

## REQUEST FOR TARGETED SUPPORT<sup>1</sup>

### *Developing REDD+ finance fiduciary standards and private sector incentives and engagement strategy - Malaysia*

I. SUMMARY OF REQUEST (complete cells in white)	
Main objective	<p>Malaysia is currently in the process of completing its National REDD+ Strategy. To complete this process, there are two critical complements which are still missing, and are vital to ensuring sustainable financing of the Strategy implementation and economic development prospects through the Strategy implementation by providing a clear set of incentives for private sector actors to contribute to addressing drivers of deforestation and forest degradation.</p> <p>The main purpose of this Targeted Support is to help complete the Strategy process by putting in place international standard financial management practices to demonstrate effective and efficient handling of REDD+ results-based payments, and a mechanism to facilitate public-private partnerships.</p> <p>The requested Targeted Support will help Malaysia increase its capacity in these specific areas to strategically engage in REDD+ under the UNFCCC, and to take full advantage of transformational opportunities that REDD+ brings to improve its current land and forest management practices to contribute to the overall national development process.</p>
Main results expected	<p>It is expected that by the end of the process, the requested Targeted Support will have developed:</p> <p>Result One: a set of fiduciary standards and financial management protocols that meet both the domestic needs and international requirements together with a capacity development program to implement them; and</p> <p>Result Two: a private sector engagement strategy/guidelines to encourage private sector actors to support REDD+ actions through public-private partnerships to jointly pursue</p>

prefers using its own document, this form can be used as guidance on the content that is needed. See also guidance in the [Procedures for Accessing UN-REDD Programme Targeted Support](#).

The requests for targeted support should be presented in coordination with the teams of the participating UN organizations (FAO, UNDP and UNEP) and the Resident Coordinator.

It is recommended that the UN-REDD Country Focal Point submits the request. The request should be sent to the UN-REDD Programme Secretariat (E-mail: [un-redd@un-redd.org](mailto:un-redd@un-redd.org)). The Resident Coordinator to be copied on the request.

	sustainable land management outcomes by identifying viable incentive plans also addressing specific challenges and risks faced by the sector.
Total amount requested (US\$)	1) Result 1: US\$ 75,000 2) Result 2: US\$ 50,000 <hr/> Total: US\$ 125,000
Related Work Area/s <sup>2</sup> as defined in the <a href="#">UN-REDD Programme Strategy 2011-2015</a>	The current request falls under the <del>Governance Work Area</del> , in particular outcomes 2.4 and 2.6
Planned period of implementation <sup>3</sup>	Expected: November 2014-October 2015
Please select below type of funding as appropriate	
<input type="checkbox"/> Request for funding for REDD + activities implemented in support of existing UN-REDD National Programmes. <input checked="" type="checkbox"/> Request for funding for REDD+ activities complementary to other nationally-defined REDD+ activities (national strategies, RPP and/or bilaterally funded REDD+ activities) or for initiation of REDD+ activities. (The country has no UN-REDD National Programme.	

## II. BACKGROUND<sup>4</sup>

Please describe the background to the request. Examples of relevant content:

- Brief description of status of REDD+ readiness in the country and the national REDD+ efforts.
- Rationale for the needed support (it should represent additional and specific contribution to national REDD+ efforts with a view to fill gaps or to leverage other activities).
- Clearly provide linkages to National REDD+ strategies.
- If the country has a UN-REDD National Programme or is the pipeline for a National Programme, review how the needed support fits into the National Programme/R-PP.
- If the request is addressing results of a country needs assessment, please contextualize within overall results of the needs assessment.

<sup>2</sup> The work areas are: Monitoring Reporting Verification (MRV), Governance, Stakeholder Engagement, Multiple Benefits, Transparency & Accountability, Green Economy.

<sup>3</sup> Period: from month/year to month/year.

<sup>4</sup> Depending on the phase of the country in its REDD+ efforts, some of these details are relevant. Others may be too detailed and can be further elaborated if the request is approved.

Malaysia is one of the 12 mega-diverse countries that harbour the majority of the Earth's species and has endeavoured to conserve these biological assets through the protection of its forests. Meanwhile, the country is one of the largest exporters of natural and agricultural resources including petroleum, rubber, palm oil, sawn logs and timber, cocoa, pineapples and tobacco. Hence one of the major challenges for Malaysia is to balance conservation priorities with economic development needs through effective and efficient land use management practices to secure its path towards achieving sustainable development outcomes.

