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BUDGET TRANSPARENCY IN MALAYSIAN STATES:
KEY FINDINGS OF MALAYSIA'S
OPEN BUDGET INDEX

MyOBI
2022

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I. Introduction

MyOBI is an IDEAS initiative to create greater demand for accountability at the state level. The index is part of our response to a democratic opening created by the 2018 election result and subsequent change of government. We believe that the opening of civic space will be more meaningful if civil society and the public are more well-informed and equipped to participate in the democratic process. The pandemic has also strengthened the need for a more transparent and accountable government and opened wider opportunities to use the internet as a way to achieve this.

As part of this initiative, IDEAS began to design a questionnaire to gauge the level of budget transparency at the state level. The questionnaire is based on the subnational budget transparency evaluation devised by the International Budget Partnership (IBP), the publisher of the Open Budget Survey (OBS), a global survey that evaluates the level of transparency, oversight, and public participation in the budget process. The questionnaire was also based on the global OBS. We shared the early draft with the IBP and other organisations in other countries that had experience in conducting sub-national level budget transparency assessment. We also piloted the questionnaire with civil society organisations (CSOs) that attended training in early 2021. We then revised the questionnaire based on the feedback collected and developed it into MyOBI.

By creating a national benchmark for budget transparency, we hope to encourage state governments to publish more budget information online. We hope the benchmark would also encourage citizens to read and use the information to track service delivery as well as to demand more accountability from the state governments.

The overall results indicate that some state governments in Malaysia have not disclosed adequate budget information to the public and the level of oversight by the state assembly on budget is not sufficient, especially during the formulation process (which this study focuses on). The index helps identify several low-hanging fruit reform actions that can be taken by state governments and state assemblies to improve budget transparency and oversight. This report discusses the overall findings of this study as well as these reform actions.

2. The Malaysia Open Budget Index (MyOBI): An Overview

The Malaysia Open Budget Index (MyOBI) is a comparative assessment of state budget transparency. MyOBI is modelled after international benchmarks set by the International Budget Partnership's Open Budget Survey (OBS). The questionnaire assesses the public availability of state government budget information and the role of oversight institutions such as the State Assembly (Dewan Undangan Negeri) and state auditors.

The index is developed from 22 questions: 17 questions track the public availability of budget documents produced by state governments and 5 other questions on the role of oversight institutions. Out of the 22 questions, 21 are scored on a scale of 0-100, and the overall score for each category is a simple average of all the questions considered within that category. Where a document is available but the date of publication cannot be ascertained, the response for the date of publication is excluded from the calculation.

Questions on the public availability focused on four budget documents:

1. **Executive Budget Proposal (EBP)** is a comprehensive document that specifies the government's monetary plans for the forthcoming year. It is prepared by the government and submitted to parliament for approval. The EBP comprises the budget speech, the supply bill, and the estimates of revenue and expenditure. The latter is a document which provides a detailed list of revenues and expenditures proposed in the budget.
2. **Enacted Budget (EB)** is the document that the parliament passes. Essentially, after the EBP is debated upon, altered and passed, it will be referred to as the EB. The availability of the document is indicated by the publication of the 2022 supply ordinance or supply enactment on the state government's website or the state government treasury's website.
3. **Year-End Report (YER)** is the document that reports the actual budget execution and the situation of the government's accounts at the end of the fiscal year.
4. **Audit Report (AR)** is a document produced by the Supreme Audit Institution (SAI) which evaluates the accuracy of government's financial activities, compliance to laws and policies that apply to it, and performance of government entities.

For a document to be considered publicly available, **it must be provided online and free to access (not password-protected) within a meaningful time frame**. MyOBI also assesses the level of information details in the EBP. The more detailed the information provided by the state governments, the better their scores will be. The table below summarises the best practices for timely publication.

Table 1: Standard for Timeliness

Budget Documents	Timely publication according to OBS Standard	What the standard means in Malaysia's Budget Year
Executive Budget Proposal (EBP)	Before it is approved by the legislative body and two (2) months before the fiscal year	Before it is approved by the DUN and before 31 October annually. The EBP2022 (evaluated under the current MyOBI) should be published in between 1 October-31 December 2021.
Enacted Budget (EB)	Before the budget year starts and within two (2) weeks after the budget has been passed by State Assembly	Before 1 January annually. The EB2022 (evaluated under the current MyOBI) should be published before 1 January 2022.
Year End Report (YER)	Within 6 months after the end of fiscal year	Between January-June annually. The YER2020 (evaluated under the current MyOBI) should be published between January-June 2021.
Audit Report (AR)	Within 9 months after the end of fiscal year	Between January-September annually. The AR2020 (evaluated under the current MyOBI) should be published between January-September 2021.

