

Fiscal Responsibility During Political Transitions: the use of the Vote on Account in Malaysia

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Abstract

Does Malaysia's legal framework provide adequate provisions for authorisation and accountability when the government draws expenditures in situations where a regular supply bill is not passed on time? This paper outlines how the Vote on Account is used in Malaysia to authorise government expenditure during political transitions when a regular supply bill in the budget cycle cannot be passed before the start of the fiscal year. The study also compares the transitional mechanisms used in other countries that practise the Westminster system of parliamentary democracy and considers how to improve the balance between fiscal continuity and accountability during transition periods in Malaysia.



Executive Summary

1. A government may not be able to pass a full budget to authorise spending before the start of the fiscal year. This may be due to:
 - a regular feature of the budget cycle, where Parliament is given a lengthy time to deliberate the budget and usually passes the budget in the first quarter of the fiscal year
 - a political transition, that is, an unexpected change in government or an end-year dissolution of Parliament and calling of a general election that disrupts the budget cycle.
 - some other unforeseen issue that disrupts the budget cycle, e.g. the Covid-19 pandemic.
2. In such cases, **a transitional mechanism is used to authorise sufficient expenditure for government services to continue in the interim.** The authorisation is given in a summary manner with little or no deliberation by Parliament. The use of the transitional mechanism may occur annually as part of the budget cycle, or infrequently when the budget approval process is delayed due to a political transition.
3. The main transitional mechanism used in most Westminster style parliamentary democracies is known as the **vote on account**. In Malaysia, the vote on account is applied in a situation where the budget for the fiscal year ahead is not passed in time. Malaysia's constitutional framework makes provision for a vote on account in the form of Article 102(a). Parliament can approve expenditures for part of the year before the government tables complete estimates. The vote on account has been known to be used three times so far: in 1990, 1999, and 2022.
4. The vote on account is rarely used and therefore **Malaysia has poorly developed parliamentary conventions** on the use of the vote on account, unlike other democratic systems that have well-established conventions and rules around the use of transitional mechanisms.
5. This paper examines and compares the conventions and practice of vote-on-account in other Westminster-style parliamentary democracies particularly the United Kingdom, India, Sri Lanka, and Malaysia.

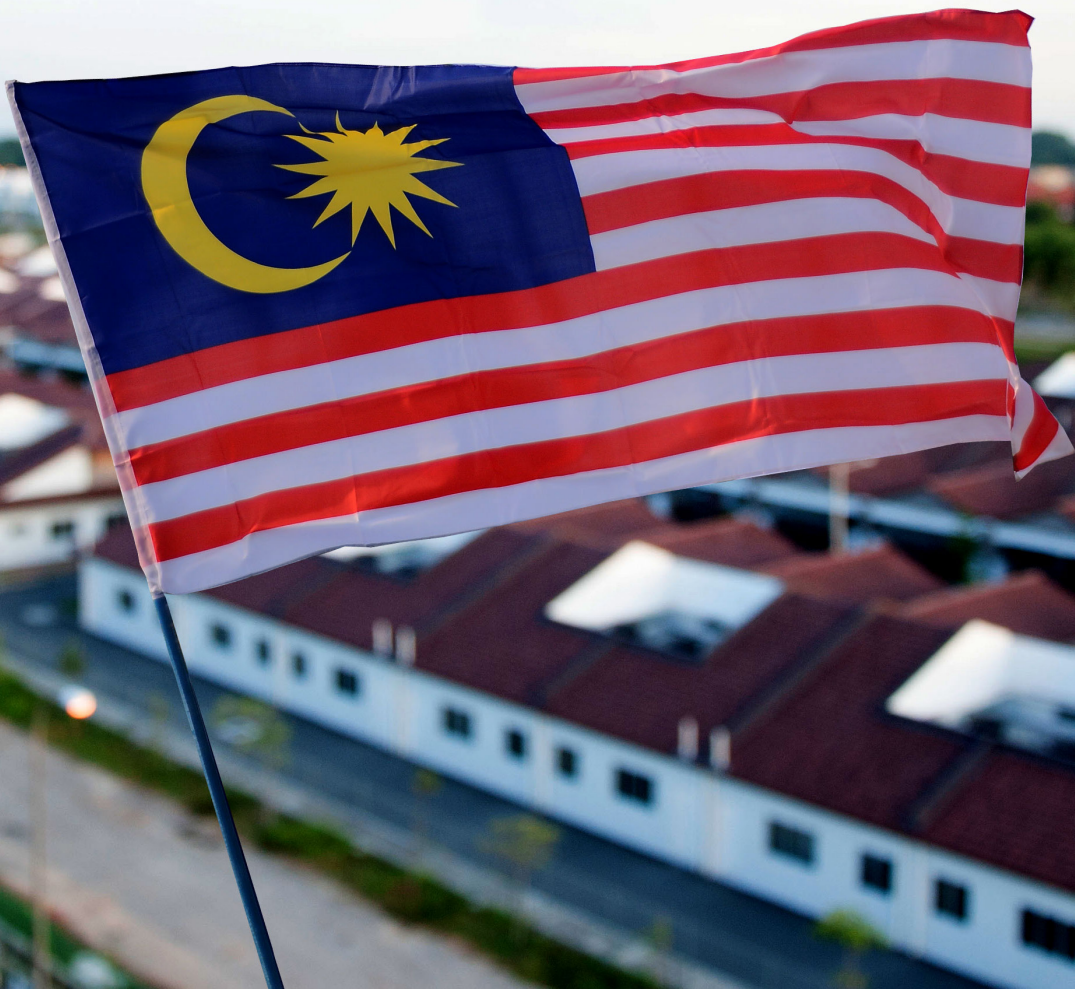
New Zealand's imprest mechanism, a later innovation in transitional provisions, is also compared to consider how accountability and continuity should be balanced.

6. The vote on account has developed differently to achieve different objectives in other political systems.

- Unlike in Malaysia, the vote on account in the United Kingdom is used not only during political transitions, but as a regular part of the fiscal cycle. The regular use of the vote on account provides time for the budget to undergo scrutiny and deliberation.
 - India's procedure was similar in this respect until 2017 when the budget schedule was moved earlier and the vote on account is now only moved for the outgoing government to approve the expenditure for interim budgets in election years.
 - In Sri Lanka, the vote on account has also been used only during election years to enable interim spending, on a more frequent basis than Malaysia.
 - New Zealand, on the other hand, **employs an imprest mechanism instead of a vote on account**, which is able to accommodate both interim and supplementary spending seamlessly in the annual cycle of appropriations.
7. The executive may choose to dissolve Parliament at the end of the year, disrupting the budget authorisation process. Given that Malaysia has entered a phase of stiff political competition where hung parliaments are now an expected occurrence, it is important to provide a more comprehensive framework for the exercise of the vote

on account to ensure fiscal responsibility and accountability. Below are some of the recommendations to improve accountability for the vote on account:

- Establish guidelines on the proportion of operating and development expenditure that can be passed and an upper limit to the period of time that the government can proceed without tabling a budget for the year.
 - Establish a requirement for the outgoing government to put up a vote on account if it intends to dissolve Parliament between September and December. For elections called before September, there would still be sufficient time to form an incoming government that would put up a vote on account if the budget approval crosses the end of the fiscal year.
 - Require the government to report the utilisation of the vote when tabling the full budget.
 - The Auditor General may certify that expenditure was not drawn for new purposes prior to the budget's approval.
8. In the longer term, the following options could be studied:
- Whether the imprest system would improve oversight and efficiency in transitional and supplementary expenditure.
 - Consider if it is advantageous to fix an election window and an early date of announcement when full-term elections are to be called, for predictability. The election window should exclude the fourth quarter of the year, to avoid significant disruption to the fiscal cycle.



I. Background

On 10 October 2022, then Prime Minister Ismail Sabri dissolved Malaysia's Parliament after tabling a budget for 2023, but before the corresponding Supply Bill could be passed in the House of Representatives (Zolkepli, 2022). Thus, Malaysia had no authorised budget for the year ahead and went into an end-year general election with polling day on 19 November. There were just six weeks left in the fiscal year. The elections were predicted to produce a hung parliament, which was the case until the unity government led by Prime Minister Anwar Ibrahim emerged. As a result, Parliament was only convened on 19 December 2022. There was insufficient time for a full budget to be tabled and debated – yet the government would need to cover existing financial commitments as the new financial year rolled in on 1 January 2023.

To remedy this, the government relied on Article 102(a) of the Federal Constitution of Malaysia (the Federal Constitution), in a procedure which is also known as a **vote on account**. On 20 December, Prime Minister and Finance Minister Anwar Ibrahim tabled the Consolidated Fund (Expenditure on Account) Bill 2022 to authorise operating expenditures for part of the upcoming fiscal year. The Prime Minister also put up a motion to authorise a proportion of development expenditure without detailed budget estimates (Kertas Perintah 54/2022), which is allowed by Section 4(5) of the Development Fund Act 1966. The event was termed interchangeably as a “mini”, “temporary”, or “interim” budget in the media, indicating an unsettled terminology for the procedure. The complete estimates for 2023 were eventually presented on 24 February 2023, and debated and passed according to the usual procedure.

