1. Background Information About the Project

Project PD 85/01 Rev. 2 (I) was inspired by recommendations made by ITTO technical mission to Indonesia which recommended ITTO to support projects for preparation of restructuring plan for forest industries in Indonesia and plantation master plan for Indonesia at the thirty-first session of ITTC (October 29-November 3, 2001) in Yokohama, Japan. The Ministry of Forestry Indonesia and ITTO made an agreement for a joint project for developing strategies for the development of sustainable wood-based industries in Indonesia on 20 December 2001.

The project duration was initially specified at 24 months. The project was funded at US$ 607,233, including ITTO contribution of US$ 479,603 and Government of Indonesia contribution of US$ 127,630.

The Government of Indonesia, Ministry of Forestry (MoF), implemented the project. The Project started on 1 August 2002. Due to unforeseen circumstances, the actual implementation of the project was delayed by about seven months after signing of the project agreement (on 20 December 2001). The project output (Project Report or “Strategy”) was delivered in January 2005, or 1 month from the project completion.

This project reviewed the forestry situation and the structure of the forest industry sector in Indonesia with the objective of developing a “strategies” for the development of sustainable wood-based industries in Indonesia. The strategies were to contribute to developing a competitive wood industry supplying value-added products supported by sustainable log supply base, based on assessments of 1) the forest resources of Indonesia and 2) of the long-term market outlook for wood products. The project developed a number of wood resources utilization scenarios as the basis for the suggested proposed strategies for the forest industry sector.

The project was designed to attain the following specific objectives:

1. to assess the log production situation, including future timber supply potential, wood processing technologies and export markets for timber products of Indonesia
2. to formulate strategies for restructuring and development of sustainable wood-based industries in Indonesia

The expected outputs of the Project were to 1) “provide basic information on the current and future situations faced by Indonesian wood-based industries on log supply capacity, policies on forest management and forest products trade, and wood industry efficiency”; 2) “strategies for restructuring and development of sustainable wood-based industries in Indonesia, through participation of stakeholders of Indonesian forest industries”
2. Evaluation Purpose

The Forest Industry Committee, at its Forty-First Session in May 2006, decided that an Ex-Post evaluation of PD 85/01 Rev. 2 (I) should be carried out to establish how well the project served its purposes and to draw up recommendations for future action. The Ex-Post Evaluation was undertaken to review the formulation and implementation of Project PD 85/01 Rev. 2 (I), to identify circumstances or difficulties encountered, the resulting impacts on the success of the project in meeting the Indonesian development objectives, and the lessons learned that can assist in the formulation and implementation of similar projects elsewhere.

3. Scope of the Evaluation

A team of independent consultants with experience in project formulation, implementation and evaluation conducted the Ex-Post Evaluation. The Evaluation included consultations with appropriate ITTO staff in Yokohama, Japan, review of relevant project documents and project files, a visit to Indonesia for in-depth review and discussions with government officials, the forest industry and others knowledgeable of the project, for the period February 2-20, 2007, and follow-up consultations with ITTO staff in Yokohama February-March, 2007.

Project Design:

The Evaluation mission examined the appropriateness of the project design in order to understand how the project formulation and preparations impacted the later implementation of project activities.

Efficiency and Operational Aspects:

The Evaluation mission sought to review the operational and managerial structures for the project to examine the efficiency and operational aspects of the project. The review included the selection of inputs, the use of ITTO funds and reporting activities.

Effectiveness

The Ex-Post Evaluation mission assessed the overall effectiveness of the Project in achieving the Development Objective of planning for sustainable forest industry based on a comprehensive assessment of the outputs of the Project for sustainable development of wood-based industry in Indonesia in the long-run.

Impacts and Effects:

Timely completion of the Project was envisioned given the urgency expressed by the ITTO Case Study Mission to Indonesia completion of its report (2001). Although the expectations for a forest industry ‘development plan’ were not clearly articulated in the Project Document, the Indonesian experience following the Project has provided an
unusual opportunity to assess the impacts and effects of the Project on changes in the forest sector. The Ex-Post Evaluation reviewed these changes and the incremental steps taken by the Ministry of Forestry in order to achieve sustainable forest industry.