For the Oversight score, MyOBI assesses the timeliness of tabling the budget to the State Assembly such that there is sufficient time for meaningful debate before the end of the fiscal year. The questionnaire also checks that a review of past audit reports is conducted and reported by a Public Accounts Committee (PAC) or equivalent Select Committee. For MyOBI 2022, there must be available a report that shows that the PAC has examined at least the 2019 Audit Report before June 2021, to earn an oversight score.

IDEAS worked with 15 individuals in different states to carry out the assessment as researchers. Some of them are affiliated with local organisations, but others carried out the assessment as independent citizens. Some of them were part of the first part of the project in which we did the pilot assessment. Before carrying out the assessment, these researchers attended training on budget transparency and the budget process in Malaysia. During the assessment, IDEAS scheduled

check-in meetings where they could ask questions about the survey, clarify methodology and share concerns.

After the researchers completed the questionnaires, we sent the results to the state governments and individuals who are familiar with the budget system in Malaysia for review. Unfortunately, none of the state governments agreed to carry out the review. However, we received two official responses from Negeri Sembilan and Sabah state governments. We hope to get a better response in the future assessment because the review process by state governments can ensure the score accurately reflects current practice.

Table 2: Timeline of the Assessment

Activity	When
1. Training of researchers	January 2022
2. Researchers search for available documents and information and answer the questions accordingly	January to April 2022
3. Written requests sent to state governments for non-available documents and notify them on the impending review	March 2022
4. IDEAS provided feedback on researchers' answers to ensure accuracy of the sources and comments. Researchers revised the answers based on the feedback.	March 2022
5. IDEAS checked the completed questionnaires before review process	April 2022
6. Completed assessments are reviewed by Independent Peer Reviewers (Completed assessment also sent to the state treasury office for review)	May 2022
7. IDEAS checked the review results and consulted with researchers if peer-reviewers gave different answer	June 2022
8. IDEAS finalised the scoring for all states	July 2022

For more information on the methodology and the way the scores are calculated, refer to the methodology notes published on www.pantauwangkita.com

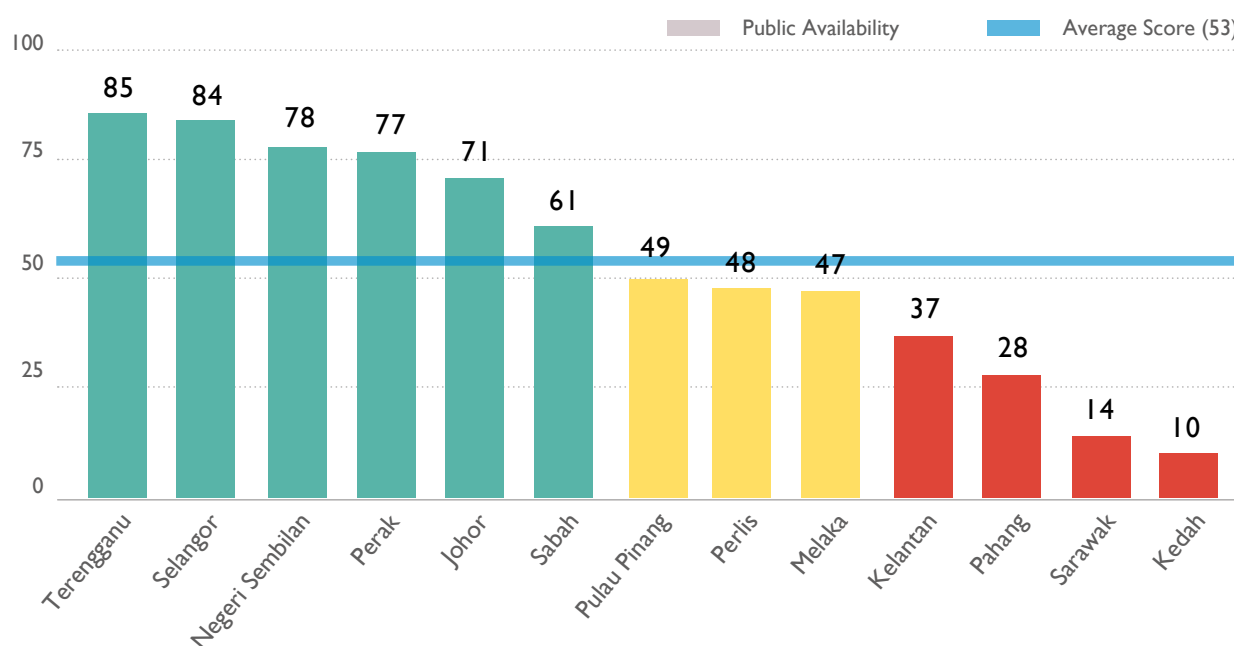
3. Malaysia's States Budget Openness: Key Insight from The Results

