



KEMENTERIAN PEMBANGUNAN PERINDUSTRIAN
(MINISTRY OF INDUSTRIAL DEVELOPMENT)
Tingkat 9, 10 & 11, Blok C,
Wisma Tun Fuad Stephens, Karamuning,
Beg Berkunci No: 2037,
88622 Kota Kinabalu,
Sabah, Malaysia.

Telefon : 088-255055
Fax : 088-267727

REF.: KPP M.1633/1

14 September 1999

Ybhg. Dato' Dr. Samsudin Hitam,
Ketua pengarah,
Unit Perancang Ekonomi,
Blok G, Tingkat 3,
Jalan Dato Onn,
Kuala Lumpur.

Ybhg. Dato' Dr.

**SOURCING FUNDS FOR FORESTRY SECTOR AND
RURAL DEVELOPMENT FROM WORLD BANK**

I would like to inform Ybhg. Dato' that at the recommendation and introduction of Mr. Michael Hands, Senior Commercial Councillor of the US Embassy, I made a visit to the World Bank and explored the above matter with Mr. James Douglas, the Forest Adviser, Rural Development Department, Mr. Saha Dhevan Meyanathan, Senior Private Sector Development Economist, Private Sector Development Unit East Asia and Pacific Region, and Mr. Wan Abdul Aziz, an alternate Executive Director.

In my meeting with the above World Bank officials, the development and trends in forestry sector particularly sustainable forest management were discussed. In relation, the possibility of long term funding was explored.

For Ybhg. Dato's information, Sabah has since three years ago embarked on a sustainable forest management scheme whereby 27 forest management units (FMU) of roughly 100,000 hectares each were leased out to reputable companies for 100 years. In a FMU, it is stipulated that a maximum of 2,000 hectares can be harvested annually; as tropical hardwood takes an average of 50 years to mature, there are therefore, two complete cycles of harvest during the lease.

It is evident that owing to such a long gestation period, conventional financing is thus hardly obtainable. It is this reason that we appeal for your support to seek assistance from international financial institutions.

...2/-

For further information, the World Bank has been very supportive and proactive that Mr. Mohamed Nouredine Benali, the Principle Agriculturist of the Rural Development and Natural Resources Sector Unit East Asia and Pacific Region, came to Malaysia for a fact-finding mission. As Y.B. Dato' might have been aware, forests are surrounded by rural communities. Sustainable forest management has the development of rural communities in mind. The expert involvement of a World Bank in FMU can possibly pave the way for a new threshold in rural development in Sabah. The correlation of timber extraction and rural development can make the forestry sector more viably profitable in the long run.

Lastly, it is worthy to note that the forestry sector, apart from timber, also encompasses biodiversity, ecotourism, ornamental and pharmaceutical plants. Given adequate incentives and assistance, FMU can definitely tap such potentials.

Y.B. Dato's favourable consideration and support in the matter would be most appreciated.



(THAM NYIP SHEN)

Timbalan Ketua Menteri merangkap
Menteri Pembangunan Perindustrian

c.c. Y.A.B. Ketua Menteri Sabah,
Jabatan Ketua Menteri,
88502 Kota Kinabalu.



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14 September 1999

Y.B. Dato' Seri Rafidah Aziz,
Kementerian Perdagangan Antarabangsa
Dan Industri,
Blok 10, Kompleks Pejabat Kerajaan,
Jalan Duta,
50622 Kuala Lumpur.

Y.B. Dato' Seri,

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14 September 1999

Y.B. Dato' Mustapa Mohamed,
Menteri Kewangan II,
Kementerian Kewangan,
Blok 9, Kompleks Kerajaan,
Jalan Duta,
50592 Kuala Lumpur.

Y.B. Dato',

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Y.B. Dato' Seri Dr. Lim Keng Yaik,
Kementerian Perusahaan Utama,
Menara Dayabumi,
Jalan Sultan Hishamuddin,
50654 Kuala Lumpur.

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Jabatan Perhutanan Sabah

**THE IMPLEMENTATION OF
SUSTAINABLE FOREST
MANAGEMENT IN SABAH**

**Taklimat
Jabatan Perhutanan Sabah**

Kepada

**YB Datuk Tham Nyip Shen
Timbalan Ketua Menteri
Merangkap Menteri Pembangunan Perindustrian**

Pada

30 Julai 1999



K. K. I. P. SDN BHD (281566-D)

(A Wholly-owned Company of the State Government of Sabah, Malaysia.)

First Floor, Lot 11B, Export Oriented Industrial Zone Phase 1,
Kota Kinabalu Industrial Park (KKIP), Jalan Sepangar, Menggatal,
88450 Kota Kinabalu, Sabah, Malaysia.
P. O. Box No. 21955, 88777 Luyang, Kota Kinabalu, Sabah, Malaysia.
Tel: 088-498001, 498002, 498003 Fax: 088-498014 E-mail: kkip@po.jaring.my

KKIP.02.11.7.

7 October 1999

Mr. Mohammed Nouredine Benali
Principal Agriculturist
Rural Development and Natural Resources Sector Unit
(East Asia & Pacific Region)
The World Bank
1818 H Street, N. W.
Washington, D.C. 20433
USA

Dear Sir

BACKGROUND INFORMATION ON SABAH SUSTAINABLE FOREST MANAGEMENT

We are very pleased to receive your email message dated September 15, 1999 attached with the Aide Memoir part of it on Sabah Forestry Proposal Aide Memoir and addressed to *nsthm @ Sabahnet.my*; *KKIP @ po.jaring.my*; *mid@sabah.gov.my*; *ahmadkc@epu.jpm.my*.

Attached herewith are the details information on Sustainable Forest Management in Sabah for your reference and perusal.

We hope to be able to meet you soon to discuss further on our proposal.

Thank you.


CHONG HON LEN
General Manager

cc. The Honourable Datuk Tham Nyip Shen
Deputy Chief Minister cum Minister of Industrial Development, Sabah
Ministry of Industrial Development
9th, 10th & 11th Floor, Block C
Wisma Tun Fuad Stephen
Karamuning ,88300 Kota Kinabalu

GM/mu/jpa