In Malaysia, the vote on account is applied in a situation where the budget for the fiscal year ahead is not passed in time. The vote on account in Article 102(a) allows for operating expenditures for part of the year to be approved without a Supply Bill. The vote on account has been known to be used three times so far: in 1990, 1999, and 2022. The lack of a fixed election window allows the executive the discretion to call elections early or late in an election year. When the political transition occurs at the end of the year and disrupts the authorisation of the budget, the vote on account provides a way for the government or caretaker government to obtain authorisation for expenditure prior to the passing of the budget.

Malaysia has not developed documented parliamentary conventions or rules on the use of the vote on account, unlike other democratic systems that have well-established conventions around the use of the mechanism. In other countries, conventions or regulations undergirding the vote on account provide specific conditions or limitations. Changes to the procedure in other countries have shifted the balance between the executive's need for flexibility and the legislature's exertion of accountability. This paper intends to compare documented parliamentary practices in transitional situations in other Westminster-style democracies to provide some insight into the practice of managing fiscal accountability during political transitions. Similar mechanisms are examined in the United Kingdom, New Zealand, Sri Lanka, and India.

Conventions around the vote on account developed historically as part of a healthy deliberative and competitive democratic culture. Given that Malaysia has entered a phase of stiff political competition, where changes in political leadership and hung parliaments are now an expected occurrence, it is important to consider the framework that enables fiscal continuity and a responsible transition. This is a precursor to also understanding and improving transitions with respect to caretaker governments' roles, duties, and limitations with respect to fiscal management particularly.

This paper first describes the legal framework governing public expenditure for Malaysia including the use of the vote of account, followed by a comparative perspective of the mechanism in the UK, India, and Sri Lanka, as well as an analogous procedure for imprest in New Zealand. It then goes on to compare the aspects of the procedure that relate to legislative oversight in these transitional procedures.

2. The legal framework for accountability on public expenditure in Malaysia

One of the tenets of fiscal accountability is that Parliament has authority over the public purse. The executive proposes the means of revenue and types of expenditure, but may only draw on public funds with the legislature's approval. This approval is gained when Parliament passes a law to appropriate specified amounts for a corresponding list of services in the given budget year, which is known as an Appropriation Act, or Supply Act, depending on the jurisdiction. At the end of the budget cycle, the government's implementation and use of funds is subject to scrutiny through auditing and reporting back to Parliament.

One other means of drawing expenditure is through expenditure charged upon the Consolidated Fund, where the Constitution or law provides for it. In such cases, the government may draw the expenditure directly without annual Parliamentary approval. The legislature still has oversight on the laws that define what may be charged to the Consolidated Fund, and estimates for charged expenditure are still required to be presented to Parliament. For Malaysia, India, and Sri Lanka, constitutional provisions would lay charges upon the Consolidated Fund for expenditures related to independent institutions such as the salary of judges or of electoral commissions, repayment of government debt, or committed pensions and gratuities, while further charges may be created by legislation.

The foundation of public financial accountability for Malaysia is laid in PART VII of the Federal Constitution, which sets up the Federal Consolidated Fund (the Consolidated Fund) and restricts how expenditures may be drawn from the Fund. The Consolidated Fund is distinct from Trust Funds, of which, the Development Fund (which each year comprises the allocated development expenditure in the budget) is the primary trust fund among other types of trust funds set up by law. The government's operational expenditures, which cover salaries of civil servants and other regular expenditures, are drawn from the Consolidated Fund by passing a Supply Bill, while development expenditures are drawn from the Development Fund by passing a resolution in Parliament in accordance with the Development Fund Act 1966. Thus, the annual allocations for both are proposed by the Executive and approved by Parliament as part of the annual budget exercise¹.

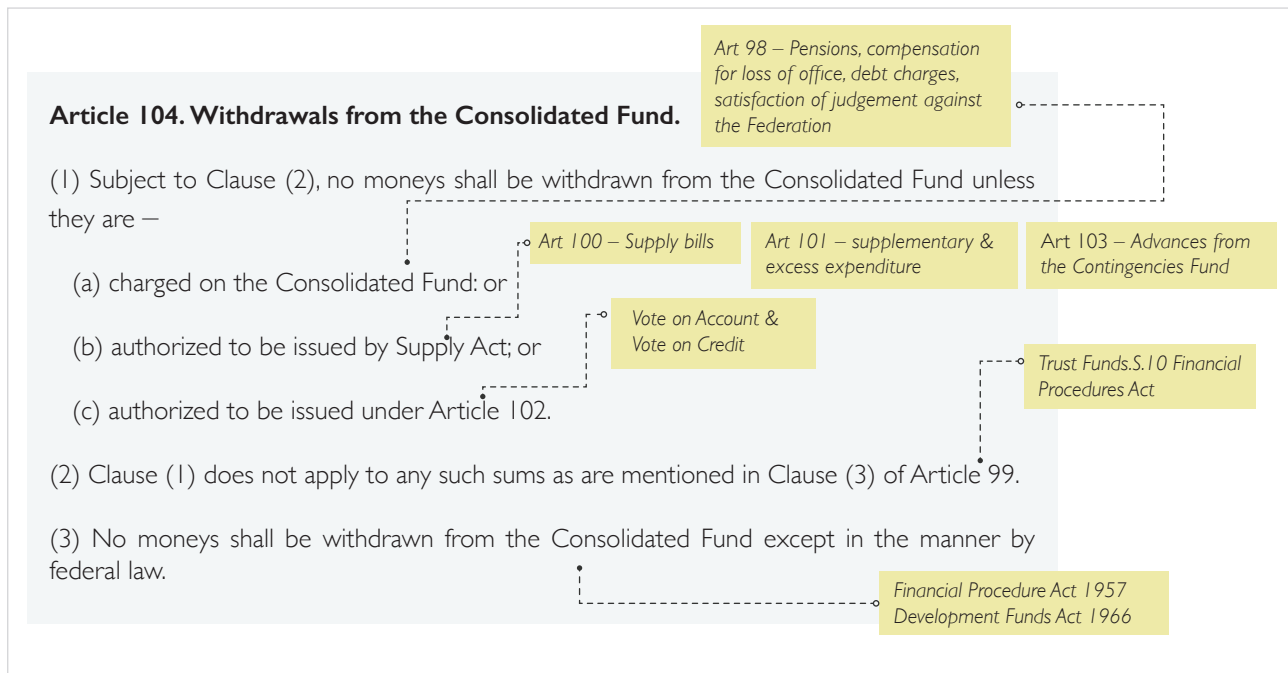
Article 104 in particular embodies the principle that Parliament controls the public purse. It stipulates that expenditure from the Consolidated Fund can only be withdrawn in three ways:

- when it is charged on the Consolidated Fund. The provision for this type of expenditure is stipulated in Article 98.

¹The independence of the Development Fund from the Consolidated Fund is clearly established in the Constitution, reading Article 99(3) and the related provisos in Articles 100 and 104(2). Also see the distinct procedures for presenting estimates and authorisation outlined in the Development Fund Act 1966 and the Standing Orders of the House of Representatives. As part of Malaysia's parliamentary convention, allocations for the Development Fund are passed as a separate motion in tandem with the passing of the Supply Bill. The latter only covers the estimates for operational expenditure. It is the Supply Bill and the motion on the Development Fund which make up the complete budget.

- via a Supply Bill tabled by a Minister and passed into law by Parliament (Federal Constitution 1957, Article 67). Article 100 further explains this provision. Articles 101 and 103 provide exceptions for excess or contingency expenditure.
- via Article 102

Figure 1: Article 104 of the Federal Constitution spells out ways in which the government can use public funds



Sub-clause 104 (1)(a) forms the basis for charges which cover pensions due, compensation for loss of office, and debt servicing. Other charges created by Federal laws are usually for remuneration in institutions that are intended to be independent of the executive, such as the judiciary, auditor general, service commissions and election commission. These expenses are paid up from the Consolidated Fund without needing an annual vote in Parliament, although they are still required to be added to the estimates (Federal Constitution 1957, Article 99[2][a])².

Withdrawals other than charges must be authorised by a supply act duly passed by Parliament. However, exceptions are provided through Article 101 which allows excess or unforeseen expenditure to be authorised through a supplementary bill, Article 102, and Article 103 which is a provision for a Contingencies Fund.