**Other Evaluation Mission considerations:**

The Evaluation Mission also sought to understand the dynamics of the forestry sector and the forest industry in Indonesia over the extended period 1980 to 2006, since this period included the decades of expansion and decline of Indonesian wood-based industry and the external market setting leading up to the needs identified by the ITTO Case Study Mission (2001).

4. **Conclusions of the Evaluation**

The Consultant found a broad consensus on most issues regarding this Project. Individual differences of findings and interpretation must, of course, be respected.

**Project Design:**

Examination of project records and documents did not reveal the processes used to formulate the project from conception in the ITTO Mission report to the signed Project Document. Yet, the Ex-Post Evaluation Team was informed that the proposal was developed through a series of intensive meetings amongst scientists at CESERF, led by the Director of CESERF. It took a couple of months in preparation of the proposal with participation of experts and scientists external to the Implementation Agency, notably of scientists at Bogor Agricultural University.

At the time the proposal was developed, the manual for developing a sound proposal had not been published by ITTO, and this may be one of reasons for incomplete project design. It is also the reason why logic of the workplan was not complete and thus the implementation was guided by consultations and decisions of the Project Steering Committee only. Such incomplete design of the Project appears to have led to changes in the activities.

**Efficiency and Operational Aspects:**

**Project Scope and Complexity**

The ITTO Mission recognized the need for the forest products industry to adapt to two major factors: 1) a reduction in sustainable timber harvests and 2) restructuring of wood-based industry - capacity and product mix in light of trends in timber supply.

The level of resource inputs was marginal if “sector development strategies” are interpreted to mean a policy within the context of resource and market analysis and if the
recommendations for forest management, industrial efficiency and market development, and both national and regional industrial reforms are to be based on consensus of stakeholders. The strategies developed by the Project are at the national level, but lack of detail information for implementations, especially for the local level.

**Project Implementation**

The project implementation was overall, good and closely followed the intent of the original project document. However, the Project experienced some delay, in terms of the implementation schedule. The delay was due to the selection process of project’s coordinator, having NOL from ITTO, and unavailability of the professional national and international consultants (mostly because of time conflicting with other offers).

Lack of completeness in the project design had made the activity plan to be augmented and changed in the course of implementation. However, changing in the course of implementation is normal and unavoidable, yet it is OK as far as the objective remains unchanged and the commitment is in there.

While a project steering committee consisting of the relevant Implementing Agencies, ITTO, and the forest industries was apparently established, examination of the records revealed the formal membership for the Project Steering Committee (PSC). The PSC was formed by a decree of Secretary General of MoF, chaired by the Director General of FORDA, and consisting members of Director of CESERF, ITTO’s Project Managers, Forest Industry, representatives of various DG’s within MoF, Private sector’s associations, as well as academicians. Task and responsibility of the committee are clearly specified in the decree, among other things, to monitor and evaluate the ongoing activities, to guide the activities toward the project’s objectives, to decide near future path of the implementation. Therefore, there is no need to provide the TOR for the PSC. Minutes of PSC meetings were documented accordingly and records of meetings and consultations with other stakeholders, especially private sectors were reported regularly by the Project Coordinator to the EA as well as to ITTO’s Project’s Managers, Forest Industry.