Public availability and oversight categories are scored separately in the MyOBI. Hence, the results for these two categories will also be discussed separately in this section.

3.1 Public Availability Score and Insights

The overall results from the MyOBI assessment indicate that **state governments have not disclosed vital budget information to the public adequately** (See Graph 1). On average, the state governments provide minimal budget disclosure to the public. Budget information in the form of EBP and AR documents was seen to be widely available across most states. However, not much attention was given in the publication of EB and YER (See Table 2).

Graph 1: Public Availability Score of 13 States in Malaysia





















































61 - 100	Substantial disclosure
41 - 60	Minimal disclosure
0 - 40	Insufficient disclosure

Terengganu, Selangor, Negeri Sembilan, Perak, Johor, and Sabah provided **substantial disclosure** through the publication of all key budget documents with a sufficient level of detail. With regards to the EBP, the best performing states were able to provide a detailed breakdown concerning their 3 types of expenditures such as **functional, administrative, and economic expenditures**, while also providing information on their individual sources of revenue. Terengganu, Selangor, Perak, and Johor are notable for providing expenditure breakdowns by economic classification and administrative expenditures with details down to the divisional level.

Pulau Pinang, Perlis, and Melaka were more than 10 points away from reaching the substantial standard, which indicates that the three states made budget documents available but gave insufficient levels of information. Out of the three states, Pulau Pinang's result is unexpected as it is the only state along with Selangor that has enacted a freedom of information law. Nevertheless, more needs to be done to translate a legislative commitment to transparency into executive action. Like many of the states scoring in the mid-range, Penang had not published the EB and the YER, while its EBP was only in the form of the Budget Speech which did not provide any kind of breakdown on the expenditure and revenue for the year 2022.

The four lowest-scoring states – **Kelantan, Pahang, Sarawak, and Kedah** – did not provide sufficient disclosure which indicates that there is vital budget related information that was missing or a failure to publish more than one of the key 4 budget documents. Notably, both **Kedah** and **Sarawak** did not make the EBP available for fiscal year 2022, which is the primary document for budget information, hence the information could not be assessed.

Table 2: Public availability of the 4 key state budget documents

State	Executive Budget Proposal (2022)	Enacted Budget (2022)	Year End Report (2020)	Audit Report (2020)
Johor				
Kedah				
Kelantan				
Melaka				
Negeri Sembilan				
Pahang				
Perak				
Perlis				
Pulau Pinang				
Sabah				
Sarawak				
Selangor				
Terengganu				
Total States where Documents are Available	11 states	3 states	5 states	13 states



Document Publicly Available Online



Document Not Publicly Available

Table 2 shows that only **the EBP and the Audit Report are widely available to the public**. The Enacted Budget, which is the budget document that is passed by Dewan Undangan Negeri, and the YER which shows the actual implementation of the budget, are not widely available.

The wide availability of Audit Reports – known in Malaysia as *Laporan Ketua Audit Negara (LKAN)* – is encouraging because the information available in the document has the potential to increase the demand for accountability at the local level. The LKAN provides an analysis of government expenditures and revenue, and even on the investment and assets of the state statutory bodies. Additionally, the LKAN highlights issues concerning activities and projects that are carried out by relevant government entities.

However, such wide availability is not surprising because the LKANs are available on the Auditor General’s website and sometimes, on the Parliament’s website. The reports however are not available on the websites of many state assemblies even though the Audit Act requires for the reports to be laid out to these assemblies. Evidence of reports being laid before the State Assemblies is also scarce, as only 6 states publish Hansards (the official record or *Penyata Rasmi*), and state government or state assembly websites do not include links to the AR.