The lesser-known provision of Article 102 governs authorisation in special cases – that is, without a regular supply bill and estimates, but through a Consolidated Fund Act. This provision is listed separately from the provisions relating to the passing of a Supply Act. Article 102(b) even specifically

²Debt servicing as a charged expenditure ensures the Government does not default on debt due to a political impasse and remains creditworthy. This does however underscore the importance of legislative scrutiny on the government taking on additional liabilities, and extra-budgetary sources of fiscal risk arising from the public sector.

excludes the operations of Articles 99 to 101 (the necessity of ensuring proper estimates and of a Supply or Supplementary Bill). This indicates that there is a separate procedure for authorising expenditures envisioned for Article 102 from that which is ordinarily required for Supply Bills.

Article 102(a) is a provision for a procedure known as a vote on account, which is a summary procedure to enable the government to draw operating expenditures for part of the year prior to the passing of a full budget.

Article 102(b) on the other hand is for a vote on credit. Historically, the vote on credit was a provision for passing wartime expenditure based on a total allocation of a wartime budget, so that the government could spend immediately for security purposes, without revealing confidential details of defence expenditure. It is different from a vote on account as it is passed anytime in the year to authorise lump sum emergency expenditure without detailed estimates. In the United Kingdom, the vote of credit was last used during the Second World War (Erskine May, 2019, paragraph 34.23). In Malaysia, a vote on credit was reportedly passed in 1964³, to enable an expenditure of RM50 million to respond to the Indonesian Confrontation, although the amount was never used (Suffian, 2007, p.240).

2.1 The use of vote on account in Malaysia

The vote on account was used in 1990, 1999 and also most recently in 2022. On all three occasions, Parliament had dissolved late in the year prior to the passing of the Budget and there was insufficient time to table, debate, and approve the Budget.

In 2022, the vote on account, as discussed, was used by the government that came to power in November. When Prime Minister Anwar Ibrahim presented the second reading of the bill for the vote on account in 2022, his speech provided an explanation of the vote, indicating that the bill was regarding the necessity of paying emoluments for the month of January and resolving ongoing contractual and debt commitments.

The vote on account was also followed by a motion for RM55 billion in temporary development expenditure, including RM687 million to be financed by new loans (Kertas Perintah 54/2022). This amount represented more than 50% of the development expenditure in the current budget year authorised summarily in Parliament. The Prime Minister explained that the partial development expenditure authorised was intended for ongoing projects, while appropriations for new projects would be debated in the budget to be tabled later. He also stated that the budget would be tabled in late February or early March, thereby also providing a more definite time frame for its utilisation (*Malaysia Parliament Hansard*, December 20, 2022, p.3).

The conduct of the executive government in tabling the full budget by February 2023 ensured due process. However, with such a high level of development expenditure already authorised, it depended entirely on the commitment of the Prime Minister to table the full budget promptly

³This is reported in Mohamed Suffian's *Introduction to the Constitution of Malaysia* as the Consolidated Fund (National Security Expenditure) Act 1964.

enough to enable meaningful debate. In the case of Sri Lanka, in 2020 the vote on account was used to cover an extended period even after the delayed formation of the government, and the budget was passed very late, with retrospective approval of debt taken by the government (see Box 1). The incident provides a cautionary tale for ensuring the vote on account or any transitional mechanism is properly delimited so as not to be abused if political leaders intend to bypass the principle of fiscal accountability to parliament.

Table 1: Time frame for the use of vote on account in Malaysia

Year	1990	1999	2022
When Vote on Account passed	11 December 1990	20 December 1999	20 December 2022
Estimated time period for vote on account (as explained by the introducing Minister in the second reading)	4 months	6 months	Not stated, but 4-5 months is implied ⁴
Date Budget Tabled ⁵	14 December 1990	25 February 2000	24 February 2023

In other countries such as the United Kingdom and India, the vote on account has been a regular part of the budget process. In these two countries, the budget is approved only in the first quarter of the fiscal year. Given the repeated use of these provisions in these countries, they have more articulated conventions and mechanisms to ensure accountability in the use of these provisions. The next section will discuss the difference between these countries' practices and considers whether the use of the vote on account in Malaysia can be improved given the broader context of the practice.

3. Transitional provisions in selected countries under the Westminster parliamentary system

3.1 The use of vote on account

The constitutional provisions for a vote on account in the Commonwealth countries were based on the practice of the UK Parliament. Unlike in Malaysia, the vote on account in the United Kingdom is used not only during political transitions, but as a regular part of the fiscal cycle. The regular use of the vote on account provides time for the budget to undergo scrutiny and deliberation. The vote on account provides flexibility so that government services may continue while the discussion on the budget extends into the fiscal year, given the parliamentary schedule. India's procedure was similar in this respect until 2017 when the budget schedule was moved earlier and the vote on account is now only moved for the outgoing government to pass interim budgets in election years. In Sri Lanka, the vote on account has also been used only during election years to enable interim spending, on a more frequent basis than Malaysia. New Zealand, on the other hand, employs an imprest mechanism instead of a vote on account, which is able to accommodate both interim and supplementary spending seamlessly in the annual cycle of appropriations.

⁴The Prime Minister indicated that the full budget would be tabled in late February or early March (Malaysia Parliament Hansard, 20 December, 2022, p.3)

⁵The date of the second reading of the supply bill is taken as the date of tabling

The United Kingdom

In the UK, the vote on account provides advance authorisation for the government to spend from the Consolidated Fund in every financial year. The financial year begins on 1 April, but the main estimates are tabled a little later and usually passed in July. Thus, the vote on account has to be passed by March to authorise expenditure from April to July. The vote on account for the upcoming financial year is usually presented in February together with the supplementary estimates and any excess vote (retrospective authorisation for overspending) for the current year (*MP's Guide to Procedure*, p.262).

The supplementary estimates and vote on account are studied by the Departmental Select Committees, debated and passed altogether by March 18, with an interval of less than 3 weeks between the publishing of the estimates and the debate and resolution (House of Commons Procedure Committee, 2017, p.16). An election year does not vary this pattern very much, except that the main estimates might be tabled a little later.

The vote on account provides time to achieve two things (House of Commons Procedure Committee, 2018, p.15):

- higher accuracy of the estimates, in that the Government can furnish main estimates later, taking into account the effects of the Supplementary Estimates approved, and considering the latest forecast by the Office of Budget Responsibility.
- more time for Departmental Select Committees to scrutinise the Main Estimates, as Estimates Day debates are held in July, 3 months after the estimates are published.





India

The provision for the vote on account was directly modelled on that of the UK Parliament. It was originally intended to allow a period of deliberation on the budget for up to two months. In an explanation by B.R Ambedkar, one of the drafters of India's Constitution, the vote on account is an exception to the rule of providing and debating full estimates. Ambedkar also implied that the provision institutionalises a necessary agreement between the Government and the Leader of the Opposition that the government may spend in the first months of the fiscal year prior to the passing of the budget:

“Unless, therefore, you have a provision for a vote on account i.e., lump sum grant given to executive to cover an expenditure for about two or three months, that may be decided by some agreement between the Government and the Leader of the Opposition...you will not get time to discuss the budget at any greater length than what you have now... If the House therefore desires that it should have more time to discuss the details of the budget...then some provision has got to be made...covering an expenditure of two months if the House wants two months for discussion. Since the provisions of article 93 are very stringent in the sense that no money can be spent unless the whole of the budget in all its details is passed we have got to make an exception....Those exceptions are made by a provision which is called ‘Provision for Votes on account’.”
(Constituent Assembly Debates, 8 June 1949)

In India, the vote on account would usually be taken after the general discussion on the budget, before the Parliament takes a recess to move to the committee stage. The budget approval starts with the tabling of the budget and general discussion (the policy discussion), followed by the vote on account. The budget is then submitted to departmentally related standing committees for consideration while the House goes into recess. The House then reconvenes to consider the reports of the committees and debate the Demands for Grants, where any motions to cut allocations are considered and each Demand for individual ministries is voted. On the last day of debates, the remaining Demands not allotted debate time are voted in rapid succession in a process known as guillotining (Kaul and Shakdher, 2016, p.797). At the end of all the votes, the Appropriation Bill reflecting the final budget is passed, a little after the start of the fiscal year.

The vote on account was used frequently in the manner described above up to 2017. The budget was formerly tabled in late February, and would only be passed after the start of the financial year on 1 April. However, the budget is now tabled in early February allowing for the budget to be passed before 1 April, and the vote on account is now normally exercised only during an election year – most recently in 2019 and 2024 (Prasad, 2016; *Introduction of the Appropriation Bill, 2019*).

When a vote on account is taken due to a general election, the outgoing government can table an interim budget along with the vote on account. The interim budget would provide estimates and may include taxation measures and continuation or minor adjustments to services, but does not commit the incoming government for the entire year. This is unlike in Malaysia, where it was the incoming government that had to put up the interim budget rapidly – within three weeks of the Prime Minister being sworn in.