The reports do not provide the procedure of establishing vision and goals for the wood-based industry in Indonesia explicitly. However, the vision, mission, and targets as well as the final strategies were formulated by a special working team assigned by the EA. The team consists of national consultants and local scientists at CESERF. This work was carried out after termination of all the international consultants, and undertaken during a period of January to May 2005 (Project’s extension period). The working team incorporated inputs and additional information emerged during the final workshop in December 2004. By doing this way the EA feels that results of the study is hundred percent belong to hers. Thus, the EA is, therefore, free to modify, adjust, and add whatever she feel necessary. This work does not part of project’s responsibility and had been beyond of the project’s task. There was no additional cost from ITTO source for accomplishing this work. A report of what so called “Integrated Strategies” was made available and presented to the consultants during the ex-post evaluation mission.
Operational and Managerial Structure

The Project was carried out through a Project Implementation Team led by a Project Coordinator who was appointed by the Ministry of Forestry. The Project Steering Committee chaired by the Director General of FORDA appears to have made final decisions regarding every aspects of project implementation including selection of national and international consultants. Discussions during the Ex-Post Evaluation Mission, however, indicated a significant level of concern about the working relationships established between the project implementation team, consultants, Mof F counterparts, and other organizations including ITTO secretariat. For instance, lack of authority of the Project Implementation Team made the decisions of project implementation to take more time and thus resulted in delays of important decisions for project implementation. Progress Reports indicate continuing difficulties with the identification, recruitment and timely initiation of consultant contracts.

The Terms of Reference for both local and international consultants were documented properly and make it available to the project’s secretariat. But, the Evaluation consultants failed to locate written Terms of Reference for an international consultant. It is because of movement of the Project secretariat’s office due to building construction and relocation of the documents. There is a potential of losing records considering that the ex-post evaluation was undertaken at a time about two years after the project was terminated.

Discussions during the Ex-Post Evaluation mission suggest that there were some expectations unmet due to their expertise. This problem roots in the logistical arrangement of the Project Implementation Team led by a Project Coordinator without appropriate authority of decision for project implementation.

The Project submitted the required progress reports as scheduled, including financial and budget updates. This function appears to have been well handled. Substantive documentation of actual progress and objective analysis of problems, issues, and other administrative details of accomplishments were relatively well done.

Use of ITTO Inputs

ITTO inputs were mainly allocated to support project implementation team including national experts and international consultants. International travel for consultants was fully utilized. Funds were also budgeted for ITTO Monitoring, Review and Evaluation.

Reporting and Monitoring

Reporting for the Project was through periodic Progress Reports. Brief comment was typically included under “Critical analysis of Project progress”. Though the documentation of the Steering Committee TOR was not located, reporting (Minutes) was complete and informative. Dr Ma provided ITTO linkage and monitoring, advised the project.

Effectiveness:

There are a number of evidences indicating the overall effectiveness of the project in terms of the effect of the primary output (Sector Strategies) on the formulation of forest policy in the Government of Indonesia.

Development Objective – Project Output

The ultimate output of the project was identified as “strategies for the development of sustainable wood-based industries in Indonesia.” For the development of the strategies, reports of three sector studies on timber supply, wood industry capacity and forest products markets were produced as an intermediate output. The study reports were presented to the audiences at three meetings including two regional and national workshops. Information generated by the Project was used as an input for policy formulation by the Ministry of Forestry.

On a different level, the project was frequently viewed positively as a catalyst for stakeholder participation in decision making and action. The Ministry of Forestry indicated the reality of their need to take ongoing actions for adjusting policy for both sustainable forest management and restructuring of forest industry. The catalytic influences were several. The following are some examples found during the Ex-Post Evaluation Mission:

- Establishment of BRIK (Forest Industry Revitalization Boy) based on a joint decree between Ministry of Forestry and Ministry of Trade and Industry.
- Establishment of working groups for forest policy dialogues
- Re-evaluation of current forest management schemes and timber utilization
- Explicit recognition of a more stable long-term log supply not only from natural forests but also from various forms of new forest establishments
- Encouragement of private sector commercial forest plantations for both industrial timber supply and future pulpwood.

These steps taken by the Ministry of Forestry above mentioned support and are consistent with the ultimate objectives of the Project and the broad outlines of the suggested “Strategies.”

Project Coordination and Sector Linkages

The Project Steering Committee helped oversee the implementation of the project. ITTO also supported several “monitoring visits” during the life of the project. The Project incorporated inputs of stakeholders as well as experts of the Project Implementation
Team. The PSC meeting, ITTO managerial support, consultations and workshops were effective in incorporating the inputs from outside of the Project team.