As for the EB document, which is the Supply Ordinance or Enactment, the majority of the states did not make it publicly available. Only Johor and Terengganu published the Enacted Budget document online, while Perlis made the document available for a limited time.¹ **The Supply Enactment 2022, if it is published, could provide the public with information on whether the Dewan Undangan Negeri (DUN) amended the proposed 2022 budget.** Given the usual minimum amendments to the budget, it is very likely that the state government did not see the need to publish the Enacted Budget because the content will likely be the same as the EBP.

The Open Budget Survey requires budget documents to be publicly available within the specified timeframe to be considered publicly available. The Executive Budget Proposal for example should be made publicly available before it is approved by the legislative body, while the Enacted Budget should be published before the budget year starts and within two weeks after the budget has been passed by the legislative body (See Table 3 for a detailed specified timeline).

Of two types of budget documents that are widely available (EB and AR), only AR are made available in a timely manner in all states. Although the EBP was the most readily available document, the timeliness of its publication varies across states. None of the states was able to publish the EBP more than 2 months before the start of the fiscal year, which is the best practice indicated in the Open Budget Survey. Five states published the EBP after it was approved or did not publish it at all. The publication of the EBP is vital as it contains the information concerning the public’s resources and what it would be spent on. Hence, states should strive to make the EBP publicly available before the budget is approved, at least on the day the chief minister tables the EBP to ADUN.

¹ Upon completion of the assessment, the link to the Enacted Budget was removed from the Perlis State Government website, so that the document can no longer be easily accessed

Table 3: Date of publication of EBP

Date of EBP publication	States
Published at least by 31 October 2021	Nil
Published between 1 to 30 November 2021	<ul style="list-style-type: none"> • Penang • Negeri Sembilan • Johor • Terengganu
Published after 30 November 2021	<ul style="list-style-type: none"> • Pahang
Published after budget is approved or not published	<ul style="list-style-type: none"> • Kedah • Melaka • Kelantan • Sarawak
Publication date is not available or not clearly stated	<ul style="list-style-type: none"> • Perlis • Perak • Selangor • Sabah

3.2 Oversight Score and Analysis

The average score for oversight practice for all states is 34 out of 100 indicating the limited oversight exercise by the state assembly (Figure 4). The DUN in most of the states deliberated the budget only less than one month before the start of the budget year, and they only spent between 1 to 7 days deliberating on the budget (Table 4). Additionally, the PACs in most states do not publish their reports online making it difficult for the public to ascertain whether they meet to examine the audit reports.