India's current convention has the advantage of ensuring a smooth fiscal handover during the political transition and avoids uncertainties about government spending. However, it should be noted that the interim budget speech for the outgoing government is also, politically, an incumbent advantage. The outgoing government is able to highlight recent successes and indicate its policy were it to be elected again. Although the interim budget should not include significant policies, proposals have been inserted in practice. In the Interim Budget speech for 2019-2020, before the election that happened in April 2019, the fiscal programme announced included a 325% increase in the income support to farmers (*Interim Budget Speech, 2019, paragraph 81*). There were also a number of tax proposals which, while not deemed as "major tax reforms," would still have added up to a level of fiscal impact. All the proposed measures were intended to reduce taxpayers' burden, yet the amount of foregone revenue was not announced (*Interim Budget Speech, 2019, Part B*). Even though an interim budget is not meant to commit the incoming government, should a different government be elected in, they may find it difficult to vary from significant measures that are already announced.

In Malaysia, for both the times that the vote on account was used, the outgoing government tabled a budget but dissolved Parliament immediately after without passing it. This also makes use of the incumbent advantage by providing a full budget for the year ahead with all the fanfare which a budget speech normally entails. However, there is no fiscal authorisation provided if the transition period crosses the end of the fiscal year. In the past this was hardly an issue given that a single dominant coalition expected victory at every election, but recent political contests have seen more hung parliaments and uncertainty in the formation of a parliamentary majority.

Overall, it is arguable that the recent changes in India's process makes the budget approval more efficient and certain, but at the expense of the time previously afforded for democratic deliberation. Procedural safeguards for fiscal transitions should provide certainty of continued government policy during the transition, while limiting the overt use of the budget speech as an electoral campaign vehicle.

Sri Lanka

Sri Lanka has a budget cycle and use of vote on account that is most similar to Malaysia. The vote on account has been used intermittently, but more frequently than in Malaysia. Like Malaysia, Sri Lanka’s budget is also typically tabled in October for the next financial year, which would begin in January. The vote on account has been frequently used if a newly constituted Parliament does not have time to pass a budget due to election or other reasons (see Figure 2).

There is no provision in the Constitution of Sri Lanka for a vote on account. It is only an established convention. By convention, the vote on account also typically is intended to cover only what is necessary for public services and ongoing projects (Public Finance, 2020).

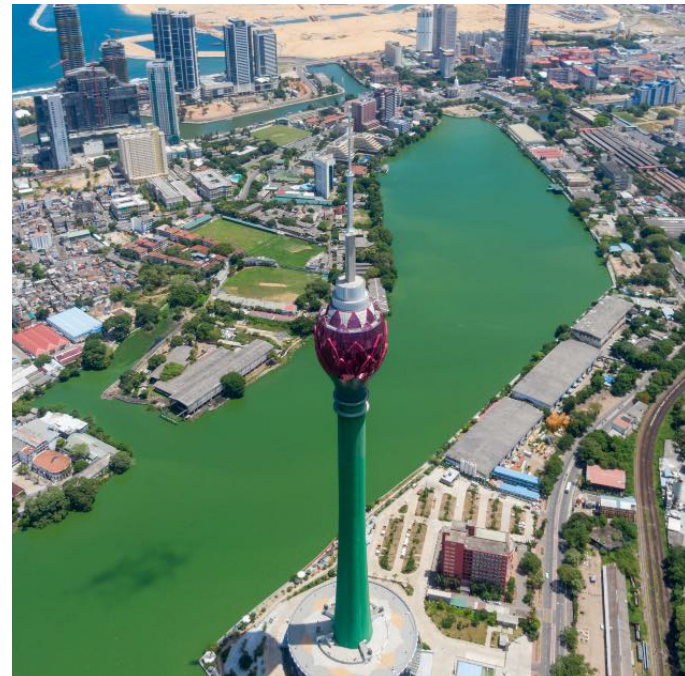
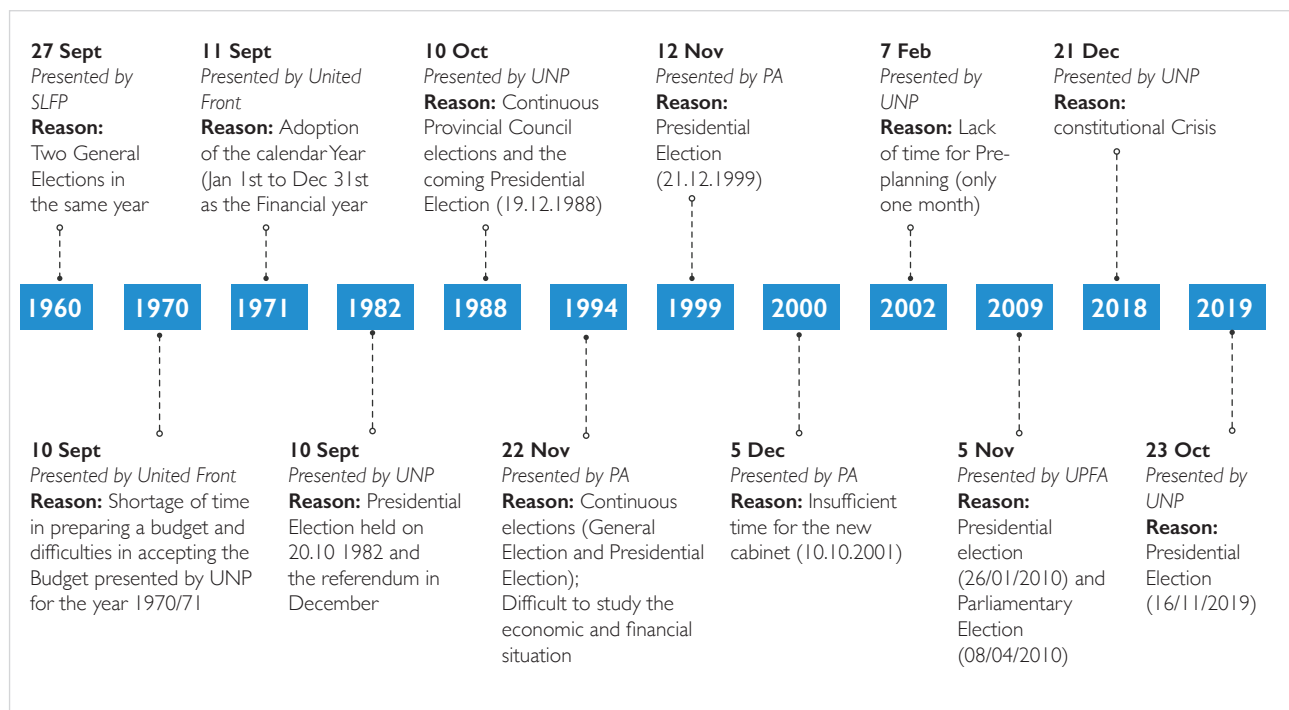


Figure 2: Vote on Account as used in Sri Lanka



Source: (Public Finance, 2020). Copyright: publicfinance.lk

Although Sri Lanka’s legislature has practised the vote on account by convention, the country’s Constitution has a different type of mechanism envisaged, using Presidential authority. Article 150 of Sri Lanka’s Constitution enables the President to authorise expenditure without Parliamentary approval in only two exceptional cases related to political transition. If Parliament has dissolved before a budget is in place, the President may authorise expenditure for maintaining public services up to 3



months from when the new Parliament is scheduled to meet. The President may also authorise funds for elections purposes upon consultation with the Commissioner of Elections, if Parliament had not previously allocated funds for that purpose. These powers reflect Sri Lanka's semi-presidential political system, a characteristic that is not found in the other fully Westminster-based parliamentary systems.

Without sufficient check and balance, the vote on account and presidential powers were used in recent years in ways that undermined the authority of Parliament (see Box 1). The weak check and balance system in Sri Lanka illustrates the necessity of putting in stronger procedural safeguards backed by legal mandates, particularly where Parliamentary convention is weak.

BOX 1: Problematic Transitional Budget Framework in Sri Lanka

Governance of expenditures in transitions and crisis has recently been problematic in Sri Lanka. For the fiscal year 2020, Sri Lanka's Parliament was dissolved in March, and the general elections were delayed until August due to the pandemic. A vote on account had been passed in late 2019 to cover expenditure until April, but from May through to September 2020, the President authorised expenditure until a second vote on account was passed to enable expenditure in the last quarter of the year, using the powers afforded to him under Article 150 of the national Constitution. However, the provision only allows the President to exercise such authorisation for the purpose of interim expenditures and election expenditures during an election period, if Parliament has made no prior provision.

