

CREDIT OPPORTUNITIES IN FOREST PLANTATION

OBJECTIVES

- To encourage commercial forest plantation
- To sustain material supply for the timber industry
- To increase private investments in the timber industry

BACKGROUND

- *The export earnings from timber and timber-based products increased from RM22.26 billion in 2018 to RM22.50 billion in 2019.*
- Commercial forest plantations will ensure sustainable supply of timber while the natural forest can be reserved for non-timber benefits such as water catchments areas, ecotourism and recreation, biodiversity and germplasm conservation.

SPECIAL PURPOSE VEHICLE

In March 2005, the Ministry of Plantation Industries and Commodities (MPIC) was given an important task by the Cabinet to establish a large scale commercial forest plantation in Malaysia. To achieve this, a Special Purpose Vehicle, known as the Forest Plantation Development Sdn. Bhd. was set up on 13 February 2006 by the Malaysian Timber Industry Board (MTIB).

The main functions of the company are as follows:

- To promote the established of forest plantations for future timber supply.
- To provide soft loans to state agencies and private companies interested in development of forest plantations.
- To update policy makers on issues pertaining to land, investment opportunities, policies and guidelines and to initiate new investment programmes.

ALLOCATION AND FINANCING

- The government has allocated RM1.045 billion to be given out as soft loan to eligible companies applying to participate in the forest plantation programme.
- Between 2006 and 2020, 1.008 billion has been disbursed to MTIB (the parent company/custodian of FPDSB) which would then release the loan to eligible borrowers through FPDSB.
- FPDSB has been tasked to oversee and monitor the forest plantation programme.
- Total land areas of 130,000 hectares have been earmarked for the programme implementation time frame (2006 - 2020).
- The terms and conditions of the soft loan are as follow:-
 1. Interest rate of 3.0% (compounded annually for 15 years (grace period) and will be compounded daily for five years after the grace period)

2. Load period: 20 years;
 3. Grace period of 15 years (with yearly compounded interest rate);
 4. Repayment period of five years beginning in year 16 (with daily compounded interest rate)
- The quantum of loan given to a successful applicant are RM10,000 per hectare (Peninsular Malaysia) and RM13,000 per hectare (Sabah & Sarawak) for Rubberwood, RM8,000 per hectare for forest species, RM10,000 per hectare for bamboo and RM10,000 per hectare for Paulownia

CRITERIA FOR ELIGIBILITY

- Malaysian public listed company with a minimum of 51% local equity and registered under the Companies Act 1965;
- For non-public listed company the equity should be 100% Malaysian owned registered under the Companies Act 1965;
- The company should have minimum paid-up capital of at least 10% of the loan amount or RM200,000.00;
- Peninsular Malaysia: Forest plantation to be developed must be on state land or alienated land with prior approval from the State Forestry Department and within Permanent Reserved Forest (PRFs) that are designated for forest plantation;
- Sarawak: Only areas with a Licence for Planted Forest (LPF)
- Sabah: Only areas that are approved as zones for Industrial Tree Plantation (ITP) under the Sustainable Forest Management Licence Agreement (SFMLA); and
- Private land with a permanent title or a minimum of 30 years leasehold (supported in writing from the State Authority);
- The land has been approved for the forest plantation by the relevant State Authority such as Forestry Department and Department of Environment (supported by written letter from these State Authorities);
- The land is free from other crops such as palm oil and cocoa and the fund is for the new planting of timber species approved by the Technical Committee only;
- The company should have a strong financial standing with satisfactory and reasonable cash-flow indicating capability for loan repayment;
- The company must have sufficient planting materials for the forest plantation that are approved by the Malaysian Rubber Board (MRB) for Rubberwood species and Forest Research Institute of Malaysia (FRIM) for other selected species;
- Companies should not have any adverse borrowing records of borrowing from any financial institutions or government agencies; and

THE PROCEDURES FOR LOAN APPLICATION

Applicants are required to submit the following documents:

1. Application Letter;
2. Company Profile;
3. Working Paper of the Proposed Project;
4. Copies of Form 9, 24 and 29 under the Company Act (to be verified);
5. A copy of Memorandum and Articles of Association (to be verified);
6. A copy of Land Title [Ownership] (to be verified) or Leasehold Agreement (LA);
7. Company's Organisation Chart (Forest Plantation Management Division).

As a guide, the working paper of the proposed project requiring financing should include the following:

1. Objective and Scope of the Project;
2. Background of the Project;
3. Project Location and Hectarage (Attach location map);
4. Project Details including species to be planted;
5. Prospect of the project;
6. Implementation Plan (Date to commencement and end of the project/Planting Schedule);
7. Project Costs (List all items and cost in detail);
8. Project financing (Percentage of financing needed)
9. Marketing proposal for the timber produce (for own consumption or for sales);
10. Project cash flow for the 15-year period; and
11. The company's audited report for the past three years (to be verified).

Complete application documents can be submitted to:-

Forest Plantation Development Sdn. Bhd. (FPDSB)

Level 9, Menara PGRM, Tower 2, No. 8, Jalan Pudu Ulu, Cheras
56100 Kuala Lumpur
Tel : 603 – 9282 9000
Fax : 603 – 9286 1002 / 1003

Malaysian Timber Industry Board (MTIB)

Level 13 – 17, Menara PGRM, No. 8, Jalan Pudu Ulu, Cheras
P.O. Box 10887, 50728 Kuala Lumpur
Tel : 603 – 9282 2235
Fax : 603 – 9200 3769 / 9283 9792
E-mail : info@mtib.gov.my

For more information please contact:-

- i. Ministry of Primary Industries
Website: www.mpi.gov.my
- ii. Malaysian Timber Industry Board
Website: www.mtib.gov.my
- iii. Forest Plantation Development Sdn. Bhd.
Website: www.fpd.com.my

Selected Species Under Forest Plantation Development Programme:

- **Rubberwood** (*Hevea brasiliensis*)
- **Acacia spp.** (*Acacia mangium/hybrid*)
- **Batai** (*Paraserianthes falcataria*)
- **Binuang** (*Octomeles sumatrana*)
- **Kelempayan/Laran** (*Neolamarckia cadamba*)
- **Khaya spp.** (*Khaya ivorensis/Khaya senegalensis*)
- **Sentang** (*Azadirachta excelsa*)
- **Teak** (*Tectona grandis*)
- **Bamboo spp.**
- **Paulownia spp.**
- **Eucalyptus spp.**