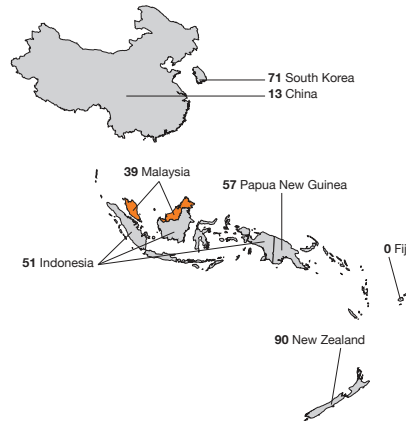
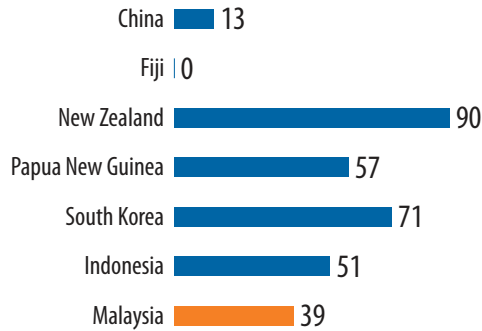


**Overall score: 39** (Out of 100) Provides minimal information to the public in its budget documents during the year.

### How Does Malaysia Compare to Its Neighbors?



## Key Findings

The scores for 92 questions from the Open Budget Survey (see text box) are used to compile objective scores and rankings of the relative transparency of each country's budget process. These scores constitute the Open Budget Index.

Malaysia's score is 39 out of 100, which is less than the average score (42) for the 94 countries surveyed. Malaysia's score indicates that the government provides the public with minimal information on the central government's budget and financial activities assessed by the Survey. This makes it extremely difficult for citizens to hold the government accountable for its management of the public's money.

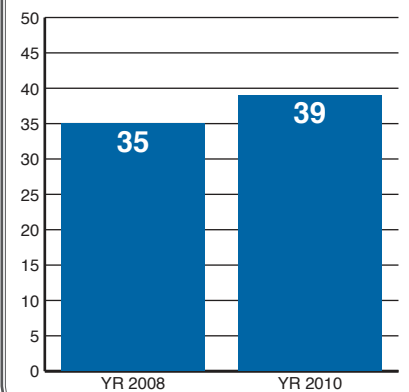
Malaysia's score rose somewhat from 2008 to 2010.

### Information in Public Budget Documents

#### Adequacy & Availability of Eight Key Budget Documents

Document	Level of Information Grade*	Publication Status
Pre-Budget Statement	E	Not Produced
Executive's Budget Proposal	C	Published
Enacted Budget	D	Published
Citizens Budget	E	Not Produced
In-Year Reports	C	Published
Mid-Year Review	E	Not Produced
Year-End Report	E	Published
Audit Report	C	Published

### OBI Scores Over Two Surveys



\* Grades for the comprehensiveness and accessibility of the information provided in each document are calculated from the average scores received on a subset of questions from the Open Budget Survey. An average score between 0-20 (scant information) is graded as E; 21-40 (minimal) is graded as D; 41-60 (some) is graded as C; 61-80 (significant) is graded as B; and 81-100 (extensive) is graded as A.

An **Executive's Budget Proposal** is the government's most important policy instrument. It presents the ways the government plans to raise revenues and where these funds are allocated, thus transforming policy goals into action. In Malaysia the Executive's Budget Proposal consists of the Supply Bill 2009, the Finance Act 2009, the Anggaran Hasil Kerajaan Persekutuan Tahun 2009, the Anggaran Perbelanjaan Persekutuan 2009, and the Economic Report 2008/2009. However, these documents are not sufficiently comprehensive. Major gaps in information in the budget proposal are found in the following areas:

- It has limited information that can help explain the relationship between the government's revenue and expenditure plans and its policy and macroeconomic goals. This information is important for the executive to facilitate a broader debate about planned expenditures.
- It has little information on certain fiscal activities that can have a major impact on the government's ability to meet its fiscal and policy goals, including information on extra-budgetary funds, quasi-fiscal activities, tax expenditures, contingent and future liabilities, and financial and other assets. Without this information, the public is unable to identify the government's complete fiscal position.
- It lacks information on outputs and outcomes. This information is important for those interested in monitoring the budget's impact.

