BNM's Fund for SMEs
Relief and Adaptation Facility (RAFt)
Frequently Asked Questions

Relief and Adaptation Facility (RAFt)		
No.	**Question**	**Answer**
1.	**What is the RAFt?**	• In previous major flood events, BNM has provided relief financing through the Disaster Relief Facility (DRF) to alleviate the financial burden of affected small and medium enterprises (SMEs) and support resumption of their business operations. • In efforts to promote SMEs' flood preparedness and business resilience amid worsening flood risks in Malaysia, BNM has reoriented and enhanced the DRF into the Relief and Adaptation Facility (RAFt), a facility which now offers both flood adaptation financing and relief financing. • The adaptation financing is introduced to assist SMEs in undertaking capital investments and relevant expenses to pre-emptively manage or reduce flood-related risks and losses. • BNM has also enhanced selected features of the existing relief financing offering to more effectively support SMEs in resuming their business operations following flood events. Key enhancements include the following: (a) Eligible SMEs may apply for relief financing up to 12 months after the occurrence of flood(s) listed by Agensi Pengurusan Bencana Negara (NADMA). (b) The maximum financing amount has been standardised at RM1 million across all SME segments, including microenterprises. (c) Borrowers may be allowed to extend the moratorium period beyond the built-in moratorium period of six (6) months on the principal and interest/profit payments, subject to the assessment by the Participating Financial Institution (PFI).

2. Who is eligible to apply for the RAFt?

- Malaysian SMEs[1,2] with the following eligibility criteria:

Adaptation financing	Relief financing
(a) Previously affected by floods, including flash floods; and/or (b) Located in flood-prone areas	(a) Affected by floods located in districts identified by Agensi Pengurusan Bencana Negara (NADMA) as flood disaster areas (b) Application for the financing must be made at most 12 months after the flood event

- Please contact PFIs directly to determine if your business is eligible for financing under the RAFt.

3. What are the financing purposes allowed?

- SMEs can obtain financing under the RAFt for the following broad financing purposes, subject to credit assessments by the PFI.

Adaptation financing	Relief financing
Capital investments and relevant expenses to pre-emptively manage or reduce SMEs' flood risk and losses (i.e. flood adaptation purposes) This includes, but is not limited to: (a) Fees for professional flood assessment and consultation; (b) Costs for relocation of business premises to low-flood risk areas (excluding purchase of land and property); (c) Expenses on flood adaptation aspects	(a) Repairs and/ or replacement of assets for business use (e.g. plants and machinery) which have been damaged by natural disasters; and/or (b) Working capital. Note: Financing should not be used for refinancing of existing credit/financing facilities

[1] At least 51% shares held by Malaysians.

[2] SMEs in this document refers to micro, small and medium enterprises as defined by the Guideline for SME Definition issued by SME Corporation Malaysia, accessible at: https://smecorp.gov.my/index.php/en/policies/2020-02-11-08-01-24/sme-definition

		during the construction phase of a new business premises; (d) Additional expenses on auxiliary or after-sales service and maintenance on the flood adaptation solutions; and (e) Purchase of flood insurance/takaful cover on business premises and assets, and against business interruptions.	

- Please refer to Appendix 1 for examples of adaptation activities. Approval for financing of the adaptation activity under the RAFt remains subject to the credit assessment of each PFI.

4. My business is located in a flood-prone area and I am interested in applying for adaptation financing. How should I begin my adaptation journey?

- SMEs are encouraged to exercise due diligence when planning flood adaptation measures. Some suggested key steps include:
  - (i) **A – Assess your risks:** Assess your business's flood risks and determine the level of protection needed.
  - (ii) **E – Explore your options:** Explore available and suitable flood adaptation solutions in the market, and understand the extent of protection each solution offers.
  - (iii) **I – Initiate contact with PFIs:** Reach out to PFIs to confirm your business's eligibility and understand the terms and conditions under the RAFt.
  - (iv) **O – Obtain expert support:** Identify and obtain support from qualified consultants or solution providers for the relevant adaptation solutions.
    - SMEs may refer to official registries of the Board of Engineers Malaysia (BEM), Construction Industry Development Board (CIDB), and Board of Architects Malaysia (BAM) or directories by professional