An appropriation bill for 2020 was only tabled on 12 November 2020 – at the very end of the fiscal year – which superseded and subsumed the expenditures under the three different transitional authorisations for the entire year (Appropriation Bill 2020 [Sri Lanka]; Budget Estimates 2020 [Sri Lanka]). The Appropriation Bill for 2020 also included sections to enable loans and development expenditure carried out under the presidential authorisation to be deemed as authorised by Parliament, although no authority for such a procedure exists in the Constitution. Members of the Opposition had objected to the Appropriation Bill because Article 150(3) and 150(4) only allows the President to authorise specified expenditures to enable the election machinery and government services to proceed when Parliament is dissolved (*Parliament of Sri Lanka Hansard*, September - November 2020, col 2100-2102).

During this period, the government was led by President Gotabaya Rajapaksa, who had appointed his brother Mahinda Rajapaksa as Prime Minister and Finance Minister (Aneez & Sirilal, 2019). The situation showed that Sri Lanka's system of enabling Presidential authorisation of expenditure is not an ideal one. Particularly, there is a lack of an accountability mechanism in the particularly sensitive time of a political transition and in the area of financing election machinery. This issue stems from Sri Lanka's unique political structure which mixes an executive presidency with a parliamentary system. Although the problem may appear idiosyncratic, Sri Lanka's constitutional problems are worth noting for the generalised principle that authority to spend without direct accountability to Parliament can result in the executive overstepping its bounds and imposing upon a compliant Parliament to then ratify the decision retrospectively.

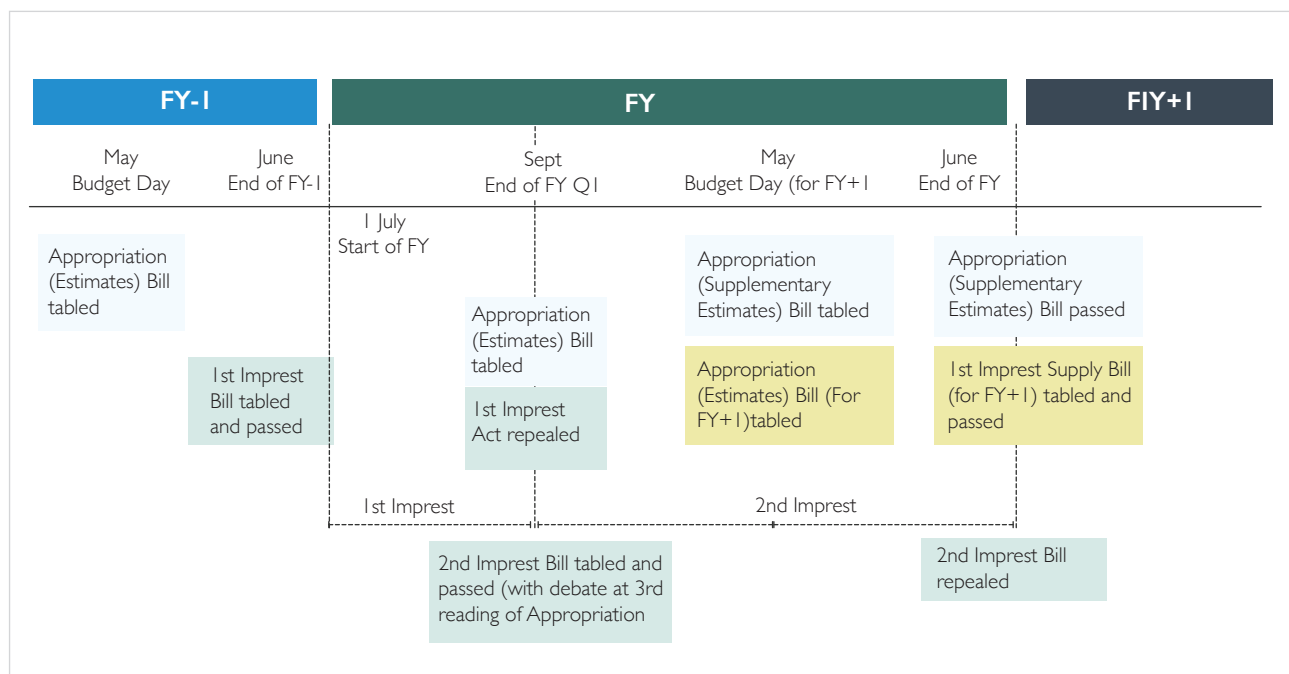
New Zealand

New Zealand has managed transitional authorisation differently with an imprest mechanism which also doubles as the contingency fund mechanism. The vote on imprest supply is “a vote by Parliament to the Government of funds to keep the machinery of State running until the Government’s detailed expenditure proposals have been examined and approved” (McGee, 2017, p. 14). Through the imprest supply bill, parliament approves interim government expenses until the appropriation bill is passed – usually in August or September, up to two months after the financial year begins on 1 July. This Imprest Supply Act is repealed upon the entry into force of the Appropriation Act, as the latter supersedes the imprest⁶.

The imprest is a system of rolling advanced authorisation. A second imprest covers excess or unforeseen expenditure for the rest of the year. It is passed at the same time as the Appropriation Bill and remains in force until the end of the financial year. The expenditure from the second imprest is accounted for and ratified in a subsequent supplementary appropriation bill which must be passed before the end of the financial year. Similar to the UK’s vote on account, the supplementary appropriation bill and first imprest (for the subsequent budget year) would then be debated together and passed at the same time.



Figure 3: Timeline of imprest relative to appropriations in New Zealand’s budget cycle



Source: (Public Finance, 2020). Copyright: publicfinance.lk

⁶See for example, Section 3 of Imprest Supply (First for 2023/24) Act 2023



The imprest also covers periods of political transition, although most often the outgoing government passes a budget prior to elections. New Zealand parliamentary terms are relatively stable, with most terms ending after the government passes its third budget. Relying on the imprest over an election period is rare for New Zealand, as the usual practice is to dissolve Parliament and call elections after the budget session is complete. The imprest was last used to cover a transitional period of four months without appropriation in 2002, when snap elections were called in July. The incoming government for 2002/03 only passed the appropriation bill in November (*Parliament of New Zealand Hansard*, 11 June 2002; 19 November 2002). In 2023, the outgoing Labour government passed a budget on 22 August prior to elections in which it was defeated. The incoming National-led government announced a mini-budget in December to anticipate changes in fiscal policy, although many of the provisions would only be enacted later in 2024 (Willis, 2023).

The imprest mechanism provides greater flexibility for adapting to changing circumstances. It is an upper limit of authorised expenditure rather than a set of true estimates. The practice of two imprests in tandem with appropriation keeps the government expenditure rolling smoothly through the budget cycle. The practice enables flexibility as the government has a buffer for covering fiscal risks, while providing the necessary time for parliamentary oversight, as the select committees are not rushed in returning their reports on the Budget prior to voting. During the Covid-19 pandemic, a third imprest was passed due to the urgent need for additional spending for the crisis (Imprest Supply [Third for 2019/20] Act 2020).

The use of the imprest was explained in parliament by Grant Robertson, Minister of Finance New Zealand (*Hansard* [New Zealand], 27 June 2023, col 17514):

“As I’ve said many times when I’ve spoken on imprest supply bills, these are limits; they are not targets. They provide room for the Government to be able to undertake the business of Government until such time as the Budget has passed, but they also by necessity build in a buffer to that approach in the unlikely event that something occurs that means we need to use expenditure that hadn’t otherwise been foreseen. Obviously, during the COVID period, this was happening on a much more regular basis, and therefore we were closer to the limits on occasions. I would expect in this case to be quite some distance from the limit unless there is some largely unforeseen thing that arises. So imprest supply is very much part of the way Government runs due to the timing of the return of the Budget from select committees, where it currently is being interrogated, and it is an important part of allowing the Government to get about its business until that time.”

Not only does the imprest provide flexibility, it also sets out clear requirements to justify and gain approval for expenditures using this facility within the same budget year.

3.2 Conventions, rules and limits for accountability

The conventions, rules and procedures around these transitional authorisations are examined from the perspective of limits placed on the amount and time period of the vote, and restrictions or enablement of debate or other forms of scrutiny. For all countries, the proportion of expenditure approved in advance of the budget is a matter of convention, and left to the executive. The time limit is usually determined by a reasonable period of time to pass a budget, but only New Zealand has a clear delimitation in law where the Imprest Supply Act is automatically repealed upon the entry into force of the Appropriation Act. Debate or some discussion is allowed in all Parliaments except Malaysia, although there are different forms of limitations such that the vote is not actively debated. As a form of supply, the vote on account should be equivalent to a confidence motion, but only New Zealand's parliamentary rules explicitly state this. In India, New Zealand, and the UK where transitional authorisation has been more established, some of the practices that enhance accountability should be considered in relation to Malaysia's procedures.

3.2.1 Restrictions

This section examines limits on the amount that can be approved, and on the time interval between a vote on account and actual budget, which are imposed by convention or by law.



