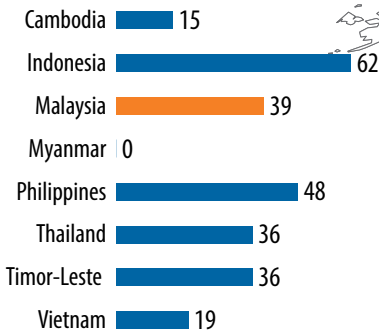


How does Malaysia compare to its neighbors in Southeast Asia?



81-100 Extensive

61-80 Substantial

41-60 Some

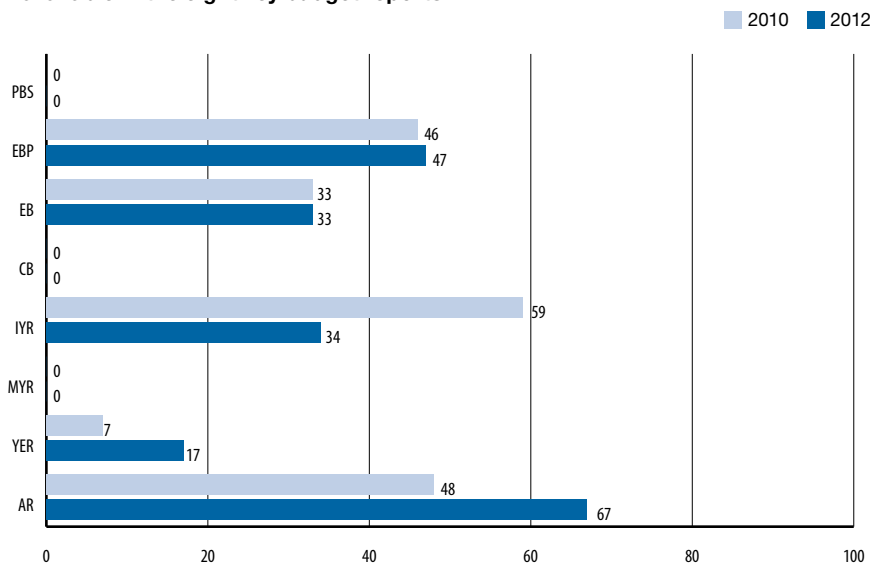
21-40 Minimal

0-20 Scant or None

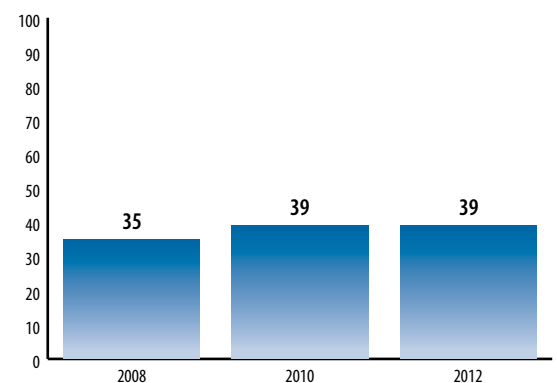
What are each of the eight key budget documents, and does the public have access to them?

| Document | Description of Document | Publication Status |
|------------|---|--------------------|
| PBS | Pre-Budget Statement: Provides information that links government policies and budgets and typically sets forth the broad parameters that will define the budget proposal that is presented to the legislature. | Not Produced |
| EBP | Executive's Budget Proposal: Presents the government plans to raise revenues through taxes and other sources and spend these monies to support its priorities, thus transforming policy goals into action. | Published |
| EB | Enacted Budget: The legal instrument authorizing the executive to raise revenues, make expenditures, and incur debt. | Published |
| CB | Citizens Budget: A nontechnical presentation to enable broad public understanding of a government's plans for raising revenues and spending public funds in order to achieve policy goals. | Not Produced |
| IYR | In-Year Reports: Periodic (monthly or quarterly) measures of the trends in actual revenues, expenditures, and debt, which allow for comparisons with the budget figures and adjustments. | Published |
| MYR | Mid-Year Review: An overview of the budget's effects at the midpoint of a budget year and discusses any changes in economic assumptions that affect approved budget policies. | Not Produced |
| YER | Year-End Report: Information comparing the actual budget execution relative to the Enacted Budget. | Published |
| AR | Audit Report: Independent evaluation of the government's accounts by the country's supreme audit institution. It typically assesses whether the executive has raised revenues and spent monies in line with the authorized budget, and whether the government's accounts of its revenues and expenses are accurate and provide a reliable picture of the fiscal situation. | Published |

From Zero to 100: Has Malaysia increased the amount of information it makes available in the eight key budget reports?



OBI scores over three Surveys



Open Budget Index

The **Open Budget Survey** assesses whether the central government in each country surveyed makes eight key budget documents available to the public, as well as whether the data contained in these documents is comprehensive, timely, and useful. The Survey uses internationally accepted criteria to assess each country's budget transparency developed by multilateral organizations, such as the International Monetary Fund (IMF), the Organization for Economic

Co-operation and Development (OECD), and the International Organization of Supreme Audit Institutions (INTOSAI).