A **Pre-Budget Statement** sets forth the broad parameters that will define the government's forthcoming budget. Malaysia does not produce a Pre-Budget Statement.

An **Enacted Budget** becomes a country's law and provides the baseline information for all budget analyses conducted during the budget year. In general terms, the Enacted Budget should provide data the public can use to assess the government's stated policy priorities and hold it to account. Malaysia publishes the Supply Act and the Finance Act, which together form the Enacted Budget and is far from being comprehensive. It does not provide program-level detail.

A **Citizens Budget** is a nontechnical presentation of a government's budget that is intended to enable the public — including those who are not familiar with public finance — to understand a government's plans. Malaysia does not produce a Citizens Budget.

**In-Year Reports** provide a snapshot of the budget's effects during the budget year. They allow for comparisons with the enacted budget figures and thus can facilitate adjustments. Malaysia produces In-Year Reports, but they are not sufficiently comprehensive. They do not provide comparisons between total expenditures and the original estimates.

A **Mid-Year Review** provides a comprehensive 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. Information in this report allows the government, legislature, and the public to identify whether or not adjustments related to revenues, expenditures, or borrowing should be made for the remainder of the budget year. Malaysia does not produce a Mid-Year Review.

# OPEN BUDGET SURVEY 2010

## Malaysia

The International Budget Partnership's Open Budget Survey assesses the availability in each country assessed of eight key budget documents, as well as the comprehensiveness of the data contained in these documents. The Survey also examines the extent of effective oversight provided by legislatures and supreme audit institutions (SAI), as well as the opportunities available to the public to participate in national budget decision-making processes.

Research to complete this country's Open Budget Survey was undertaken by:

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A **Year-End Report** compares the actual budget execution to the Enacted Budget. The Year-End Report can inform policymakers on tax policies, debt requirements, and major expenditure priorities, thus facilitating adjustments for upcoming budget years. Malaysia produces the Akaun Awam Persekutuan (Year-End Report), but it has serious deficiencies. It does not contain information regarding actual budget execution compared to the Supply Act and Finance Act (Enacted Budget).

An **Audit Report** is an evaluation of the government's accounts by the country's supreme audit institution (SAI). It reports whether the government has raised revenues and spent national revenue in line with the authorized budget, whether the government's bookkeeping is balanced and accurate, and whether there were problems in the management of public funds. Malaysia produces an Audit Report, but it is not sufficiently comprehensive. The executive does not make available to the public a report on how it will address audit recommendations, and no report tracks actions taken by the executive to address audit recommendations.

### *Public Participation and Institutions of Accountability*

Beyond improving the availability and comprehensiveness of key budget documents, there are other ways in which Malaysia's budget process can be made more open. These include ensuring the existence of a strong legislature and SAI that provide effective budget oversight, as well as providing greater opportunities for public engagement in the budget process.

#### **Are oversight bodies effective in their budget role?**

Oversight Institution	Strength**
Legislature	Weak
SAI	Moderate

\*\* Legislature and SAI strengths are calculated from the average scores received for a subset of questions from the Open Budget Survey. An average score between 0-33 is graded as weak, 34-66 as moderate, and 67-100 as strong.

According to the Open Budget Survey, budget oversight provided by Malaysia's legislature is weak because it does not:

1. have full powers to approve any changes made to the budget over the course of the fiscal year; and
2. hold open budget discussions that allow the public to be present during legislative hearings at which the executive testifies on its proposed budget.

According to the Open Budget Survey, budget oversight provided by Malaysia's SAI is inadequate because it does not:

1. have sufficient independence from the executive, as the executive can remove the head of the SAI at its discretion;
2. have adequate reporting on the follow-up steps taken by the executive to address audit recommendations for remedial action.

## Recommendations

### Malaysia should:

- begin to produce and publish a Pre-Budget Statement, a Citizens Budget and the Mid-Year Review;
- increase the comprehensiveness of the Executive's Budget Proposal;
- strengthen the role of the legislature and the SAI in the budget process; and
- provide opportunities for the public to testify at legislative hearings on the budget.