Malaysia

There is no convention nor regulated limit on the amount requested for the vote on account, save that the law provides that this procedure is used for approvals for part of the fiscal year, while estimates at some point would still be necessary. For the 2022 vote on account, the Finance Minister provided assurance to the House in his prefatory speech that the vote would be used to maintain existing services and development projects. A resolution was also passed to authorise nearly 50% of the total expected development expenditure including RM687 million to be financed by new loans (Kertas Perintah 54/2022). While it is necessary to approve development expenditure for ongoing projects, there was no elaboration as to what projects required new debt to be approved by summary procedure.

In terms of the time interval, the emerging practice from the past 3 uses of the vote indicate that the expenditures proposed can cover between 4 to 6 months of the fiscal year (Table 1). There are no documented conventions or regulations that dictate how the government ought to use the vote of account, or for how long.



UK

In the UK parliamentary convention, which is authoritatively documented in the *Erskine May*, the vote on account usually authorises an advance based on 45% of the current year's estimates for the subsequent year until the Supply and Appropriation Bill is passed. The principles have also been included in brief points in the *ambit*⁷ to the vote on account tabled in Parliament - which, if not technically a procedural constraint, at least forms part of the expected convention for appropriation each year. The Vote on Account is also restricted to services that were approved in the current fiscal year, and not for anticipated new services, unless the bill for such a service is already being considered by Parliament (*Erskine May*, para 34.16).

In terms of timing, the UK Parliament's Standing Orders requires the vote on account to be produced and voted by 18 March if it is to be voted summarily through a roll up motion⁸.



Sri Lanka and India

For Sri Lanka, the convention for the vote on account is articulated such that there is an expectation that the vote on account would be limited to one-third or four months of expenditure at most (Public Finance, 2020).

There is no constitutional law nor parliamentary rule to regulate the practice.

In India, the vote on account would by convention account for two months of expenditure, or up to four months in an election year (Kaul & Shakhder, p.805). The proportion of expenditure and period of time are only governed by convention. However, the Lok Sabha's Rules of Procedure requires a motion for a vote on account to state the total sum required and to provide a breakdown of amounts needed for each Ministry or Department (Rule 214[1]).



New Zealand

In New Zealand, the imprest is enabled by Sections 4A and 12B of the Public Finance Act 1989, which accord the imprest the same authority as an act of appropriation. The imprest may be used for operating and capital expenditure. However, the authority is not recognised unless an appropriation for the amount spent is made before the end of the fiscal year. The use of the imprest is also subject to internal controls, where increasing any appropriation that is to be met from the Imprest supply requires a specific Cabinet decision (The Treasury, 2013, p.17).

⁷ a prefatory section of the bill that explains the purpose of the supply requested

⁸ In a roll up motion, estimates that are not debated are voted in a single motion, and no proposals for amendments are accepted although it is possible to reject the motion as a whole (*Financial Scrutiny Uncovered*, 2017, p.55).



Findings

Overall, we can observe a unanimous pattern of permissive limits. The UK is the only country that has a written convention which limits the vote on account to 45% of the current year's expenditure. On the other hand, New Zealand has no convention on its limits in keeping with its fiscal philosophy in which fiscal limits are set by the political leadership, while laws provide procedures and oversight for accountability.

Ubiquity does not equate to best practice. New Zealand's lack of threshold has been criticised by its Auditor General as the equivalent of providing a blank cheque⁹. High limits, while ensuring certainty and flexibility, also allows the executive leadership to stay away from Parliament longer and delay budget sittings. A truly recalcitrant executive could overspend and force retrospective approvals, as was the case in Sri Lanka (see Box 1).

Despite the lack of threshold, taken holistically New Zealand's system exerts relatively stronger accountability measures because the Treasury is mandated by law to report its expenses and capital expenditure to the Auditor General on a monthly basis¹⁰. This includes expenditure in the time period covered by imprest supply. The Auditor General is empowered to check the lawfulness of the imprest expenditure, that it falls within the limit of authorised appropriation, and that there is a Cabinet decision authorising the use of imprest supply (McGee, p.529). In addition, expenditures from the second imprest must be approved in the supplementary estimates.

In India, the UK, and New Zealand, the vote on account or imprest is part of an established mechanism to provide advance authorisation while the Parliament carries out a prolonged deliberation of the budget through the use of select committees. Therefore the time limit for the transitional provision is clear due to conventions or procedural rules which require the budget to be tabled within a certain time limit. For Malaysia and Sri Lanka, there is no legal reinforcement limiting the time period or proportion of expenditure that may be passed under the vote on account.

3.2.2 Debates and justification in Parliament

New Zealand's Parliament is the only one which includes its imprest supply in parliamentary debate, and the imprest may be subject to a confidence motion. This is not merely convention but stated in the procedural rules. In all the other parliamentary systems compared here, the vote on account as a legacy or transitional procedure has shifted to a formal procedure that is not subject to debate, and still largely governed by convention; whether it is considered a confidence vote is unstated, though by convention any failure on a vote for supply is considered a vote of no confidence.

⁹. Controller and Auditor-General Third report for 1999 (29 June 1999) [1996–1999] AJHR B.29 [99c] at 87, qtd. in McGee (2017), p.529.

¹⁰. s65Y(3) Public Finance Act 1989 [New Zealand]



Malaysia

In the House of Representatives (the Dewan Rakyat), the vote on account is regulated by standing orders of the parliament which restricts any form of debate at all stages of the vote.¹¹ Any amendments to the vote can only be moved by a Minister, which is a redundant provision given that no debate is allowed.¹² The vote on account is thus presented as a formality for advancing the operating expenditures to be spent prior to the full tabling of the budget. Standing Order 68B which is the analogous order applying to the resolution on partial development expenditure, allows limited discussion to clarify the details of the amounts proposed, but not any sustained debate on policy matters. Prior to 2001, SO 68A was worded the same as SO 68B, indicating that some brief discussion could be pursued. It appears that after the Opposition attempted to raise questions in the 1999 vote on account, the order was revised in 2001 to its more restrictive nature today (Malaysia Parliament Hansard, 20 December 1999). In the Senate, the standing orders follow the old provisions and a limited debate on the provision is allowed not extending to policy or the purposes of the expenditure proposed¹³.

Box 2: Standing Orders of the Parliament of Malaysia

Standing Order 68A(1) (before 2001 amendment)

Author's Translation: On the second reading of a Bill introduced (under paragraph [a] of Article 102 of the Constitution) to authorise expenditure for part of the year, debate on the Bill should not include matters of policy or administration or the purposes of the expenditure.]¹⁴

Standing Order 68A (after 2001 amendment)

1. On the second reading of a Bill introduced (under paragraph) (a) of Article 102 of the Constitution to authorize expenditure for part of the year, it must be decided upon without debate.
2. No amendment to such a Bill authorizing expenditure for part of the year shall be moved except by a Minister.
3. The question on any such amendment shall be put forthwith after the amendment has been moved and seconded, and the question that a Clause or Schedule (as amended) stand part of any such Bill shall be decided without debate.
4. When such a Bill has been agreed to by the Committee to which it was committed it shall be reported forthwith to the House and a motion for the third reading shall thereupon be made by a Minister, and shall be decided without amendment or debate.

¹¹. SO 68A(1), Standing Orders of the House of Representatives

¹². SO 68A(2), *ibid.*

¹³. SO 53, Standing Orders of the Senate

¹⁴. The original text reads: (1) Apabila dibacakan kali yang kedua sesuatu Rang Undang-undang yang dibawa ke dalam Majlis (menurut perenggan (a) dalam Perkara 102 dalam Perlembagaan) bagi memberi kuasa membelanjakan wang bagi sebahagian daripada satu-satu tahun, perbahasan atas Rang Undang-undang ini tidak boleh termasuk perkara-perkara dasar dan tadbir kerajaan atau tujuan-tujuan perbelanjaan itu.



UK

The vote on account had previously been an additional opportunity for early scrutiny and debate of the government's planned spending. The UK Parliament has only three allotted days for debate on supply, known as Estimates Days. The vote on account used to be a focus of Estimates Day debates, with two allotted Estimates Days for the Supplementary Estimates and vote on account together, and just one Estimates Day for the Main Estimates. By 2014 the focus of debate had shifted to Supplementary Estimates and Main Estimates, and the vote on account is rarely part of the debate, if at all. Naturally, the House saw fit to reallocate the Estimates Days such that now, two days are allotted to debate the Main Estimates in July, and only one for debating the Supplementary Estimates and Vote on Account in February or March (House of Commons Procedure Committee, 2018, p.10, p.14 & 2017, p.4, p.18).

Prior to 2011, the vote on account was presented in November or December with Winter Supplementary Estimates, such that there was a 2-3 month interval. This interval enabled Departmental Select Committees to scrutinise the motions, and prioritise debate topics prior to the debate and approval in February. From 2011 onwards, the vote on account was presented with just one supplementary estimate in February, with less than 3 weeks for scrutiny prior to the debate (House of Commons Procedure Committee, 2018, p.18). The change was part of an Alignment Project to align the fiscal approval timeline with a feasible timeline for production of accurate estimates, after the Treasury had shifted to accrual accounting. Nevertheless, the The House of Commons Procedure Committee (2017) recommended that 5 weeks' interval be given for scrutiny, as 3 weeks is too short a duration.

