

**OPEN
BUDGET
SURVEY
2021**

**8th
EDITION**

Southeast Asia and the Pacific

Acknowledgements

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Transparency within Limits

Regional Overview

The Open Budget Survey (OBS) is an assessment of fiscal transparency, public participation and formal oversight in the budget process across a range of countries, conducted every two years.

This brief focuses on the OBS performance of a number of countries in Southeast Asia and the Pacific, including: Cambodia, Fiji, Indonesia, Malaysia, Myanmar, Papua New Guinea, the Philippines, Thailand, Timor-Leste and Vietnam.

This survey period saw a range of threats to democratic norms around the globe as leaders grappled with the unprecedented impacts of the Covid-19 pandemic. Governments, including within Southeast Asia and the Pacific, were forced to bypass checks and balances to release emergency funds. Additionally, the region has seen Fiji, Malaysia, Myanmar, Thailand and Timor Leste fall into political turmoil within the survey period. The right of the public and of a free press to hold leaders accountable through public disclosure remains a disputed concept in Southeast Asia and the Pacific, which is mainly comprised of weak democracies and unstable regimes.

Yet despite these challenges, the region continued to make notable progress in advancing budget transparency as the overall quantity and quality of budget reporting has increased. Improvements in the region were driven by a mix of incentives and pressure from international and domestic actors.

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In reviewing the region as a whole, the countries of Southeast Asia and the Pacific have demonstrated that reforms in public financial management can be a powerful tool for expanding and protecting civic spaces. There is still room for progress in public participation and oversight, but when compared to other regions primarily comprised of developing economies, Southeast Asia and the Pacific has seen high average scores in budget transparency.

Some of the primary drivers of this progress have included external calls from international institutions and donors like the European Union, World Bank and International Monetary Fund to increase transparency – and directly linking foreign assistance with concrete advancements. In countries like the Philippines and Indonesia, civil society has also played an indispensable role in placing pressure on government leaders to demystify the budget process and invite more scrutiny from the public and media.

The challenge moving forward will be to ensure that this progress in transparency is not compromised by the ongoing threat of political instability and the risk of lapses into authoritarianism.

States primarily oriented around single political parties, such as Vietnam and Cambodia, have taken steps to increase transparency, but more effort will be needed over the coming months and years to translate meeting these international transparency benchmarks into meaningful public participation.

In assessing trendlines across the region, some common themes and key take-aways emerge, which are described below.

The overall quantity and quality of budget documents reported increased

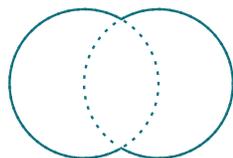
Overall, both the quantity and quality of budget documents reported in the region increased. Cambodia and Indonesia stand out in ensuring that all eight assessed budget documents were made publicly available. After enduring a political crisis throughout 2019 and 2020 that prevented the legislature from passing a budget at all, Timor-Leste saw significant advancements in its transparency rankings, moving to publish its Citizen Budget and Year-End report. Myanmar also published its own Citizen's Budget for the first time, though this took place prior to the military coup of 2021.

On the other hand, Fiji and Papua New Guinea had five and four documents, respectively that were either not prepared or not publicly available, suggesting that significant commitments may be required to increase transparency. Countries that published late or produced documents for internal use only could improve fiscal transparency by making these documents publicly available within a timeframe considered meaningful for public participation.

Many of the region's countries demonstrate significant gaps in information reported in documents, especially in reporting on actual expenditures. Indonesia and the Philippines stand out for their success in providing comprehensive reporting across the entire budget cycle, not only during budget formulation.

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Transparency in Southeast Asia and the Pacific, OBS 2021



Country	Transparency Score (OBI score)	Comprehensiveness of EBP (Average score)	No. of budget documents publicly available	Documents published late, for internal use, or not produced at all
Cambodia	33	14	8	n/a
Fiji	37	62	3	Pre-Budget Statement, Citizens Budget, In-Year Reports, Mid-Year Review, Year-End Report
Indonesia	70	65	8	n/a
Malaysia	47	54	6	Pre-Budget Statement, Mid-Year Review
Myanmar	30	30	6	Pre-Budget Statement, Audit Report
Papua New Guinea	50	65	4	Enacted Budget, In-Year Reports, Citizens Budget, Audit Report
Philippines	68	73	7	Mid-Year Review
Thailand	58	64	7	Mid-Year Review
Timor-Leste	52	59	6	Pre-Budget Statement, Mid-Year Review
Vietnam	44	35	7	Mid-Year Review

