecessor, it did not come to power through a general election. As such, public perception was not positive; in fact, it was labelled a "back-door" government without a legal mandate from voters. It was high priority for the new government to shore up public support.

¹⁴For example, in response to the global financial crisis between 2008 and 2010, the government launched stimulus packages (amounting to RM 67 billion) but did not create a separate agency to monitor the implementation of the packages.

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