

# Role of Parliament in Defence Budgeting in Malaysia

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## 1. The Malaysian defence budgeting process

### 1.1 Basic defence documents

The budgetary system for the Malaysian defence sector is allocated under the 'security' sector and includes both internal security and defence subsectors. It is based on a formal five-year planning structure which establishes force-manpower-funding planning levels to guide the formulation of the annual budget covering both Development Expenditure (DE) and Operating Expenditure (OE) of the Ministry of Defence (MINDEF). The five-year plans project future spending trends and are used as the primary planning instruments for the development or acquisition of new capabilities.

Malaysia's defence budget is modest compared to many countries. It is based on a percentage of annual government expenditure rather than pegged to GDP or GNP. While there is little doubt that pegging the defence budget to GNP/GDP provides greater certainty in planning and implementation, as well as an increase in transparency, the government is of the view that there are competing priorities, in particular government spending on socio-economic development. Defence allocation therefore depends on the question of affordability on the part of the government.

There is no single official document from the federal government of Malaysia that elaborates the defence budget and the spending of the Ministry of Defence (MINDEF). However, there are several important documents released by the federal government which concern the spending and finance management in MINDEF each year.

MINDEF's detailed DE is tabled in the Malaysia Plans that are presented to Parliament every five years. Under the 9<sup>th</sup> Malaysia Plan (2006-2010), defence is expected to be the third largest beneficiary from Malaysia Expenditure in 2008, in both OE and DE according to sectors, as shown in Table 1.

Sector	OE (RM million)	Sector	DE (RM million)
Education and Training	35,355	Education and Training	7,358
Health	10,705	Transport	6,777
Defence	9,840	Defence	4,087

Table 1: The top three beneficiaries of Malaysian Expenditure (in Ringgit Malaysia - RM)

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The 'National Budget Estimate' (*Anggaran Perberlanjaan Persekutuan*) by the Ministry of Finance is an important document outlining MINDEF's annual spending. The document reveals the budget for each federal governmental agency including the programmes and activities related to the agencies' objectives and project outcomes. MINDEF's budget is also mentioned in the report.

In recent years, Malaysia has steadily increased the overall defence budget and defence expenditures. Table 2 shows the spending of the ministry in recent years.

Year	OE (RM million)	DE (RM million)	Total Spending (RM million)
2002 <sup>1,3</sup>	5,119	3,385	8,504
2003 <sup>1,3</sup>	6,014	4,935	10,949
2004 <sup>1,3</sup>	7,043	3,684	10,728
2005 <sup>1-3</sup>	7,751	4,064	11,817
2006 <sup>1-3</sup>	8,450	3,530	11,981
2007 <sup>3</sup>	9,390	4,401	13,791
2008 <sup>3</sup>	9,840	4,087	13,927

Table 2: Total spending of the Ministry of Defence in recent years.

<sup>1</sup> Ministry of Defence Annual Report 2005

<sup>2</sup> Ministry of Defence Annual Report 2006

<sup>3</sup> Economic Report 2007/08, Treasury

Table 2 shows that the money spent on OE always exceeds DE and marks an annual increase - from 2% in year 2003 to 8% in y2006 with an average inflation rate of 3.6% in 2006. Each year, approximately 65% of MINDEF's expenditures are used on OE. It is specifically for emolument, allowances of the service (personnel, utilities, ration, maintenance, procurement of spares and support services) and provisions, which amount to approximately 90% of the OE.

The DE, on the other hand, is used for the acquisition of new capabilities such as capital items, infrastructure and military bases development, major weapon procurement and etc. Under the Ninth Malaysia Plan, RM14.5 billion is allocated

for defence. Additional allocations are expected anticipated after the mid-term review.

Financing of defence expenditure in Malaysia is also done by other innovative financing methods such as Private Financing Initiative. In addition, the Modified Budgeting System (MBS) is used for budget management and expenditure enforcement consistent with policies. It was introduced more than a decade ago with the aim of making the armed services more goal-driven and accountable for the money spent.

MINDEF's financial performance is also elaborated in the Annual MINDEF Report (*Laporan Tahunan Kementerian Pertahanan Malaysia*). Compared to the National Estimate Report, MINDEF's Annual Report provides more details on both spending and income. The Annual Report not only accounts for the financial performance of the ministry, but also its overall performance.

