



Joint Programme 2022 Annual Progress Report

SDG Financing Portfolio - Component 1

Cover page

UNCT/MCO: Malaysia

Reporting Period: 1 January - 31 December 2022

JP title: INFF: Developing Financing Partnerships to Accelerate SDG Achievements in Malaysia

Stakeholder partner: National Government; Private sector; Sub-national Governments; Civil Society Organizations;

Thematic SDG Areas: Digital transformation; Climate action & energy transformation; SDG localization;

PUNOs: UNDP, UNICEF, UNCDF

Top- up received as part of DEM: No

Total estimated expenditures: US\$ \$ 662,006.0

Total estimated commitments (including expenditures): US\$ \$ 672,536.0

Gender Marker: Gender-sensitive (for example, the JP acknowledged and aimed to address gender to enhance the policy/programme, such as undertaking gender analysis to ensure policies/programmes do no harm)

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Executive Summary

Following the severe constraints imposed by the pandemic, 2022 was a year of catch-up and acceleration for the INFF Joint Programme (JP). Considerable progress was made, and the JP came back to on track performance, with delivery meeting targets (with total expenditure to date reaching USD 672,536, some 67% of the total budget). This enabled the release of the final tranche of funds. The JP also enjoyed greater recognition and support from the Government with Cabinet endorsement of the Joint Programme's Project Document in September 2022.

Key contributions to project outcomes, which are detailed below, included:

- Finalization of the Development Finance Assessment (DFA) as a key evidential input to JP activities, and the Governments INFF arrangements. This links to CF collaborative outcome (CO) 5.1 (Planning and Budgeting to support SDGs) and CO 5.4 (SDG Financing) and to SDG targets 10.b (Encourage ODA and financial flows), and 17.1 (Strengthen domestic resource mobilization).
- Completion of the SDG Indicator data review, and the identification of pathways for compilation of 61 missing

indicators, via capacity building and technical inputs. This links to CF CO 5.2 (Support to SDG Data) and to SDG target 16.6 (Develop effective institutions).

- Advancement of the SDG Roadmap exercise including wide consultations on target setting and full operationalization of the SDGs within Malaysia. This links (again) to CF CO 5.1 and SDG target 16.6.

It remains early days in terms of identifying development resources levered through the INFF's work. However, it noted that the Government is keen to sophisticate its SDG based analysis of the budget and specifically, of development expenditures, which in the 2202 federal budget amounted to MYR 75.6 billion (USD 17.6 billion).

The Project obtained a no-cost extension to June 2023, and is now in the final stages, with a remaining USD 327,000 to be delivered before closure.

Annual Progress

Overall JP self-assessment of 2022 progress:

Satisfactory (majority of expected annual results achieved; 1 to 3 months delay in implementation)

Overall progress and key developments to date (3 key JP milestones)

Taking the key outputs identified for the period, key results included:

Output (1): Identifying Development challenges and strategies:

Work on the SDG Roadmap with the Economic Planning Unit (EPU) as implementing partner (IP) (note recently renamed the Ministry of Economy), has advanced considerably and at year-end nearing draft stage. The National SDG Profile was completed in Q3. Region-based public consultations across Malaysia to identify SDG implementation at local level and capacity needs of state and local agencies were conducted in Q4.

Multiple engagements took place with the statistical agency (the Department of Statistics Malaysia - DOSM), and other ministries/ agencies, and the data global custodian UN agencies on SDG indicators. Further research was conducted on indicators with complex methodologies to plug remaining gaps. The final technical report summarizing the status and agreed approach for all indicators was produced by the end of Q4.

A final draft Development Finance Assessment (DFA) was completed following extensive stakeholder consultations in Q1 and Q2 which delivering major improvements in the text. A dialogue co-organized with Ministry of Finance (MOF) as the lead IP held in August with over 80 experts from the public and private sectors, civil society and academia joining. At year end, the final DFA was waiting MOF endorsement.