The vote on account remains a vital part of the UK's fiscal cycle, although in this respect, Parliament's role shifts further towards ex-post scrutiny, while ex-ante scrutiny is largely a matter raised through scrutiny of the Select Committees. Thus there is now no debate on the vote on account. The vote features mostly as part of a necessary formal procedure to authorise advance expenditure during the period of scrutiny.

Box 3: Scrutiny and debate in the UK Parliament

In the UK's fiscal accountability framework, scrutiny occurs mostly through the Departmental Select Committees, which produce reports on the Departments under their purview. Only three Estimates days are allotted for debates on supply. Thus, very few Departments are featured in the debates, and debate topics are often narrowly defined. The undebated Estimates are voted in a single roll-up motion with no opportunity for amendment. Debate topics are submitted by the Liaison Committee based on proposals by the Backbenchers' Business Committee, which prioritises topics based on bids submitted by MPs or the select committees (*Financial scrutiny uncovered*, 2017; House of Commons Procedure Committee, 2018).



India

In contrast to Malaysia's limited parliamentary procedures, India's standing orders are more generous in allowing discussion and motions to amend. The Rules of Procedure (Rule 214[2]) allow for amendments to reduce the grant, or reduce or omit items in the grant, in a vote on account. Questions or some general discussion may be allowed concerning the motion (Rule 214[3]). However, by convention the vote on account is passed without discussion (Raul and Sakhder, p.805) – presumably since it would come on the heels of a general discussion on the budget. After the budget was moved forward in 2017, the focus is on the overall interim budget in an election year, and the vote on account has become more of a formal procedure for authorisation to spend on government services pending the budget of the incoming government.

Box 4: An excerpt of the Rules of Procedure and Conduct of Business in the Lok Sabha

Rule 214

1. A motion for vote on account shall state the total sum required and the various amounts needed for each Ministry, Department or item of expenditure which compose that sum shall be stated in a schedule appended to the motion.
2. Amendments may be moved for the reduction of the whole grant or for the reduction or omission of the items whereof the grant is composed.
3. Discussion of a general character may be allowed on the motion or any amendments moved thereto, but the details of the grant shall not be discussed further than is necessary to develop the general points.
4. In other respects, a motion for vote on account shall be dealt with in the same way as if it were a demand for grant.



New Zealand

New Zealand's Imprest Supply Bills are open to debate and a vote of confidence. Although proceedings from the first to third reading of an Imprest can be completed within one day, the Standing Orders does not restrict debate. The standing orders explicitly allow for a question of confidence to be raised in a debate on imprest supply. The practice of Parliament has been to have second readings of the corresponding imprest supply and appropriation bills together, such that the debate is taken together¹⁵. For example, the second Imprest Supply Bill is usually debated along with the Appropriation (Estimates) Bill and passed in consecutive motions. This stands in stark contrast to the way the vote on account has developed into a formal procedure in the other countries discussed above.

¹⁵ SO 339(3). An amendment on public affairs refers to an amendment raising a question of confidence. See also McGee (2017), p.424.



Findings

When taking the case studies into consideration, for most of the countries mentioned, the limitations in amount authorised and length of time which a vote on account covers are usually governed by convention. Out of all the countries that exercise the vote on account, India's Constitution and Standing Orders provide the most detailed framework on using the provision. In New Zealand's case, the imprest is an integral part of the appropriation cycle rather than a discretionary procedure.

Where debate is concerned, Malaysia's Parliament only allows debate in the Senate, where the failure to pass a vote on account is inconsequential. However limited debate is still allowed on a motion for partial development expenditure without estimates. In the case of the UK, debates are allowed, but in themselves debates have not been a major procedural feature even for the approval of the main estimates. New Zealand has the clearest and most permissive rules on debating the imprest. That the imprest is explicitly accorded the same status as a supply bill in New Zealand (that failure to pass it is equivalent to a vote of no confidence) shows the significance of parliamentary control over advance authorisation.

Although it is not stated by law, the existence of detailed guidelines or conventions that have been reduced into writing would provide the public with confidence on the transparency and accountability for public expenditure in transitional situations. This may be done through outlining procedures and limitations for the vote on account in the standing orders to empower Parliament's oversight role. While raising of questions should still be summarily executed to facilitate speedy authorisation, it should not be the case that the legislature is unable to obtain explanations or justifications from the executive where it feels the case is necessary for transparency of the proposed amounts.

Table 2, summarises the level of legal framework that governs the provisions of transitional budgeting in four countries.

Table 2: A comparison of the level of formalisation of transitional provisions in the legal framework of different countries

	Constitution (C)	Legislation (L)	Parliamentary Standing Orders (SO)	Articulated Parliamentary Convention ¹⁶ (PC)	Other Guidelines
MAS	Article 102(a) <i>Where supply bill unable to be passed</i>	-	Standing Order 68A <i>No debate for vote on account</i> Standing Order 68B <i>No debate on partial development expenditures</i>	-	-

¹⁶ Any convention as documented in an authoritative text on parliamentary practice and procedures that has the official recognition of the parliament in question

	Constitution (C)	Legislation (L)	Parliamentary Standing Orders (SO)	Articulated Parliamentary Convention ¹⁵ (PC)	Other Guidelines
IND	Article 116(1)(a) <i>Vote on Account</i>	-	Rule 214 (Rules of Procedure and Conduct of Business in Lok Sabha)	Interim budget and vote on account (Kaul and Shakhder, Practice and Procedure of Parliament, p.784, p.797, p.804))	Interim budget and vote on account. Paragraph 7.1.5, Paragraph 7.2.5, (Manual of Parliamentary Procedures)
SL	Article 150(3) and 150(4) <i>President may authorise transitional expenditure</i> ¹⁷	-	-	Vote on Account (Parliament of Sri Lanka website, How Parliament Works - Appropriation Bill (The Budget))	-
UK	NA	-	Standing Order 55 Standing Order 55 Latest date to put up questions arising from the vote on account; relative order of questions on motions related to consideration and voting on the estimates; notice period for motion (two days).	Vote on Account Paragraph 34.16 Erskine May	-
NZ*	-	Section 4A; Section 12B Public Finance Act 1989	-	-	A Guide to the Public Finance Act

4. Conclusion

Malaysia, like other countries mentioned in this paper, has legal mechanisms to authorise supply prior to a full budget. However, conventions around this practice have been largely driven by the executive's explanations in tabling the vote on account, rather than principles that encourage parliamentary accountability. In addition, the lack of fiscal continuity heading into a late-year election unnecessarily undermines economic confidence. It is not ideal to leave the vote on account to the discretion of a caretaker government, nor to the vicissitudes of political coalition-building after the elections.

¹⁷ In Sri Lanka's Constitution there is no specific provision for the vote on account, but it is generally carried under the authority of Article 150(2) which is a restrictive provision that constrains the government to draw on the Consolidated Fund

Table 3: A comparison of the Vote on Account and Imprest mechanism for transitional budgets

	Frequency of Use	Restrictions for amount, time period & type of expenditure raised	Parliamentary Debate	Requirements for estimates or reporting
MAS	Used rarely when the supply bill is not yet passed by the parliament for the new fiscal year; due to political transition	Authorises services only. Interim budget: a separate resolution may be passed for development expenditure without estimates.	Must be decided upon without debate.	None
IND	Used when the government does not have enough time to pass an appropriation bill; often used in an election year	By convention, 2-4 months of operating expenditure, with no new services proposed. Interim budget: includes financial bills (taxation)	By convention, passed without discussion or only brief questions for clarification, although debate is not prohibited. If an interim budget is also tabled, the latter undergoes discussion and Demands for grants can still be cut.	Requires estimates to be listed by
SL		Vote on account: By convention, 3-4 months of the operating expenditure with no capital expenditure to be proposed. ¹⁸ Presidential authority: under Article 150(3) sets a limit of 3 months for authorising expenditure for public services only.	Brief debate is done within 1-2 days by practice	The vote on account amounts should be included in the appropriation bill and will be debated in detail at the tabling of the appropriation bill
UK	Used annually to enable operational expenditure prior to the passing of the appropriation bill in the early part of the financial year	By convention, 45% of expenditures which were previously voted in the Estimates for existing services only, with some variation allowed under specific circumstances.	Brief debate may be called on Estimates Day if put up as a debate topic.	The vote on account amounts should be included in the appropriation bill
NZ	Used twice a year. Two imprest bills are part of the annual budget cycle, to authorise expenses and capital expenditure prior to appropriation, and to authorise contingency expenditure.	Authorises expenses, capital expenditure, and capital injections. No restrictions to amount proposed, but reference is usually made to previous imprests and the time frame to be covered (approximately 3 months for the first imprest).	The imprest bill is tabled together with an appropriation or supplementary appropriation bill in the budget cycle, and thus debated together. An imprest is open to an amendment on public affairs, ie a motion of no confidence.	Only considered as authorised expenditure if the corresponding appropriation is made before the end of the financial year.