If there were an Advisory Committee with diverse participation and viewpoints, it could have provided the Project Executing Agency with more input of alternative viewpoints and ‘outside’ ideas from those groups (industry, NGO’s, public, other government Agencies).

**Workplan Adjustments and Scheduling**

The Project Document contained only briefly defined activities. A revised workplan was subsequently developed. The Steering Committee suggested and approved an extension of six months in order to complement the delayed activities. The extension was no-cost extensions. The concluding Workshop was held in December 2004. One regional workshop planed was not organized due to ineffectiveness of additional regional workshop. Delays were attributed to problems in the identification and recruitment of international consultants. The delay was mainly due to the long process of consensus on the international consultants among the various levels of decision hierarchy.

**Lack of Reliable Database on Forest Sector**

The Project Team had faced difficulties in collecting data on forest resources, forest industry capacity, trade and markets of forest products due to deficient forestry database in Indonesia. Deficiency of database limited the capacity of analysis and the reliability of the results should be bargained. This lack of data reliability opens disputing opinions on potential of timber supply from Indonesian natural and man-made forest establishments, and thus the restructuring policy scenarios recommended by the Project.

**Capacity Building of the Implementing Agency**

The Project Implementation Team informed to the Ex-Post Evaluation Team that the capacity of the Implementation Agency has been improved by some of the senior scientists participating in the Project as project team members. The perspectives of looking at the forest sector was claimed to be enlarged due to their working with the Project Team and international consultants.

**Dissemination of Outputs and Consensus**

No information was available during the Ex-Post Evaluation Mission relative to the extent of distribution of Project outputs. The technical reports and “strategies” appeared to be not distributed beyond individuals and organizations involved in project implementation. However, the Ex-post Evaluation mission was informed that the project outputs consisting of three main reports, working papers, and proceedings of the workshops had been distributed properly to beneficial party(s) right after the extension period was over. Not only the hardcopy reports, but also the soft copy as well. It is
difficult, however, to judge the effectiveness of distribution of the Report as noted in the Project Document.

The Ex-post Evaluation mission was also informed that the EA with his own initiative organized a road show visiting provinces and exhibitions to disseminate the project outputs. In addition, not long after the project’s completion, building on the outputs of the current Project, incorporating two similar studies undertaken by different projects followed-up, the EA received a synthesized report on wood-based industry restructuring in Indonesia, from the Project Team.

**Impacts and Effects:**

The Project has had direct and indirect impacts on the processes of policy formulation, in addition to its substantial catalytic effect on ongoing Ministry of Forestry actions. The primary impact of the Project has been the direct Output of a formal development of wood-based industry revitalization plan prepared by the Ministry of Forestry Indonesia.

**The “Strategies for Wood-Based Industries”**

The report was clear in documenting and articulating a ‘strategies for the development of wood-based industries in Indonesia’. The lack of compatibility with the existing policy framework for achieving resource sustainability and industry efficiency at the local level, was viewed as a weakness. Both Government and private industry generally viewed the recommendations in the “strategies” as a timely proposal for Indonesia and expressed needs for further studies on sustainable forest industry at the local level with emphasis on the issues of marketing of forest products.

**Government Strategy and Policy Development**

The Government of Indonesia, through the changes in the long-term forestry sector plan and forestry regulations, has chosen a phase approach of incremental and flexible policy adjustment to both timber supply potential and industry structural adjustments. While increasing the timber supply base and adaptation of the industry, the Government role is largely making the regulatory framework favorable to the private sector investment for industrial plantations and community-based plantations. The Ministry of Forestry introduced a number of new regulations or revised existing regulations, which changed a fundamental basis for forest development - including forest governance, planning and utilization - in Indonesia. The decision makers of Ministry of Forestry said to the Ex-Post Evaluation Team that the change in Indonesian forest policy is largely influenced by the ITTO project PD 85/01. The examples of changes in government regulations include the following:

- The decree number 226/ 2005 issued by the DG of Forest Utilization regarding the implementation of silvicultural intensive (locally called “Silin”) in natural production forest. The decree basically aims at intensifying the existing
Indonesia’s Selective Logging System (known as TPTI), and focusing more on efficiency and affectivity of logging activity in natural production forest;

- The Ministry of Forestry regulation number 29/2005 regarding the mandatory for primary wood-based industry to assure sustainable log supply via log supply provision plan requirement. The regulation sets a fixed time period (usually one year ahead) for the industry before they operate accordingly. In practice, the forestry services in the district and province levels undertake field assessment, and then provide recommendation to the DG of Forest Utilization for having approval.

- Regulation no. P.70/2006, issued by the Ministry of Forestry regarding mandatory of primary wood-based industry to regularly report to local and central government authorities on their business activities. The regulation is an effort to have the industry operates in a legal manner, and to generate the flow of industry-related data base, including the capacity, source of raw material, marketing, etc. Three level of the reporting system is recognized, i.e. 1) small industry with annual capacity of less than 2,000 cum/year must report to the District Forestry Office; 2) industry with annual capacity between 2,000 to 6,000 cum/yr must report to the Provincial Forest Service, and 3) large industry with capacity of 6,000 cum/year or more must report to the DG of Forest Utilization.

- The newly issued Government regulation number 6/2007 regarding forest governance, planning and utilization.

Other Evaluation Mission considerations – The Shifting Position of Indonesian Industry:

The Ex-Post Project Evaluation considered the project within the context of both the 1980-90’s and 2000’s at the time of the ITTO Case Study Mission to Indonesia and the Project period. The 2001 ITTO Mission clearly recognized the fundamental role of prices, costs and markets in shaping utilization decisions for timber under sustainable management, the role of illegal logging for Indonesian forest industry, and the unbalance in demand and supply of raw materials for forest industry. It is evident that Indonesia has experience a rapid transition from a strong position of exporting wood products to a position of importing forest products like plywood.

New Supply Chain Regulation of Log Supply to Mills

The ITTO Mission and the International community perceived non-sustainable harvesting in Indonesian natural forests. The issue of illegal logging was one of main concerns among others. The legality of raw materials procured by the forest industries was demanded by international community for the sustainability of forest resources in Indonesia. The Government of Indonesia has made a series of efforts combating illegal logging, among which the joint decree between Ministry of Forestry and Ministry of Trade and Industry for the establishment of BRIK (Forest Industry Revitalization Boy) to control of raw materials legality. The effect of strengthened law enforcements and introduction of a new system of controlling the legality of raw material procurement verification has been profound with evidences of a sharp decline of timber supply in 2006.
Impact of Restructuring Policy on Wood-based Industries in Indonesia

In the early 1980’s, Indonesia forest products exports were primarily logs, reflecting the lack of primary processing capacity and large demand from overseas wood-processing industries. In 1985, Indonesia withdrew log export started to develop wood processing industries such as plywood. Wood panel export volume grew from about 1.25 million cubic meters in 1985 to 9.78 million cubic meters by 1992. Domestic processing did grow by about 1 million cubic meters during the 1980’s. The volume and value of wood panel exports has declined continuously during the decade. The decline was accelerated in 2005 when the wood-based industry restructuring policy has been activated. The government and industry policy changes have been instrumented by the Project outputs.

Changing Behavior of Forest Industries and Product Mix

The reduced supply of logs with large diameters to wood-based industries has stimulated changes in business strategies of utilizing timber resources. The panel manufacturers invested in installing new equipments which can maximize the utilization of timber resources including small size logs and lesser known species. The wood industry has begun investigating in changing the mix of products in order to maximize the value of timber resources becoming scarce. This was evidenced in a company located in East Kalimantan.