Output (2): Financing strategy and components

2.1. SDG Budgeting and Costing: Draft SDG Budgeting and Costing guidelines were completed and these were well-received by Government in Q2. These guidelines were piloted in two ministries, Environment (KASA) and Energy (KETSA), to determine applicability to existing outcome-based costing (OBC) systems (e.g. MyResult and MyProjek). Refined guidelines were submitted to the National Budget Office (within MOF) in Q4.

2.2. SDG Private Sector Financing: Efforts to develop a Malaysia SDG Investor Map continued - a new government partnership was established with the Malaysian Investment Development Authority (MIDA). A dialogue on SDG investment opportunities was held on 6 December attended by over 100 participants.

Post closure of the work on Islamic fintech challenge around capital markets to mobilize financing for SDGs was completed. The JP team finalized the Financial Health Note for regulators and market participants.

Main Challenges, adjustments and lessons:

The Malaysia JP has faced a series of challenges since its inception. Within the reporting period, the major constraint was a political one, given by the previous coalition government facing impending general elections, which was resolved in November 2022 and the formation of a Unity Government. An associated administrative constraint was the delayed signing of the JP Pro-Doc, which was ultimately endorsed by the Cabinet in September 2022. The general election and the change of government have also delayed the validation process of the DFA and SDG Budgeting and Costing Guidelines.

Additional challenges included:

- A tendency for government agencies to work in silo mode and adopt a narrow focus on technical matters relevant to their functions alone, as opposed to achieving better overall results. Improved SDG data collection and financial planning require in-depth conversations and cooperation between ministries and agencies.
- Similarly, the Central Bank (Bank Negara Malaysia - BNM), which has been leading the efforts on inclusive finance and Islamic FinTech, has also been hesitant to fully commit to wider or new areas of work.
- Changes in the office bearers in the EPU and the MoF impacted progress as the JP's objectives and structure have had to be socialized repeatedly.
- Financial markets saw new developments with new regulations around how technology can further the agenda of inclusion and support the deployment of financing.

In the light of the above constraints to maintain progress, the INFF JP team sought an advance on the second tranche during Q2, and subsequently, a project extension (to June 2023). The latter was approved in December 2022.

SDG Acceleration

SDG 10: Reduce Inequality within and among states.

10.b Encourage ODA and financial flows, including foreign direct investment, to States where the need is great.

The DFA highlighted Malaysia's long-standing problems of fiscal inequality between states. According to the report, current sub-national revenue mobilization and budgeting leaves the critical development needs of some states unmet and recommends a strong push toward fiscal decentralization. This is to meet the needs of the 'missing-middle', to address spatial inequality, and in turn, to achieve the SDGs. The DFA has placed questions of de-centralization and equalization firmly on the policy agenda.

The draft SDG Budgeting and Costing Guidelines seek to resolve a lack of integration of different federal and sub-national budgets and private sources of development finance. The guidelines were well-received, and the inter-governmental relations aspect specifically noted by Government. Application of the approach within a planned review session by the National Budget Office and relevant officials, is expected to bring changes in the budgeting system.

SDG 16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all, and build effective, accountable and inclusive institutions at all levels.

16.6 Develop effective, accountable and transparent institutions at all levels

The Budgeting and Costing guidelines provide a tool to ensure policy priorities are reflected in the taxation and budgetary systems and strengthen linkages to the SDG- aligned planning. This will have transparency and accountability benefits, as it enables public scrutiny of public spending.

In addition, the Roadmap process will help Government identify under-funded and under-performing SDG targets and inform public and private partners to mobilize resources.

The SDG Investor Map will serve as a market intelligence tool to link national priorities and development needs with private financial flows to close financing gaps and improve the effectiveness of development finance.

SDG 17: Strengthen the means of implementation and revitalize the global partnership for sustainable development.

17.1 Strengthen domestic resource mobilization, including through international support to developing countries, to improve domestic capacity for tax and other revenue collection.

Enhanced data collection and reporting capacities (enabled by the JP) across several critical SDG indicators are already helping DOSM and the Government to prioritize policies, and financing and implementation needs. Improved SDG data are boosting ESG reporting and engagement by the private sector. The creation of an online dashboard, providing transparent, dynamic reporting has been especially helpful.

