

# Advances in Ecological Fiscal Transfer for Biodiversity Conservation

**2018**

EFT was highlighted as one of the priority finance solutions in the Biodiversity Finance Plan (BFP). A policy paper titled “Ecological Fiscal Transfer for Biodiversity Conservation – Lessons, Opportunities and Way Forwards for Malaysia” was prepared by UNDP Malaysia and presented to the Ministry of Finance. The inaugural EFT finance solution was highlighted as part of the 2019 Budget Speech by the Minister of Finance.

**2019 - 2021**

The allocation and distribution of EFT were under ‘TAHAP’ scheme, which involves the allocation of periodic development grants to the state governments based on economic development, infrastructure and wellbeing.

**2022**

EFT allocation was revised and placed under the concept of “special allocation”, in which the Ministry of Finance allocates grants to the Ministry of Natural Resources, Environment and Climate Change (NRECC) to implement the mechanism in the States.

NRECC developed a guideline outlining the process, allocation criteria, and monitoring and evaluation for assigning EFT allocation to the state governments. The guidance provides for the distribution of grants among the States based on a formula – 70% of the allocation is based on Protected Area hectareage by each State, and 30% is “performance based”.

EFT Allocations in Malaysia (\$ million)

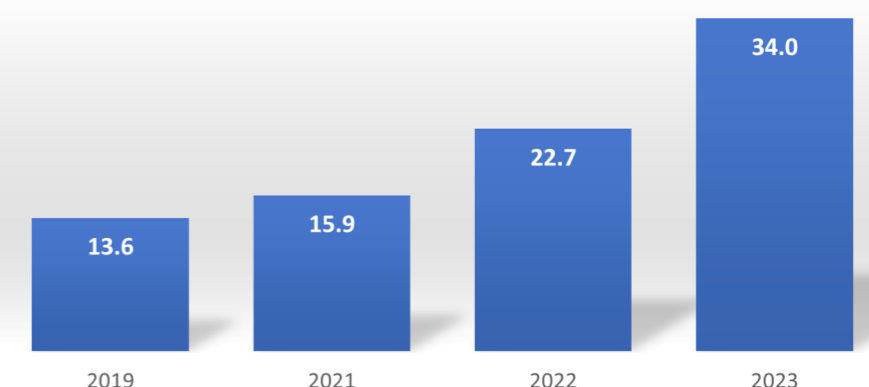


Photo credit: Forever Sabah

## BIOFIN Phase II Extended will support Malaysia in the *strengthening of the implementation effectiveness of EFT scheme*

### Why this solution

The EFT scheme is a positive and encouraging development, however, there is a need to assess whether this EFT mechanism can be implemented effectively and institutionalized in the long term with a sustainable source of public finance.

### Expected Result

Implementation effectiveness of current EFT scheme enhanced, and possible policy, legal and institutional pathways for EFT institutionalization in Malaysia in the long term.

### Strategies

A review of the effectiveness of current implementation framework for disbursement and operational mechanism at recipient States.

A policy, legal and institutional review to identify the possible pathways to ensure sustainability of EFT scheme in the long term.

To engage, sensitize and build capacity of decision makers at the federal level and recipient state governments.

### Targets by 2025

01

Annual EFT allocation in MYR increased by 50%.

02

At least 2 state governments with EFT allocation earmarked with internal processes and fully utilized for biodiversity conservation actions at the State and local level.

03

Policy and/or legal framework or pathway for the institutionalization of the EFT scheme in Malaysia incorporating gender consideration developed.

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