In this regard, REDD+ provides an opportunity to address this complex challenge and support the country's effort towards achieving sustainable land management goals. The Government of Malaysia, led by the Ministry of Natural Resources and Environment (NRE) has embarked on a process of developing the country's National REDD+ Strategy. The draft REDD+ Strategy outlines institutional arrangements for the implementation of REDD+ actions, a set of necessary legislations, policies and measures to address drivers of land-use and land-cover change, how REDD+ safeguards information will be collected and made available, forest reference levels/forest reference emission levels, and how forest carbon emissions will be monitored, measured and reported to the UNFCCC. The Strategy will support the implementation of the National Policy on Climate Change, National Biological Diversity Policy and National Forestry Policy among others.

The Strategy is currently going through an iterative process of revision and improvement through expanding analyses and expert and public reviews. As part of this process, a financial management mechanism is currently being developed. To support this effort, the Government of Malaysia requests Targeted Support from the UN-REDD Programme to identify a set of fiduciary standards and financial management protocols that meet both the domestic needs and international requirements together with a capacity development program to implement them. There is a growing realization that in order to receive results-based payments through multilateral, bilateral and private sector channels a certain set of standards, such as fiduciary standards but also standards in representation on governing bodies, transparency in decision-making, disclosure and accessibility of information on fund availability and flows, bidding and procurement, as well as monitoring, reporting and oversight mechanisms, has to be applied, met and demonstrated. Those standards need to satisfy both international and domestic requirements. This is where the Government of Malaysia recognizes the strength of the UN-REDD Programme to provide high quality advisory services backed by its expertise in the management of development finance and experiences in helping other REDD+ countries.

1. General steps followed in the identification and establishment of accountable and transparent REDD+ fund management include: Assessing options
2. Develop a concept note or basic design document (to be part of the National REDD+ strategy)
3. Establishment of the Fund – if a fund based approach is selected or ensure that funding allocations in the annual budget follow the implementation plan of the National REDD+ Strategy if budgetary support is selected
4. Develop detailed procedures for the fund (not required if budgetary support – regular procedures will be used) with agreed upon standards
5. Allocate or raise funds for fund (or budget support) operationalisation for a demonstration/testing purpose initially
6. Design and implement capacity building program during operations if interim structures are created
7. Transfer to national ownership and/or full country systems if funding bypasses country systems

The present request will cover points 1-4 as well as the outline of a capacity building program.

At the same time, to ensure successful implementation of the National REDD+ Strategy, effective engagement by the private sector is a must, given Malaysia's natural resources based economy. To facilitate effective and meaningful public-private partnerships in the implementation of the Strategy, viable, accountable and transparent incentive plans that reflect interests of private sector actors and also removes specific challenges and risks faced by the sector need to be identified and agreed between the Government of Malaysia and key private sector actors through a baseline assessment and consultations.

Some of the specific ideas may include providing tax breaks and improved access to finance to support necessary transformation of their business models and practices to incentivize their contributions to REDD+ results, while using those transformations as a leverage to help seek new business opportunities. Following on these ideas, to determine the right level of tax break, or to set a new system of improved access to

### III. SPECIFIC OBJECTIVES

Please describe the main objectives and activities of the request.

- Provide details on type of support requested and include any needs for in-kind support such as knowledge, capacity building or technical information.
- If the country has a UN-REDD National Programme, describe how the requested support will fill gaps / be complementary to the already received funding for the National Programme.

As described above, the specific objectives are :

1) To enhance Malaysia's capacity to tap into international REDD+ finance through:

- Identification of a set of fiduciary standards and financial management protocols that meet both the domestic needs and international requirements. detailed procedures for the fund (if a fund-based approach is selected); and
- Preparation of a capacity development program to implement the defined standards.

2) To enhance Malaysia's response to the drivers of deforestation and forest degradation through:

- Assessment and consultations to identify specific, transparent incentives for the private sector, as well as challenges and risks the private sector faces; and
- Development of a private sector engagement strategy/guidelines through:
  - Desk reviews by consultants,
  - Consultations with stakeholders, and
  - Workshops to validate results.

### IV. IMPLEMENTATION

Please describe the implementing arrangements for the activities planned.

- Include the main implementing institutions and partner institutions.
- Explain what measures were taken to engage indigenous peoples and civil society, as applicable

The requested Targeted Support will be implemented directly through the REDD+ Unit, NRE in partnership with Ministry of Finance Malaysia and Forest Research Institute Malaysia, with technical backstopping and oversight from the UNDP Malaysia Country Office and UN-REDD UNDP global and regional advisors.

The REDD+ Unit will ensure all key stakeholders from the government and non-government sectors are engaged and consulted in the process as and when appropriate. Active engagement by private sector actors and key public institutions dealing with national financial and planning matters will be critical and therefore necessary measures will be taken to ensure this condition.

### V. FUNDING SOURCE

Please indicate any co-funding for the planned activities.