INSUFFICIENT

0-20 Scant or No
Information Available

21-40 Minimal Information
Available

41-60 Limited Information
Available

SUFFICIENT

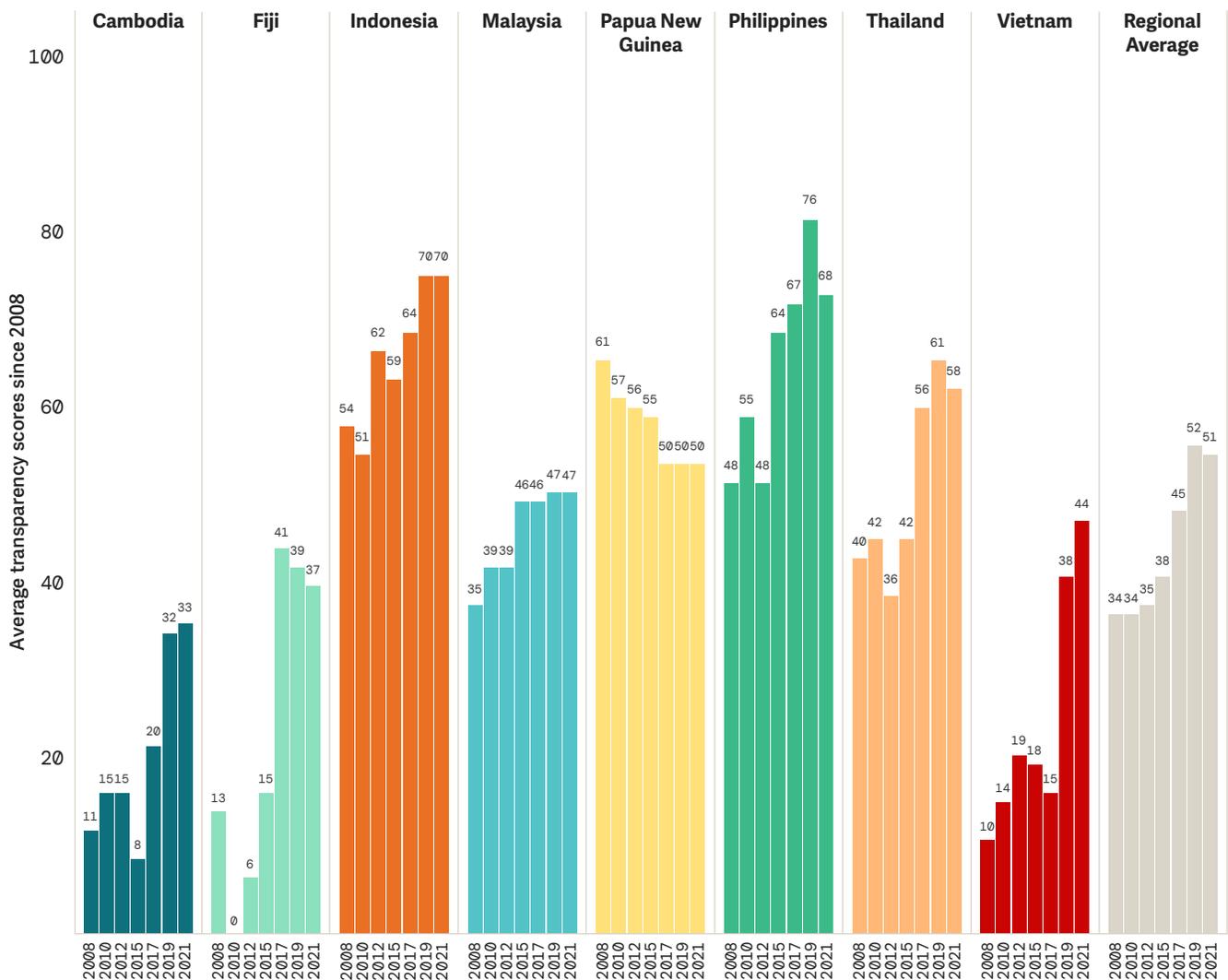
61-80 Substantial
Information Available

81-100 Extensive
Information Available

Most countries in the region depend heavily on external trade linkages and foreign investment to finance development. Strong fiscal governance and transparency play an important role in the decision-making process of investors, incentivizing leaders to increase fiscal transparency in order to attract investment and trade relationships for economic growth.

A wide range of international development assistance efforts continue to promote tools like roadmaps for driving reform in public financial management. In particular, international development has played a crucial role in improving transparency levels in Cambodia, Timor-Leste and Papua New Guinea despite their considerable resource constraints. Aid organizations will likely continue to play a crucial role in driving the focused effort, sequential planning and dedicated resources that are required over a period of years to institutionalize legislation around public financial management reform and transparency.

Country and regional averages since 2008



Public participation scores have continued to lag behind transparency

Once countries have developed the discipline of publishing the necessary budget documents, the work is not done; in fact, it is often a more challenging effort to reach meaningful levels of disclosure for each budget report. Transparency, participation and accountability each contribute to good governance. Without public feedback, the government can be as transparent as required by external pressures – but still fall short in implementing meaningful policy and budgeting adjustments desired by citizens.

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Rates of public participation have lagged behind strides forward in transparency, with practices largely unchanged in Cambodia, Myanmar, Papua New Guinea and the Philippines. These results demonstrate that many governments provided only minimal formal mechanisms for public participation, which have lacked strong implementation mechanisms.

Restrictions and resource constraints due to the Covid-19 pandemic played some part in restricting public consultations, especially for countries that did not have adequate infrastructure in place to facilitate online public participation. In an era increasingly dominated by technology, it's no surprise that a growing number of participation mechanisms are digital, particularly as internet penetration climbs to levels of near 100% in countries like Malaysia.