Source: Author's own analysis and compilation from the Constitutions, laws, and written authorities on parliamentary conventions of the respective countries (see Reference List).

¹⁸ If no provision is made by Parliament, the President may approve expenditure for the public services until 3 months from the date on which the new Parliament is summoned to meet. Constitution, Art. 150(3)

In conclusion, in terms of limits and measures for accountability, the following gaps are observed in Malaysia:

- **Restrictions:** there is no regulation on the limit of what would be considered a proportionate amount of operational expenditure or interim budget to approve. The period of coverage is between 4 to 6 months, and there is no requirement as to when a budget would be passed, when passed out of time by an incoming government.
- **Oversight:** Parliament's oversight role is unnecessarily restricted. There is no independent check that the level of expenditure remains within the authorised amount during the period that the vote on account is used.
- **Clear Guidelines for Political Transition:** the current practice of tabling a budget, dissolving parliament, and rushing a vote on account results in uncertainty. This would have a negative impact on public and investor confidence in situations with longer transitions, for example where time is needed for negotiating a coalition government

Accountability can be improved by ensuring more defined limits and better oversight, through improvements to the standing orders or authoritative practice guidelines. While parliamentary conventions can develop over time, there is no guarantee that the political culture would build a convention towards greater accountability. Hence, clear procedural rules should be preferred. The vote can also be timed better to ensure a responsible and more certain fiscal transition period during election years.

5. Recommendations

This section aims to provide some recommendations to address the gaps identified in the previous section. The gaps should be addressed as Malaysia's democracy is maturing and changes of government without clear coalitions is increasingly becoming the norm of the day.

Article 102 provides Malaysia's budget system with the flexibility to address challenges posed above. However, this provision needs to be supported by clearer rules or guidelines to make the procedure for this mechanism clear to lawmakers and the public alike. These procedures could be captured in Standing Orders of Parliament or legislation related to public financial management, rather than left to conventions or executive discretion. The Sri Lankan experience shows that giving discretionary power for transitional provisions leaves public funds open to use without oversight.

Below are some recommendations that could be adopted by the government to improve the current mechanisms:

- Establish guidelines on the proportion of operating and development expenditure that can be passed and an upper limit to the period of time that the government can proceed without tabling a budget for the year.
- Establish a requirement for the outgoing government to put up a vote on account if it intends to dissolve Parliament between September and December. For elections called before September, there would still be sufficient time to form an incoming government that would put up a vote on account if the budget approval crosses the end of the fiscal year.
- Require the government to report the utilisation of the vote when tabling the full budget.
- The Auditor General may certify that expenditure was not drawn for new purposes prior to the budget's approval.

In the longer term, broader options may be explored, including the possibility that moving to an imprest mechanism would improve the contending principles of legislative oversight and executive efficiency, for both transitional and supplementary spending. Also, from an election cycle perspective, it is worth studying the advantages of fixing an election window and an early date of announcement for when full-term elections should be called, for predictability. The election window should exclude the fourth quarter of the year, to avoid significant disruption to the segment of the fiscal cycle which involves budget approval.

Appendix A - Glossary for Fiscal Authorisation

Form of Authorisation	What it is	Legal Provision	Has it been used before in Malaysia
Vote on Account	Authorisation of a part of the annual expenditure in the absence or delay of an appropriation act for the full budget.	Article 102(a)	<ul style="list-style-type: none"> • 1999 & 2022
Imprest Supply Act	Provides statutory authority for the Government to incur expenses, including capital expenditure and capital injections, in advance of authorisation under an appropriation act		<ul style="list-style-type: none"> • Not part of Malaysia's legal framework • Regular part of New Zealand's budget cycle
Vote of Credit	A demand for a lump sum of expenditure authorised in order to fulfil the financial needs of an unexpected circumstance where the detailed estimates cannot be stated	Article 102(b)	<ul style="list-style-type: none"> • Passed but not used, in 1964 for the Indonesian Confrontation
Contingencies Fund	A sum of money allocated to cover urgent or unforeseen expenses		<ul style="list-style-type: none"> • Malaysia sets aside RM2 billion each year and it is included in the total amount of Development Expenditure
Emergency provisions	Escape clause that suspends fiscal rules, including even the need for authorisation when an emergency occurs		<ul style="list-style-type: none"> • e.g. in Covid-19 • Malaysia has no escape clause

Source: Authors' analysis and compilation from various sources (See References)

Appendix B – Text of the Federal Constitution of Malaysia

Text of Articles of the Constitution that are directly related to the power of Parliament to authorise expenditures

Article 98

Expenditure charged on Federal Consolidated Fund.

1. There shall be charged on the Consolidated Fund, in addition to any grant, remuneration or other moneys so charged by any other Article or federal law—
 - (a) all pensions, compensation for loss of office and gratuities for which the Federation is liable;
 - (b) all debt charges for which the Federation is liable; and
 - (c) any moneys required to satisfy any judgement, decision or award against the Federation by any court or tribunal.
2. In making payment of any grant to a State in accordance with the provisions of this Part, the Federation may deduct the amount of any debt charges payable to the Federation by the State and charged on the Consolidated Fund of that State.
3. For the purposes of this Article debt charges include interest, sinking fund charges, the repayment or amortisation of debt, and all expenditure in connection with the raising of loans on the security of the Consolidated Fund and the service and redemption of debt created thereby.

Article 99

Annual financial statement

1. The Yang di-Pertuan Agong shall, in respect of every financial year, cause to be laid before the House of Representatives a statement of the estimated receipts and expenditure of the Federation for that year, and unless Parliament in respect of any year otherwise provides, that statement shall be so laid before the commencement of that year:

Provided that there may be separate statements of estimated receipts and estimated expenditure, and in that case it shall not be necessary for the statement of receipts to be so laid before the commencement of the year to which it relates.

2. The estimates of expenditure shall show—
 - (a) the total sums required to meet expenditure charged on the Consolidated Fund; and
 - (b) subject to Clause (3), the sums required to meet the expenditure for other purposes proposed to be met from the Consolidated Fund.

3. The sums to be shown under paragraph (b) of Clause (2) do not include—
 - (a) sums representing the proceeds of any loan raised by the Federation for specific purposes and appropriated for those purposes by the Act authorizing the raising of the loan;
 - (b) sums representing any money or interest on money received by the Federation subject to a trust and to be applied in accordance with the terms of the trust;
 - (c) sums representing any money held by the Federation which has been received or appropriated for the purpose of any trust fund established by or in accordance with federal law.
4. The said statement shall also show, so far as is practicable, the assets and liabilities of the Federation at the end of the last completed financial year, the manner in which those assets are invested or held, and the general purposes in respect of which those liabilities are outstanding.

Article 100

Supply Bills

100. The expenditure to be met from the Consolidated Fund but not charged thereon, other than expenditure to be met by such sums as are mentioned in Clause (3) of Article 99, shall be included in a Bill, to be known as a Supply Bill, providing for the issue from the Consolidated Fund of the sums necessary to meet that expenditure and the appropriation of those sums for the purposes specified therein.

Article 101

Supplementary and excess expenditure

101. If in respect of any financial year it is found—

- (a) that the amount appropriated by the Supply Act for any purpose is insufficient, or that a need has arisen for expenditure for a purpose for which no amount has been appropriated by the Supply Act; or
- (b) that any moneys have been expended for any purpose in excess of the amount (if any) appropriated for that purpose by the Supply Act, a supplementary estimate showing the sums required or spent shall be laid before the House of Representatives and the purposes of any such expenditure shall be included in a Supply Bill.

Article 102

Power to authorise expenditure on account or for unspecified purposes

102. Parliament shall have power in respect of any financial year—

- (a) before the passing of the Supply Bill, to authorise by law expenditure for part of the year; (b) to authorise by law expenditure for the whole or part of the year otherwise than in accordance with Articles 99 to 101, if owing to the magnitude or indefinite character of any service or to

circumstances of unusual urgency it appears to Parliament to be desirable to do so.

Article 103 **Contingencies Fund**

103.

1. Parliament may by law provide for the creation of a Contingencies Fund and for authorising the Minister charged with responsibility for finance, if satisfied that there has arisen an urgent and unforeseen need for expenditure for which no other provision exists, to make advances from the Contingencies Fund to meet that need.
2. Where any advance is made in accordance with Clause (1), a supplementary estimate shall be presented and a Supply Bill introduced as soon as possible for the purpose of replacing the amount so advanced.

References: **List of Laws, Regulations, and Guidelines Referred**

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