

## **Federal capitation grant for states up 25pct to RM548m**

**Malaysiakini**

**06 March 2025**

**Bernama**

The rate of capitation grant distributed to state governments will be increased by 25 percent, or RM109 million, to RM548 million effective from 2026.

Prime Minister Anwar Ibrahim, who is also the finance minister, said the new rate was approved during the 2025 National Finance Council meeting which he chaired this morning.

“This marks the first time the capitation grant rate has been reviewed since 2002. The review reflects the Madani government’s commitment to assisting state governments in delivering services to the people,” he said in a statement today.

The National Finance Council also approved improvements to the Ecological Fiscal Transfer for Biodiversity Conservation’s (EFT) implementation guidelines, Anwar said.

He said his government’s focus on preserving and conserving the environment is demonstrated by the rise in the EFT allocation from RM150 million in 2023 to

RM200 million in 2024, and further to RM250 million for this year.

“Through the National Finance Council, the Madani government demonstrates its commitment to cooperate with and provide continuous support to all state governments towards the development of Malaysia Madani,” he said.

Anwar said that federal government grants to state governments amounted to RM9.3 billion in 2024 and the figure will be increased further this year with an allocation of RM9.8 billion for the benefit of all Malaysians.

He also mentioned that this year, the federal government will implement inclusive development, where newly approved development projects approved in Budget 2025 will be aligned with the priorities of each state government.

In addition, he noted, the allocation for agricultural programmes in cooperation with the state governments has been raised to RM300 million for this year from RM150 million in 2024.

The National Finance Council’s meeting is held annually as a platform for negotiations between the federal and state governments on financial matters.

Today’s meeting was also attended by both Deputy Prime Ministers Ahmad Zahid Hamidi and Fadillah Yusof, as well as senior federal and state officials.

Among those present were Sarawak Premier Abang Johari Openg and Sabah Finance Minister Masidi Manjun who represented Chief Minister Hajiji Noor.

Also present were Selangor Menteri Besar Amirudin Shari, Johor Menteri Besar Onn Hafiz Ghazi, Kedah Menteri Besar Muhammad Sanusi Md Nor, and Terengganu Menteri Besar Ahmad Samsuri Mokhtar.

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Source: <https://www.malaysiakini.com/news/736548>