Updates on SDG financing framework

	Assessment Diagnostics		Monitoring	Governance
Inception phase		Financing Strategy	Review	Coordination
Completed (100%)	Completed (100%)	Completed (100%)	Advancing (50-99%)	Emerging (1-49%)

Descriptions on progress by INFF building blocks

Inception Phase:Based on the DFA and inputs gathered from the Development Finance Dialogue, a set of INFF recommendations (akin to a Roadmap) was presented to the MOF in Q4 and we are currently awaiting their feedback. A series of validation workshops is planned to take place followed by a larger stakeholder group in Q1. INFF Roadmap recommendations include: • Governance and coordination: Build an improved governance structure with both vertical and horizontal coordination with the emerging role of the National SDG Centre. • M&E: Set-up a Finance for Development dashboard metrics to assess Roadmap implementation performance, while tracking private finance flows • Budgeting and Costing for the SDG: Strengthen Outcome-based Budgeting system by linking SDG costing module to MyResult and MyProjek. • Sustainability measures: Strengthen Ecological Fiscal Transfers (EFTs) to incentivize re-forestation, adopt Voluntary Carbon Market development including the Domestic Emissions Trading Scheme (DETS), finalize Core Carbon Principles (CCPs), and adopt National Adaptation Fund/Co-financing for climate adaptation. • Inclusivity measures: Offer state guarantees for micro insurance/takaful, agro-insurance, sub-federal financing instruments, and enhance the universal service provision fund. • Economic measures: Adopt a right-financing approach to address food security and unpaid care e.g. a Time Bank Volunteering for senior citizens, promoting greater public-private partnerships in care industry.

Assessment & Diagnostics: The Development Finance Assessment (DFA) presented in Q4, compiled evidence and reviewed the existing literature and secondary data. It also undertook primary research through stakeholder

consultations in Q1 and Q2, inviting experts from the public and private sectors, civil society and academia. The DFA focused on fiscal space challenges in addition to the lack of a strategic budgeting framework for the SDGs. It provided a solid evidential foundation for the INFF roadmap and the SDG Budgeting and Costing guidelines. Especially with the new government, the DFA will enable the JP team, with the wider UNCT, to provide technical assistance to reshape the national financing framework and develop new financing strategies for challenges that the nation is facing. The SDG Budgeting and Costing Guideline was piloted in two ministries respectively, KASA and KETSA, to determine its applicability to existing outcome-based costing (OBC) systems (e.g. MyResult and MyProjek). The project did not include costing of any SDGs or sectors, but more towards streamlining information in current system, which already has SDGs mapped at the ministries' KPI level. The refined guideline has been submitted in Q4 and is under review for endorsement and capacity-building activities.

Financing Strategy:

Monitoring & Review: Two of the JP's proposals speak directly to monitoring and review: (1) To enhance the SDG Budget Tagging process and adopt the SDG Budgeting and Costing guideline in line ministries and sub-national agencies. (2) To develop a Finance for Development dashboard and metrics for reporting quick/ real time data on finance flows and impacts. This will greatly help with evidence-based SDG policymaking and responses.

Governance & Coordination: Since reshaping of the JP, described in earlier reports, the JP has a bifurcated governance structure (in line with the mandates of the two government partners) but coming together under the INFF Project Board. This is replicated on the Government side with the two coming together at the level of National SDG Council chaired by the Prime Minister. This is key result of itself, ensuring that the JP has national level policy exposure. • Finance components of the JP oversight sit with the MOF, as the Secretariat of the Finance for Development Working Cluster. The Cluster sits under the National SDG Council. • SDG and M&E oversight sits with the EPU as Chair of the Steering Committee of the National SDG Council (which also turn reports to the National Council). Members of the Cluster Committee, the Steering Committee and the National SDG Council are determined by the Government. UNCT is represented by the Resident Coordinator in these forums

Annual Reporting on Results

JP contributions to the Joint SDG Fund's global cost of living crisis

Next steps, scaling and sustainability [400 words]

In the closing six months of the JP, the outstanding workstreams will be brought to fruition.