Other documents, such as the Annual Economic Report from Treasury and Federal Auditor's Annual report, also reveal figures for defence spending in general. The Parliamentary Public Accounts Committee may summon senior defence officials from MINDEF to explain any alleged improprieties based on the audit report.

## **1.2 The legal process**

The Annual Estimate is up for discussion for a maximum of 20 days in the House after it is tabled by the Minister of Finance (who is sometimes also the Prime Minister of Malaysia). However, discussions on the defence budget rarely actually take place due to the MPs lack of expertise.

Although the budget must be passed by Parliament, the *Barisan Nasional*, *BN* or National Front government which used to hold a two-thirds (2/3) majority in the House, faces no odds. In addition, no BN MPs are allowed to cross over the floor for whatever reason as party loyalty is strictly enforced in BN. Failing to pass the budget would necessarily be taken as a no-confidence vote that could force the government out of office. Theoretically, this would not happen since only a simple majority in Parliament is required for the approval of the budget proposal.

There are several reasons why accounting for Malaysia's defence budget proves to be difficult. First, there is a lack of transparency from MINDEF as most of the controls on defence spending are made internally. Second, there is an insufficient amount of active local NGOs that pay particular attention to the issues of the defence budget and spending. In addition, almost all of the MPs lack expertise in defence related issues.

## **1.3 Role of the general public/media**

In Malaysia, the defence budget is part of the Annual Estimate Report. Although the Report receives a great deal of attention and coverage from mainstream media, most of the attention is given to the particular issues such as education,

economic development, industries and so on, which are directly related to citizens' daily life.

In fact, defence spending has not attracted much interest from the media and public because:

**Not a critical issue** – Malaysia is a developing country with a multi-ethnic social composition. Its citizens are very interested in issues that are directly related to their daily life. Malaysia consists of three main ethnic groups, namely Malay, Chinese and Indians. Each ethnic group is concerned with different issues or issues that are particularly related to their ethnicity. For example, the Malays are most interested in religious issues, Malay privileges and rural developments. While the Chinese focus on finance, business development and education, the Indians focus on matters concerning education, improved living standards and higher wages. Since each ethnic group puts its own interests first, issues such as national security, defence and foreign policy are very often ignored.

**Limited information** – Prior to gaining independence in the early 1950's, Malaya faced a security threat from the Communist Party of Malaya (CPM). Several policies had been implemented to overcome the threat. The threat, however, remained imminent even after Malaya's independence from the British. Malaysia faced an external security threat for the first time from 1963 to 1966 when Indonesia, under the leadership of President Sukarno, opposed the formation of Malaysia (Malaya, Sabah, Sarawak and Singapore).

During the *Konfrontasi* period, on limited information was disclosed to the media. For a relatively long period, even after gaining independence, the Malaysian government seldom raised defence related issues. The public media only provided limited information to the public, possibly due to security concerns.

However, it is unfair to put all of the blame on the government. Even more information was published after 2000, yet defence related issues are still not actively debated in the mainstream media. One of the reasons might be due to the overall level of education of the Malaysian people. This is because the issues are often complicated, not only because they are related to high-level of technical information, but also because of the intricate balance between international strategy and national interests.

**Education Level** - In general, the level of education in Malaysia is low. As the issue of defence budgeting is always related to technological and strategic matters, for most Malaysians such a complex combination of science, technology and philosophy is difficult to comprehend. Given that most citizens are still haunted by the 1969 racial riots, most parents discourage their children from becoming interested in this field of study. This is complicated even further by the lack of active Non-Governmental Organisations (NGO's) overseeing national military issues.

Public interest in defence spending has changed a bit since 2005 after the procurement of Russian SU-30MKM fighters and French 'Scorpene' submarines. It is a good sign that the healthy discussion and debate over the issue may mount pressure on MINDEF and the government to allow more transparency on matters of weapons procurement and defence spending.

#### **1.4 Major challenges**

One of the major challenges in Malaysia is to raise awareness among MPs and Malaysian citizens about the importance of defence issues. In addition, more transparency in respect to the defence budget is also required. At the moment, only rough figures are given in the annual report (in which only DE and OE is given) and budget in which detailed spending figures do not appear. In the annual report other details, for example, weapons procurement payment, base maintenance expenses and weapon (aircrafts, warships) maintenance expenses remain undisclosed. According to the Malaysian government's policy, defence procurement details are protected by the 'Official Secret Acts' (OSA) and may not be discussed publicly.