The scores on 95 of the 125 Open Budget Survey questions are used to calculate objective scores and rankings of each surveyed country's relative transparency. These composite scores constitute the Open Budget Index (OBI), the world's only independent and comparative measure of budget transparency.

Malaysia's score is 39 out of 100, which is below the average score of 43 for all the 100 countries surveyed. It is also lower than the score of its neighbors Indonesia and Philippines, but it is above the scores of its neighbors Thailand, Cambodia, Myanmar, Timor-Leste, and Vietnam. Malaysia's score indicates that the government provides the public with minimal information on the national government's budget and financial activities during the course of the budget year. This makes it challenging for citizens to hold the government accountable for its management of the public's money.

Malaysia's OBI 2012 score of 39 has remained the same as it was in 2010.

The Open Budget Index is composed of subscores for each of the eight key budget documents assessed in the Survey. These subscores represent the average of the scores received on a set of questions in the Survey that measure the public availability of and amount of information in the documents. The subscores are comparable across all of the countries included in the Survey.

Recommendations

Malaysia's score on the Open Budget Index has largely remained constant in the last two rounds of the Open Budget Survey. However, with a score of 39 out of 100 on the Open Budget Index 2012, the government of Malaysia has the potential to greatly expand budget transparency by introducing a number of short-term and medium-term measures, some of which can be achieved at almost no cost to the government.

The International Budget Partnership recommends that Malaysia undertake the following steps to improve budget transparency:

- Produce and publish a Pre-Budget Statement, Citizens Budget, and Mid-Year Review (detailed guidance on the contents of these documents can be found in these guidebooks: <http://bit.ly/QGzHv8> and <http://bit.ly/QGzFmJ>). As per the Open Budget Survey 2012, 47 countries publish a Pre-Budget Statement, including Malaysia's

neighbors Cambodia, Indonesia, and Vietnam; 26 countries publish a Citizens Budget, including its neighbors Indonesia and Thailand; 29 countries publish a Mid-Year Review, including its neighbor Indonesia. Links to the budget documents published by these countries can be accessed from the IBP's website:

<http://bit.ly/P8NPOV>.

- Increase the comprehensiveness of the Executive's Budget Proposal, specifically by focusing on providing information in the following areas:
 - expenditures presented by economic classification for the budget year, future years estimates of expenditure and revenues, and previous years expenditures (see questions 3, 5-6, 9-10, 19-20, 22, and 24 of the Open Budget Questionnaire);
 - total government debt outstanding for the budget year (see question 11 of the Open Budget Questionnaire);
 - macroeconomic forecasts and assumptions used in developing the budget (see questions 14-15 of the Open Budget Questionnaire);
 - linking the budget to the government's stated policy goals, non-financial for expenditure programs and information on policies that are intended to benefit directly the country's most impoverished populations (see questions 16, 48-50, and 55 of the Open Budget Questionnaire);
 - extra-budgetary funds, intergovernmental transfer, transfers to public corporations, quasi-fiscal activities, financial and non-financial assets, expenditure arrears, contingent and future liabilities, donor assistance, and secret items (see questions 35-44 and 46-47 of the Open Budget Questionnaire); and
 - dates and detailed timetable on the budget formulation process (see question 57 of the Open Budget Questionnaire).
- Increase the comprehensiveness of the Enacted Budget by providing program-level details (see question 101 of the Open Budget Questionnaire).
- Increase the comprehensiveness of the In-Year Reports by releasing reports on actual expenditure at least every month, covering all expenditures, and comparing actual year-to-date expenditures and revenues with either the original estimates for that period or the same period in the previous year (see questions 63-64, 66, and 69 of the Open Budget Questionnaire).
- Increase the comprehensiveness of the Year-End Reports by

explaining the differences between the enacted levels and the actual outcome for revenues; explaining the differences between the original macroeconomic forecast, original estimates of non-financial data, original performance indicators, and enacted levels of funds intended to benefit the poor in the country and their actual outcomes; and presenting the actual outcomes for extra-budgetary funds (see questions 79-86 of the Open Budget Questionnaire).

- Increase the comprehensiveness of Audit Reports on the security sector as well as the reports on what steps the executive has taken to address audit recommendations (see questions 95 and 96 of the Open Budget Questionnaire).

Strength of Legislatures and Supreme Audit Institutions in Budget Oversight

The Open Budget Survey examines the extent of effective oversight provided by legislatures and supreme audit institutions (SAIs). These institutions play a critical role — often enshrined in national constitutions — in planning and overseeing the implementation of national budgets.

The Open Budget Survey assesses whether legislatures provide effective budget oversight by measuring performance on 11 indicators, including: consultations with the executive prior to the tabling in the legislature of the draft budget, research capacity, formal debate on overall budget policy, time available to discuss and approve the

budget, legal authority to amend the budget proposal, approval of shifts in expenditure budget and excess revenues collected, supplemental budget powers, authority to approve use of contingency funds, and scrutiny of audit reports.