The requested Targeted Support will be implemented in parallel with the currently on-going process to complete the National REDD+ Strategy. The Government of Malaysia considers this as appropriate co-financing to ensure the sustainability of the expected results of the Targeted Support. As described in the earlier section, the Targeted Support outputs will be integrated into the Strategy process.

## VI. SUMMARIZED WORKPLAN WITH BUDGET AND TIMELINE

(Please expand space as needed. Alternatively, add Annex with workplan, budget and timeline)

Description of planned outputs and activities	Amount (US\$)	Implementation period
<p><b>Result One: a set of fiduciary standards and financial management protocols that meet both the domestic needs and international requirements together with a capacity development program to implement them.</b></p> <ol style="list-style-type: none"> <li>1. Review of requirements of REDD+ in Malaysia (type of activities to support, type of disbursements, type of entities with access, disbursement size etc.) to influence choice of fund management options and orient reviews described under subsequent points</li> <li>2. Review of public financial management at the macro level to:               <ul style="list-style-type: none"> <li>– assess whether budget support or fund based approaches are more adequate for managing REDD+ finance; and</li> <li>– identify weaknesses and strengths that can be incorporated into proposed management structure even though the fund management solutions may bypass other components of the PFM system.</li> </ul> </li> <li>3. Integrate REDD+ fund management to national climate finance architecture</li> <li>4. Conduct relevant micro assessments if budget support is not an option and also to pre-identify potential implementation capacity at the government’s side. (Micro assessments can cover existing extra-budgetary funds, ministry or agency practices, subnational fund management practices etc.)</li> <li>5. Review international standards (of existing bilateral donors in the field of REDD+ and Climate Change, GCF and how they are additional to PEFA and other fiduciary assessments)</li> <li>6. Prepare a roadmap for the national fund management arrangements for REDD+ including capacity building and reform if necessary.<sup>5</sup></li> </ol>	<p>Specific budget breakdown to be determined during scoping mission by UN-REDD</p>	<p>November 2014-October 2015</p>
<p>Fund management arrangements total</p>	<p>US\$ 75,000</p>	
<p><b>Result Two: a private sector engagement strategy/guidelines to encourage private sector actors to support REDD+ actions through public-private partnerships to jointly pursue sustainable land management outcomes by identifying viable incentive plans also addressing specific challenges and risks faced by the sector.</b></p> <ol style="list-style-type: none"> <li>1. Private sector engagement on expectations in terms of benefits from REDD+ actions</li> </ol>	<p>Specific budget breakdown to be determined during scoping mission by UN-REDD</p>	<p>November 2014-October 2015</p>

<sup>5</sup> This set shall include standards on representation on governance bodies, transparency in decision-making, disclosure and accessibility of information on funding amounts, funding accessibility, bidding and procurement, as well as reporting, monitoring and oversight mechanisms.

2. Assessment of cost-benefits and feasibility of private sector incentives through REDD+ and other climate finance mechanisms		
3. Review of existing private sector incentive schemes		
4. Recommendations on options for private sector participation		
<b>Private sector total</b>	<b>US\$ 50,000</b>	
<b>Total amount requested (US\$)</b>		<b>US\$ 125,000</b>

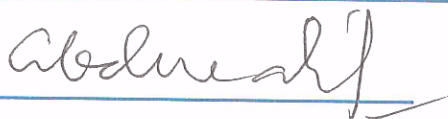
#### VII. MONITORING OF PROGRESS AND REPORTING

Please describe how the progress of planned activities and outputs will be monitored and reported by time.

As part of the National REDD+ Strategy development process, the progress and outputs of the Targeted Support will be reported to the National REDD+ Committee by the REDD+ Unit to ensure full integration of the work into the Strategy process.

The REDD+ Unit will also work closely with the UNDP Malaysia Country Office and UN-REDD UNDP Regional and Global Advisors to ensure appropriate quality assurance and financial and quality monitoring and reporting to the UN-REDD Programme.

<b>IV. UN-REDD COUNTY FOCAL POINT (name and title) <sup>6</sup></b>	<b>Datuk Dr Abdul Rahim Nik Deputy Secretary General (Environmental Management)</b>
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(Signature)

<b>Name and title</b>	<b>Datuk Dr Abdul Rahim Nik</b>
<b>Institution and address</b>	<b>Ministry of Natural Resources and Environment Malaysia 25 Persiaran Perdana, Wisma Sumber Asli, Presint 4, 62574 Putrajaya</b>
<b>Phone number</b>	<b>603 8886 1627</b>
<b>E-mail</b>	<b>rahimnik@nre.gov.my</b>

<sup>6</sup> It is recommended that the UN-REDD Country Focal Point submits the request. See also footnotes on page 1.