Figure 4: Oversight score for all states

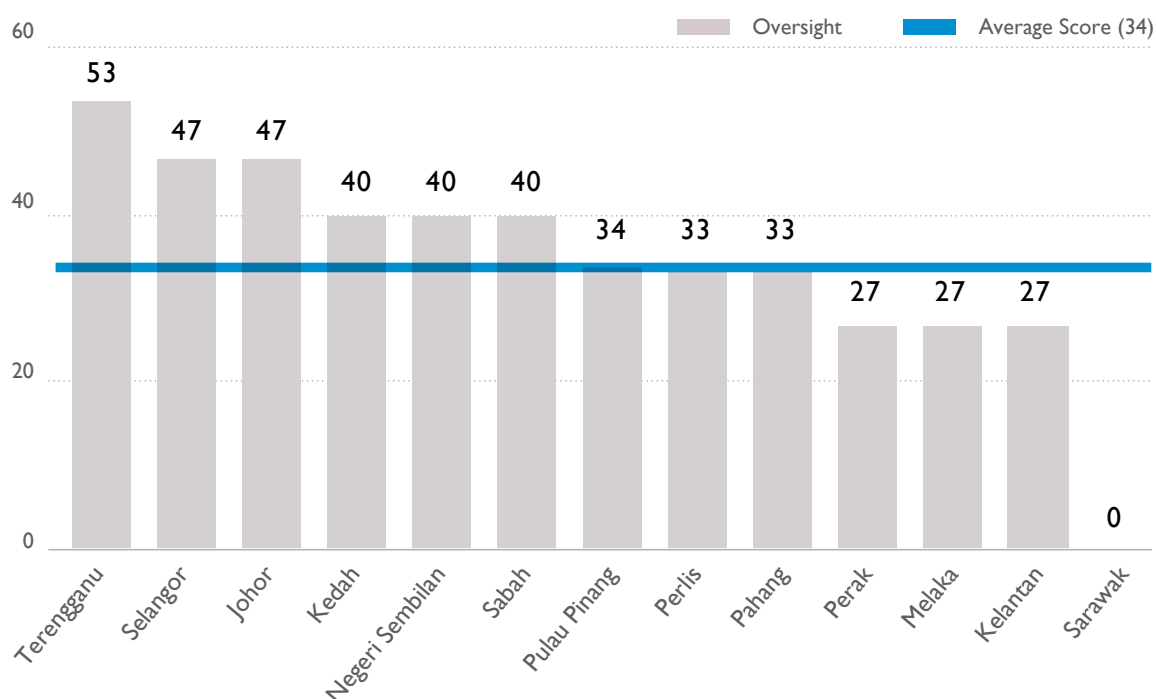


Table 4: Number of days in which ADUN deliberates the EBP

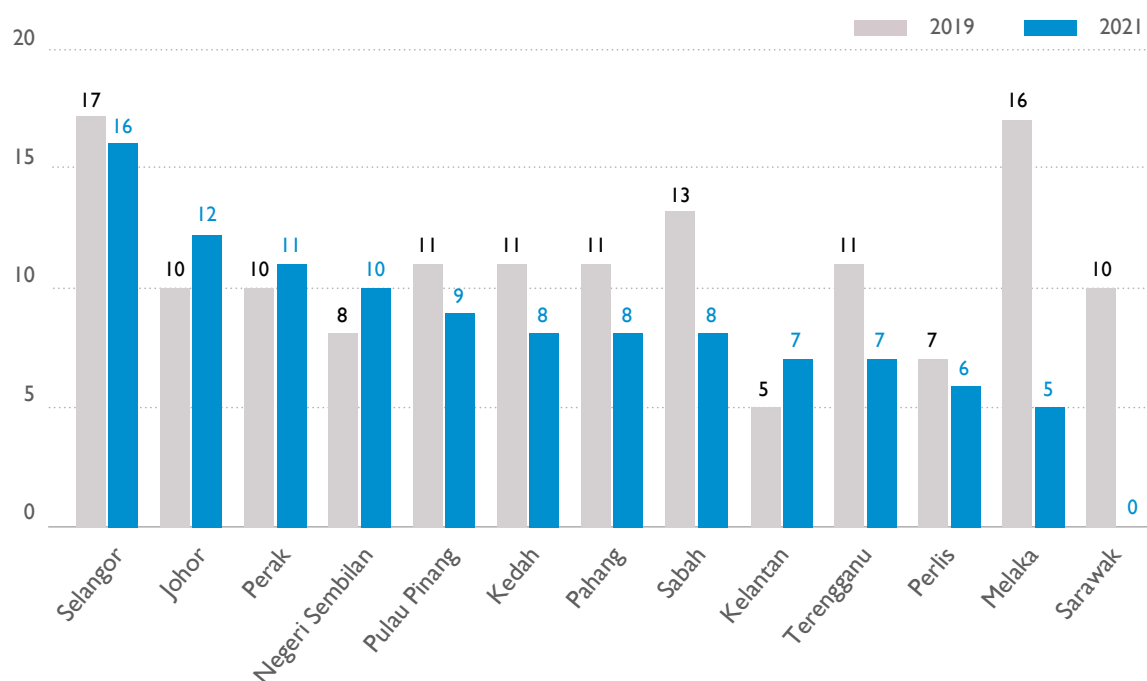
States	Number of Days	Tabled on	Passed on
Johor	7	18 November 2021	28 November 2021
Kedah	5	14 November 2021	18 November 2021
Kelantan	2	2 December 2021	5 December 2021
Melaka	1	27 December 2021	27 December 2021
Negeri Sembilan	4	26 November 2021	1 December 2021
Pahang	5	6 December 2021	10 December 2021
Perak	6	10 December 2021	17 December 2021
Perlis	3	7 December 2021	9 December 2021
Pulau Pinang	6	26 November 2021	3 December 2021
Sabah	6	3 December 2021	9 December 2021
Sarawak	0	-	-
Selangor	7	26 November 2021	6 December 2021
Terengganu	4	15 November 2021	18 November 2021

Terengganu had the highest oversight score by a significant margin due to several good practices. Specifically, the approval of the EBP itself was done in a timely manner – one month before the start of the fiscal year. There is also sufficient information disclosed on the State Assembly sittings, including readily available official records online.