The Open Budget Survey assesses whether supreme audit institutions are empowered to provide effective budget oversight by using the following four indicators: authority to remove the head of the supreme audit institution, legal power to audit public finances, financial resources available, and availability of skilled audit personnel.

Recommendations

The International Budget Partnership recommends that Malaysia undertake the following actions to improve budget oversight:

- The legislature should have a formal pre-budget policy debate prior to the tabling of the Executive’s Budget Proposal, the legislature should have a specialized budget research office to assist it with budget analysis, and the legislature should scrutinize all audit reports; the executive should be required seek input from the legislature when it shifts funds between budget lines, and it should approve supplemental funds before they are expended (see questions 97-98, 103, and 105 of the Open Budget Questionnaire).

Malaysia has average budget oversight and engagement compared to others in Southeast Asia

| Country | Legislative Strength | SAI Strength | Public Engagement |
|-------------|----------------------|--------------|-------------------|
| Cambodia | Moderate | Moderate | Weak |
| Timór-Leste | Moderate | Strong | Weak |
| Indonesia | Strong | Strong | Weak |
| Malaysia | Moderate | Strong | Weak |
| Myanmar | Weak | Weak | Weak |
| Philippines | Moderate | Strong | Moderate |
| Thailand | Strong | Strong | Weak |
| Vietnam | Strong | Strong | Weak |

Strong: average score above 66 of 100; **Moderate:** average score between 34 and 66; **Weak:** average score below 34

Opportunities for Public Participation

Research and advocacy experience of civil society over the past 15 years has demonstrated that transparency by itself is insufficient for improving governance. Transparency along with opportunities for public participation in budgeting can maximize the positive outcomes associated with open budgeting. Therefore, the Open Budget Survey assesses opportunities available to the public to participate in national budget decision-making processes. Such opportunities can be provided throughout the budget cycle by the executive, legislature, and supreme audit institution.

Based on these indicators, the Open Budget Survey 2012 finds that opportunities for public participation in the budget process in Malaysia are limited.

Recommendations

The International Budget Partnership recommends that Malaysia should expand public engagement in budgeting after considering the Open Budget Survey indicators on which the country performs poorly (see table below and questions 114-124 in the Open Budget Questionnaire).

Malaysia has much room to improve public participation

| Requirement | Finding |
|---|------------------------------|
| Process Followed Before Consultation | |
| Formal requirement for public participation (Q114) | Exists but is weak |
| Articulation of purposes for public participation (Q115) | Exists but is weak |
| Communication by the SAI of audit findings beyond publication of audit reports (Q124) | Does not exist |
| Process of Consultation | |
| Mechanisms developed by the executive for participation during budget planning (Q116) | Exists but is weak |
| Public hearings in the legislature on macroeconomic budget framework (Q119) | Does not exist |
| Public hearings in the legislature on individual agency budgets (Q120) | Does not exist |
| Opportunities in the legislature for testimonials by the public during budget hearings (Q121) | Does not exist |
| Mechanisms developed by the executive for participation during budget execution (Q117) | Does not exist |
| Mechanisms developed by the SAI for participation in audit agenda (Q123) | Exists but is weak |
| Process Followed After Consultation | |
| Feedback by the executive on use of inputs provided by the public (Q118) | Does not exist |
| Release by the legislature of reports on budget hearings (Q122) | Does not exist |
| Feedback by the SAI on use of inputs provided by the public (Q125) | Exists but could be improved |

Description of Survey, Methodology, Reliability, and Researcher Contact Information

The Open Budget Survey is a fact-based research instrument that uses easily observable phenomena to assess what occurs in practice. The research conclusions are typically supported by citations and comments, including reference to a budget document, a law, or other public document; a public statement by a government official; or comments from a face-to-face interview with a government official or other knowledgeable party. The Survey is compiled from a questionnaire completed for each country by independent budget experts who are not associated with the national government. Each country's questionnaire is then independently reviewed by two anonymous experts who also have no association with government. In addition, the IBP invites national governments to comment on the draft results from the Survey and considers these comments before finalizing the Survey results. The entire research process for 2012 took over 18 months between July 2011 and December 2012 and involved approximately 400 experts.

The Open Budget Survey provides a reliable source of data on national budget transparency practices for governments, development practitioners, the media, and citizens. Current users of the Survey results include the Open Government Partnership, Collaborative Africa Budget Reform Initiative, INTOSAI, the World Bank in its Worldwide Governance Indicators, and a number of bilateral aid agencies and international and regional multilateral bodies. The publication of the Open Budget Survey 2012 has reinforced the Survey's preeminent position as a global data repository on budget transparency, participation, and accountability.

Research to complete this country's Open Budget Survey was undertaken by the Center for Public Policy Studies (CPPS), 1718, Jalan Ledang, off Jalan Duta, 50480 Kuala Lumpur, Malaysia, yeenseen@cpps.org.my, yeenseen@asli.com.my.

Despite repeated efforts, the IBP was unable to get comments on the draft Open Budget Questionnaire results from the Malaysian government.