The lack of public participation in Myanmar and Cambodia combined with weak transparency underscores the difficulty in going beyond institutional transparency to achieve meaningful public participation in nations with little or weak democratic institutions of government.

In contrast to other weak democracies, Vietnam has seen strong growth in public participation. As a single party state and a socialist republic, Vietnam's political regime remains harsh towards *unsolicited criticism*, and the state ranks *near the bottom of global rankings in World Press Freedom*. In 2021, 3 prominent journalists were imprisoned on the basis of “anti-state propaganda” for criticizing the government. Yet there are formal mechanisms provided for feedback, and provisions for citizen participation have been included in the revised *2015 State Budget Law*. The Ministry of Finance has also invited citizen feedback on previous budget reporting. These developments suggest that space for participation can be created within a non-democratic state – albeit within strict confines and provided mechanisms.

We see some clear trends between countries in the region that contribute to low public participation levels, including a lack of inclusion of vulnerable and under-represented groups in the budgeting cycle, while nearly all countries lack feedback on how the citizens' inputs have been used, as well as public involvement in the auditing process.

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While five out of 10 countries have formal mechanisms for the public to provide input on the scope of audit, only the Philippines proactively holds public hearings in which the public may be called to testify. And only the leading countries in transparency in the region – Indonesia and the Philippines – engage in more systematic, proactive measures for obtaining public feedback. Both countries have technologies like apps and *data portals* to provide public access to government projects, documents, and *provide feedback and policy recommendations*.

In the Philippines, these meetings are conducted on all national, regional and provincial levels ensuring input in the government process, especially budgeting, from all socio-economic groups. Indonesia, in hopes of increasing budget literacy, organizes educational events like a competition called Budget Olympics and provides opportunities for students to interact with government officials responsible for the budget.

As states continue to strengthen their democratic institutions and norms, they are well advised to include democratization of budgets in this process – including robust public participation in budget-driven decision making.



Local government workers distribute relief goods to residents during the COVID-19 lockdown, Antipolo City, Philippines. Junpinzon / Shutterstock



KNTI fisherfolk community, Indonesia. © International Budget Partnership

Legislative oversight remains weak throughout the region

Legislatures in this region typically approve the budget before the budget year begins and have some degree of freedom to make changes to approved budgets. However, many of them are not willing to share the results of their budget monitoring work with the public.

During the survey period, some legislatures' oversight role was bypassed or weakened, in an attempt to streamline the management of emergency spending as part of the pandemic. Indonesia was a regional leader in oversight in 2019, but this year it saw a dip in its score. This was due to the introduction of an emergency law in response to the COVID-19 crisis. While approved by parliament, this law increased the executive's flexibility to shift money between ministries and agencies without seeking prior parliamentary approval. Similarly, when the government had to increase the COVID-19 budget, it presented it to the legislative budget committee, but no approval was required. The Constitutional Court has limited the timeframe for the emergency law and has ruled that the law's validity would not extend beyond 2022, so the next OBS may see a rebound of Indonesia's oversight score.

It is also worth noting that other countries employed different workarounds to increase flexibility and fiscal space during the pandemic without overriding existing fiscal rules. For example, Malaysia established an act for a COVID-19 Fund retrospectively approved by Parliament, as the Parliament was not in session for much of 2021. The provisions set up an earmarked fund for economic stimulus measures and vaccination programs; expenditure lines could be shifted without legislative approval, but only within the overall ceiling of the Fund.

Recommendations for continued reform and next steps

We propose a number of reforms and policy shifts that leaders across the region should consider in order to strengthen the integrity, transparency, and public involvement of the budget process.

- Develop fiscal reform programs that layer in specific measures for transparency and public participation; these should extend beyond the basic disclosure-related requirements — such as publishing key budget documents — into opening spaces for meaningful public participation in the budget process.
- Leaders should continue to invest in mobile and internet technologies that can help accelerate and lower costs of engagement with the public.
- Countries exhibiting strong public participation should continue to be vigilant in reporting results from their executed budgets to the public in order to “close the loop” in communications.
- The region’s countries should establish and empower legislative committees with clear roles throughout the budget process, including in examination of in-year implementation and audit reports.

Transparency scores rate the quality and timeliness of government disclosures concerning fiscal management, but these disclosures ultimately derive meaning in combination with oversight and public participation mechanisms. Southeast Asia and the Pacific has seen steady increases in transparency and oversight scores while public participation has not improved as impressively.

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Reversing this trend will require political will and a commitment to accountability.

While international development efforts and external linkages have influence overgrowth in fiscal transparency, self-directed fiscal reform programs backed by political will and technical competency are the key to sustainable and consistent improvement in driving budget transparency and public participation.

Open Budget Survey is online at

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The International Budget Partnership is a global partnership of budget analysts, community organizers, and advocates working to advance public budget systems that work for all people, not a privileged few. Together, we generate data, advocate for reform, and build the skills and knowledge of people so that everyone can have a voice in budget decisions that impact their lives.

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