Sarawak had a score of zero due to its state assembly not sitting in the last quarter of 2021, while the other states that scored below average were Perak, Melaka and Kelantan with a score of 27. It is worth noting that Sarawak had an increasing number of Covid-19 cases in 2021 and was under the Proclamation of Emergency (Sarawak) 2021, wherein the Emergency (Essential Powers) (Sarawak) Ordinance 2021 came into operation from 2 August 2021 to 2 February 2022. The Cabinet, therefore, employed the emergency powers to approve a budget for 2022 without the approval of the state assembly, which resulted in the null Oversight score.

Overall, the number of days for state assembly sittings (Figure 5) is extremely low and insufficient for providing effective oversight by the legislative assembly. Additionally, due to various restrictions on even legislative meetings, the timeliness in the tabling and approval process of the EBP was delayed. Seven states did not provide a sufficient time length of 1 to 3 months before the start of the next budget cycle for the tabulation of the EBP; the short time span would hinder the legislature to review the EBP, and nine states failed to approve the EBP at least one month before the fiscal year.

Figure 5: Number of days that state legislative assemblies met in 2019 and 2021



All states were reported to only have 2 sessions in 2021. States such as Kedah, Perak, Melaka, Negeri Sembilan, Kelantan, and Sarawak do not report information on the number of sessions or date of sessions on the state assembly's website. In such cases, researchers had to discover the information from news articles. Taken together, there is a wide gap in the number of meetings

held between the State Assembly and Parliament. The states had an average of 9 days across 2 sessions, whereas Parliament had a total of 50 days across 2 sessions in 2021.

Notably, the level of oversight by the Public Accounts Committees (PAC) in states is largely unreported. Only Selangor published the reports of meetings conducted by the PAC online. Even then, Selangor also missed the score in MyOBI's question on PAC oversight, as there is not yet a record of the PAC reviewing the 2019 audit report. The other 12 states did not provide detailed information on select committees, especially on the reviews and reports made by the PAC, although PAC members are usually listed on the State Assembly's website.

State	EBP is tabled with sufficient time before end of FY	Availability of State Assembly's Official Record	Information on Public Accounts Committee's activity
	<ul style="list-style-type: none"> ● At least 3 months before ● At least 2 months before ● Less than 1 month / not tabled / after 	<ul style="list-style-type: none"> ● Available ● Not Available 	<ul style="list-style-type: none"> ● Available ● Not Available
Perlis	●	●	●
Kedah	●	●	●
Pulau Pinang	●	●	●
Perak	●	●	●
Selangor	●	●	●
Negeri Sembilan	●	●	●
Melaka	●	●	●
Johor	●	●	●
Pahang	●	●	●
Terengganu	●	●	●
Kelantan	●	●	●
Sabah	●	●	●
Sarawak	●	●	●
Total States with good practice	0	7	1

4. Recommendations

As a benchmark, MyOBI can function as a tool to identify areas of improvement. The questions posed in MyOBI are based on international best practice in budget transparency. Answers given to these questions indicate the level of transparency within the particular state and potential action that can be taken to improve it. Below are recommendations to improve public availability or level of disclosure and oversight that we identify from the assessment.

4.1 Recommendations to improve the public availability

- **States should aim to make the EBP available online** prior to the debate and approval of the budget, for public knowledge
- **Publish the estimate of revenues and expenditures** (the most significant component of the EBP) online, in addition to publishing the budget speech.
- **Provide detailed information on the breakdown for expenditure** relating to economic, administrative, and functional classification
- **Provide a more detailed breakdown of the individual sources of revenue** to improve the quality of the information provided.
- **Publish budget documents in a timely manner.** Sarawak and Kedah would improve their score easily by making the EBP available online.

4.2 Recommendations to improve oversight

- **The number of sitting days for state assemblies should be increased** to allow the state assemblymen to deliberate on budget and other government policies and monitor their implementation more effectively.
- **The tabling of the Executive Budget Proposal (EBP) should be set early** enough to enable sufficient time for debate.
- **Records of Public Accounts Committee Meetings should also be made publicly available.**
- **Publish session schedules and Hansards on the State Assembly websites.** Hansard records questions and debates in the state assembly. Public access to this information will allow for a greater degree of oversight with public involvement, as well as increase awareness of the state's budget and implementation of programs.

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