- The SDG Roadmap process will proceed by compiling quantifiable targets that accelerate the SDGs; drafting SDG localization implementation guidelines; and by developing an evaluation framework for SDG efforts.
- On the outstanding SDG data gaps, the JP will continue to work with DOSM to: strengthen relationships across government; improve communications with global custodian agencies; and prioritize complete of any still missing indicators.
- A series of validation workshops with MOF and a wider stakeholder group is planned in Q1 2023 before completing the JP. The workshops will identify priorities arising from the DFA and INFF recommendations and next steps.
- SDG budgeting and costing requires additional work to ensure adoption both at national and sub-national levels.

The JP is currently having discussions with MOF for securing additional budget to bring the current SDG budget tagging exercise to the next level, and to raise SDG awareness among public officials.

- Post closure activities on Islamic fintech focuses on finalizing and releasing the Financial Health Note, which outlines the pathways and connectors towards achieving the SDGs. This includes working with Securities Commission and financial regulators to offer market-based solutions.

Priority Cross-cutting Issues

Cross-cutting results/issues

A focus on work on SDG indicator data led to adequate dis-aggregation to enable tracking of inequities faced by left behind groups, via technical efforts to close data gaps. Through adequate specification of an additional SDG 61 national indicators, the JP has determined the status, key metadata and recommended approaches for compilation.

Work on preparation of the SDG Roadmap has actively sought bridge the gaps and deliver Malaysia’s achievement of the SDGs, and to leave no one behind by reaching out to all people in a manner which targets their specific challenges and vulnerabilities. The process has addressed SDG gaps (data, governance) for localization and development of guidelines. It specifically included consultations with stakeholders that directly contribute to social welfare, gender equality, human rights, and youth empowerment.

Further post closure work on Islamic finance has sought, specifically, to ensure the inclusion of economically left behind populations and build these aims into market processes and regulation.

How did the JP apply the Gender Marker

The JP is Gender-sensitive (for example, the JP acknowledged and aimed to address gender to enhance the policy/programme, such as undertaking gender analysis to ensure policies/programmes do no harm). Evidence, data collection and analysis (e.g. gender assessments of programmes; policy briefs, costing for scale-up of social services);

Focus on LNOB cross cutting principles

Human Rights	Persons with disabilities	Youth	Environmental and social standards
No	No	Yes	No

Strategic Partnerships, Documents and Communications

How did the JP facilitate collaboration with diverse stakeholders in the SDG financing space

Efforts on the SDG Roadmap in partnership with EPU, was instrumental in ensuring state and federal agencies’ participation in the development of the Roadmap. Leveraging on EPU as the main implementing partner, the SDG Roadmap development process has socialized SDGs at local levels through public consultation labs. This engaged approximately 438 participants from state and local councils as well as CSOs across 14 states.

We note that EPU is also funding the project through government cost sharing (amounting to USD189,982). In turn, the Roadmap will be launched at the Government’s SDG Summit (schedule for May 2023), allowing for further partnership building

Donor and Strategic events attended by JP in 2022

JP steering committee/ programme board meeting	Strategic partners/ donors event	Closing meeting/event
Yes	No	No

JP contribution to SDG Financing

Drafted a bill, strategy, and/or approved a law increasing the fiscal space for the policy focus	Produced financing, costing, diagnostic and feasibility analyses as a basis to invest or increase spending on the SDGs	Improved efficiency (cost savings) in the management of programmes/scheme s	Improved effectiveness (value for money; i.e. developed tools social impact of \$1 spent)sector investment on of spending the SDGs	Drafted policies/regulatory frameworks i.e. developed tools to incentivize private additional funding on the SDGs	Structured financial instruments (public, private or blended) to leverage additional funding	new or to leverage funding
No	Yes	Yes	Yes	Yes	No	

Main capacity building activities supported by the JP that allowed people to expand their knowledge on SDG Financing and INFFs

The Development Finance Dialogue invited more than 80 experts and provided a platform for public and private sectors to exchange and expand their knowledge on SDG Finance. A capacity-building programme for government officials on SDG budget tagging is also under development. Engagements with National Budget Office and Accountant-General Department provide staff with additional exposure on importance of tagging in government’s planning and reporting functions