		associations such as The Institution of Engineers Malaysia (IEM). – This step may include appointing a specialist flood risk engineer to conduct a more detailed and technical flood risk assessment (FRA). Please refer to FAQ no. 5 for further details. (v) **U – Understand other needs:** Understand and consider any auxiliary or after-sales services necessary for effective implementation and longevity of the solutions. – For example, this may include any extended warranties, after-sales services, maintenance services or other support that may be provided by the solution provider. • These steps are intended as general guidance, and do not have to be followed in a specific sequence. For instance, SMEs may choose to first consult relevant professionals (step O), who can assess the flood risks (step A), provide a comprehensive view of the potential adaptation solutions (step E) and offer other support (step U). This can then be followed by an iterative process with financiers or PFIs (step I).
5.	**What are the features and criteria of the RAFt?**	• Beyond the minimum features prescribed by BNM, PFIs may offer the RAFt facility with varying features tailored to the diverse needs of SMEs. SMEs are encouraged to properly evaluate and select the financing option that best aligns with their specific requirements.
6.	**What is the maximum financing amount allowed under the RAFt?**	• Each SME can apply for financing up to RM1 million for adaptation financing and relief finance, respectively. • This means that if both adaptation and relief financing are taken up, the combined limit is RM2 million per SME.
7.	**What is the maximum financing tenure allowed under the RAFt?**	• The maximum financing tenure for both the adaptation and relief financing are 7 years. • For the relief financing, the tenure of 7 years includes the built-in moratorium period of 6 months and any additional moratorium period mutually agreed upon by the SME and PFI. • SMEs should be advised that the moratorium is not a

		loan waiver. The interest/profit will continue to accrue on the deferred repayments during the moratorium period, and it will be charged to the instalment amount. However, the interest shall not be compounded (i.e. interest shall not be charged interest), even for conventional loans. • Before requesting any additional moratorium period beyond the built-in moratorium period of 6 months, SMEs should understand how much monthly repayments will increase after the moratorium, given that the tenure remains unchanged (i.e. fixed at 7 years regardless of the duration of the moratorium).
8.	**Are there any other conditions for the adaptation financing?**	• Yes, there are a few additional conditions designed to ensure that SMEs genuinely benefit from the financing and that the adaptation solutions implemented are effective and worthwhile. (a) For all financing applications involving physical adaptation measures (RM0 – RM1 million): Solutions must be provided by relevant and qualified professionals. This helps ensure that the adaptation solutions are technically sound and appropriate for the business' needs. (b) For financing applications involving physical adaptation measures between RM500,000 – RM1 million: SMEs are required to appoint a specialist flood risk engineer to conduct a Flood Risk Assessment (FRA) for the business premises. The cost of the FRA can also be financed under RAFt. – The FRA is a detailed and technical evaluation that identifies location- and site-specific flood vulnerabilities and recommends suitable adaptation solutions based on the required level of protection, as well as include other 'soft' adaptation approaches (e.g. developing a flood emergency response plan). Note: Physical adaptation refers to tangible modifications (e.g. construction, retrofitting, installation) or technological solutions that typically require engineering or technical design and specifications. Please refer to Appendix 1 for examples of both physical and non-physical adaptation measures.

<table>
<tr><td>9.</td><td>What is the maximum financing rate to SMEs under RAFt?</td><td>
Generally, a lower financing rate of 3.00% is linked to the take-up of adaptation financing:
<table>
<tr><th>Timing</th><th>Financing options</th><th>Maximum financing rate</th></tr>
<tr><td>After a major flood event (as listed by NADMA)</td><td>Relief financing only</td><td>3.50%</td></tr>
<tr><td rowspan="3">Anytime</td><td>Relief financing and adaptation financing taken together</td><td rowspan="3">3.00%</td></tr>
<tr><td>Relief financing taken by an SME which has previously taken up adaptation financing / has an outstanding adaptation financing</td></tr>
<tr><td>Adaptation financing</td></tr>
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<tr><td>10.</td><td>Do SMEs need to pledge collateral to obtain financing under the RAFt?</td><td>
PFIs shall not require collateral on SMEs for financing offered under the RAFt.
However, collateral may be required under the RAFt to secure guarantees provided by credit guarantee providers such as the Credit Guarantee Corporation Malaysia Berhad (CGC) or Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP), according to the terms and conditions set by the respective institutions.
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<tr><td>11.</td><td>When will the RAFt be made available?</td><td>
The facility will be available until 30 June 2027 or full utilisation, whichever earlier.
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Appendix 1
Guidance on Flood Adaptation Activities

Flood adaptation in the context of RAFt refers to measures that can be taken by SMEs to minimise or eliminate flood risks and flood-related damages, and expedite business recovery after floods. These measures can be broadly categorised into physical and non-physical approaches.