## **2. Role of Parliament in Defence Budgeting**

### **2.1 The Malaysian Parliament**

The Federal Constitution stipulates that the Parliament is composed of the King, the Senate (*Dewan Negara*), and the House of Representatives (*Dewan Rakyat*). The King's previous powers to reject bills as well as other discretionary powers have largely been reduced through two rounds of constitutional crises in the 1980s and 1990s. For a bill to be passed by the two houses, royal assent to enact the bill after thirty (30) days is no longer required.

The *Dewan Negara* or Senate was conceived to be an elected state house entrusted to protect the interests of the states. However, hopes of an eventual direct Senate election are a lost cause. Even the role of the State House has diminished. The original Constitution provides that two Senators be indirectly elected from each State Assembly in the country, i.e. 26 while an additional 16 are to be appointed by the King at the advice of the Prime Minister. Nowadays the King appoints 44 members. The *Dewan Rakyat* or House of Representatives is composed of 222 members. Theoretically, commanding the support of the House of Representatives is a prerequisite for the majority leader to be appointed as Prime Minister. The Westminster model that Malaysia takes after dictates that a Prime Minister must be a Member of the House of Representatives who commands majority support in the House. Key leaders from the ruling coalition are also members of the administration, which include ministers and deputy ministers.

Before the 12<sup>th</sup> general election on 8<sup>th</sup> March 2008, the Parliament was generally perceived to be non-influential in policy-making because the House was dominated by the *Barisan Nasional* or National Front, which normally controlled

approximately 80 to 90% of the seats in Parliament. However, the opposition parties, *Parti Keadilan Rakyat* (PKR) or People's Justice Party, Democratic Action Party (DAP) and Pan-Malaysia Islamic Party (PAS), which later formed *Pakatan Rakyat* or People's Pact, successfully denied the long-held two thirds majority in Parliament. Currently there are 81 MPs from the opposition parties in the House. It is expected that the situation will improve during this term since the presence of the opposition parties in the House increased significantly after the 'political tsunami'.

## **2.2 Parliamentary Involvement in Defence Budgeting**

Since independence, defence issues are frequently raised in the House and range from the defence policy to arms procurement, national service etc. Nowadays, the attention of MPs can be roughly divided between concerns over the growing size of the defence budget and recurrent rumors of malpractices in weapons acquisition and capital expenditure by MINDEF. The classification of defence documents resulted in MPs lacking sufficient information to engage actively in debate, or, in the rejection of MPs questions by the House on different grounds. In the worst case scenario, MPs could be charged under the Official Secret Act (OSA) for possession of the documents.

For example: in 2007, a review on the latest development of the Royal Malaysia Navy submarine base in Teluk Sepanggar, Sabah, East Malaysia is presented in the House. Little information was revealed and attracted few MPs. On 2<sup>nd</sup> May 2008, YB Liew Chin Tong (DAP-Bukit Bendera, Penang) submitted his question on the maintenance cost and average flying hours for each year since 2004 of Royal Malaysia Air Force frontline fighter plane, MIG-29N, SU-30MKM, HAWK 200 and F/A-18. However, his question was rejected by the House Secretary Roosme Hamzah (Liew's Blog). The House Secretary refused the question on the grounds that the information is restricted under the Official Secret Act 23(1)(f).

## **2.3 Major Challenges for Parliamentary Involvement**

One of the best efforts in promoting parliamentary involvement in the defence budgetary process and guaranteeing the transparency of spending is the establishment of a parliamentary defence committee that overlook defence related issues, including budget and spending in MINDEF. The members should be from the governing party and the opposition as well as NGO's or academic circles. The committee should meet periodically and the discussions should cover weapons procurement, defence budgeting and other issues related to national security. The establishment of the committee is not an easy task as the BN government tends to reject the establishment of a parliamentary committee. However, given the presence of 81 opposition MPs in the House, the opposition parties can exert pressure on the BN government to set up such a committee to monitor budget management and spending in MINDEF.

## **3. Conclusion**

Despite the Annual Report which reveals MINDEF's general financial performance and despite the common knowledge that the defence sector's spending focuses primarily on personnel costs and operations, the defence spending in MINDEF still lacks transparency. Lacking expertise on part of the MPs and the disinterested public constitute two major issues that need to be addressed so as to push for more transparency in defence spending in Malaysia.

The establishment of a parliamentary committee to oversee the defence budgeting process and defence spending is a significant step but other issues such as the pressure by opposition parties and public, as well as the willingness and commitment of government in establishing such a committee, are far more important.

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