- Physical adaptation refers to tangible modifications (e.g. construction, retrofitting, installation) aimed at protecting business premises, infrastructure and the assets/contents within them from flood impact, or at reducing the extent of damage. Such adaptation solutions typically require engineering or technical design and specifications, best provided by relevant and qualified professionals or solution providers. The solutions may also include technological applications such as early warning systems to enhance flood preparedness and response, which should be developed or installed by relevant specialised experts.
- Non-physical approaches, on the other hand, may involve any strategic or operational adjustments that help ensure business continuity and expedite recovery. Examples include relocation of business operations to less flood-prone areas (excluding purchase of land and property), diversification of production sites, acquisition of flood-resilient inputs and assets (e.g. vehicles, machinery), and purchase of flood insurance/takaful coverage, all of which are activities also eligible for financing under the RAFt.

The following list outlines some examples of physical and non-physical flood adaptation measures that can be adopted by SMEs:

No.	Objective	Areas and examples of adaptation measures
1.	**Resistance measures** *Prevent or reduce floodwater entry into premises*	**(a) Adopting technology or technical tools to monitor and manage flood risks** (i) Install water sensors in flood-vulnerable areas (ii) Develop/purchase proprietary flood detection application or early warning system **(b) Constructing, retrofitting or modifying business premises / exterior structures** (i) Build flood walls and levees (compacted soil) (ii) Install permanent/automated flood gates/ barriers (iii) Construct artificial waterways & catchment areas (e.g. retention pond beneath/in factory compound) (iv) Widening/deepening/adding drainages (v) Install permeable paving/concrete (vi) Dry and wet floodproofing of physical structures (e.g. use of sealants to reduce seepage through walls, wall reinforcement/ waterproofing to withstand floodwater pressure and impact from floating debris)

No.	Objective	Areas and examples of adaptation measures
		(c) Protecting openings of physical structures or vulnerable areas (i) Install watertight/flood doors, windows and louvers (ii) Purchase demountable or flexible flood barriers (requires assembly) **(d) Preventing entrance of ground water run-off and sewage, or managing flood levels** (i) Install equipment to pump or keep water out and avoid sewage contamination (e.g. sump or portable pumps, non-return valves)
2.	**Resilience or recoverability measures** *Minimise damages and enable quicker recovery after flooding*	**(a) Investing in weather-resistant inputs and factors of production** (i) Purchase resilient seeds/saplings (for businesses in agricultural activities)* **(b) Protecting infrastructure, assets and contents within physical structures** (i) Elevate machinery and equipment above expected flood level (e.g. building platforms or plinths, erecting automatic/movable shelves) (ii) Build designated flood-proof storage areas for sensitive machineries and inventory (iii) Protect mechanical, electrical and utilities services (e.g. cable trench, piping) (iv) Invest in flood-resilient flooring and furnishing (e.g. replacing wall-to-wall carpeting with more flood-resilient flooring alternatives, installing stainless steel/ aluminium cabinets and shelving systems) **(c) Ensuring business continuity** (i) Install power generators for backup electricity (ii) Redesign electrical circuit for safety & business continuity (e.g. separating the electricity source for ground floor) (iii) Invest in flood-appropriate vehicles (e.g. SUVs, trucks with higher ground clearance)* (iv) Diversify production facilities/business premises* **(d) Developing a flood emergency response plan** (i) Develop / engage consultants to develop standard operating procedures (SOPs) before, during and after floods (e.g. provision of emergency kits for employees, SOP for flood-abatement equipment including storage

No.	Objective	Areas and examples of adaptation measures
		location, installation manual, maintenance instructions and annual installation drills)
3.	**Risk transfer or de-risking** *Transfer exposure of flood-related losses or eliminate risks completely*	**(a) Purchase of flood insurance/takaful cover on business premises, assets and business disruption*** **(b) Relocation to less flood-prone/flood-safe areas***

Note: Items denoted with asterisk (*) are not / likely not considered a physical adaptation that require professional consultancy and solutions.

Source: Literature review, global benchmarking and industry insights

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