Decentralization and Coordination of Forest Policy

The decentralization of governance in Indonesia started in early 1990s has made delineation of power of controlling forest utilization and management in the field from the central Government to local governments and communities. This new policy environment has created some conflicting interests among stakeholders, especially MoF, provincial governments, district governments, industrial entrepreneurs and communities. The restructuring strategies should take account of these conflicting interests into policy coordination in order to make the “strategies” work.

Enlarged Role of Non-Industrial Forest and Community-based Plantations

The forest resources of Indonesia are State owned officially, while the use rights are claimed by local communities in many parts of the country. Until now most of raw materials for wood-based industries are supplied from natural forests. Government of Indonesia has maintained policy of zoning forest lands into three categories, namely production forest, conservation forest and conversion forest. The production forests have been considered as the main source of fiber supply for wood-based industries while there is substantial supply of wood from other categories of forests in reality, legally and in illegal ways. The new forestry development policy being developed by the MoF considers the community-based forest establishments to play an important role in supplying timber for wood-based industries of Indonesia in the future.
Industry Adjustments and Achievements towards Sustainability

Interviews with decision makers of the Government and forest industries by the Ex-Post Evaluation Team provides an indication of progress toward industrial restructuring in Indonesian wood-based industries in recent years in comparison to the situation at the time of the ITTO Mission in 2001. In brief:

- Wood panel production has declined from nearly 9 million M³ (1992-93) to about 3.5 million M³ (2005), a reduction of about 60 percent.
- Total value of forest products exports have continued to grow, from about USD 5.8 billion in 2002 to USD 7.6 billion in 2005. This has been possible due to increasing unit value of forest products exported.
- There is a new trial of verification scheme for timber supply legality introduced by a joint effort between the Government of Indonesia and private sector of wood industries. BRIK plays a central role in this matter.
- A revision of long-term forestry development plan was prepared with inputs from the Project results, which emphasizes the establishment of man-made forest resources base including industrial forest plantations and community-based forest establishments.
- A master plan for revitalizing wood-based industries is being prepared by the Ministry of Forestry based on the results of the Project.
- Forest industries have recognized needs to adapt to the changing environment of business initiated by the national Government’s policy changes with changing their behavior in business toward more sustainable forestry.

These achievements by the forest policy making body and forest industry provide a significant improvement from the conditions prevalent in early 2000s. The Project was actively engaged in the formulation of new forest policy in the later part of the last decade. The Project stimulated awareness and contributed to the catalytic actions and incremental policy changes noted previously.

5. Recommendations and Further Actions

The Ex-Post Evaluation Mission suggests several important lessons regarding technical assistance for forest policy and industrial development objectives within a dynamic and changing socio-political environment. These lessons suggest important recommendations for the future projects of ITTO related to sector policy and industrial development. In summary, the major recommendations are presented here.

Lessons Learned through Project PD 85/01 Rev. 2 (I)

1. Project Formulation:

The process of Project Formulation and preparation of the Project Document is critical to overall project success. The Project formulation was completed in a very brief period. Many details were missing, and the framework for
implementation poorly defined. Future projects within the area of forest industry strategy and development will benefit from the subsequent (1992, 1999) development of Guidelines for Project Formulation. In spite of this situation, the Ministry of Forestry, FORDA, the CESERF and the forest industry jointly worked towards establishing a working relationship based on common interest. It is recommended that much more careful attention be paid to aspects of coordination and implementation during project formulation.

2. Project Implementation:

The present Project experience highlights some of the achievements as well as the difficulties encountered in project initiation and implementation. It is recommended that a detailed workplan specifying activities, immediate objectives and outputs, complimented by realistic timelines and linkages, be developed in the Project Formulation. Complete Terms of Reference should be prepared well in advance for all Project Staff, including consultants.

3. Project Staffing and Management:

It is strongly recommended that a relatively senior, experienced staff be assigned as a full time Project Coordinator, who can make final decisions on project implementation at all levels. While assigning a senior officer as Project Coordinator, there was no Project Director who is in charge of final decisions for the project implementation.

4. Administrative Placement of Project

The project was administered within the CESERF office under supervision of the FORDA and Ministry of Forestry. This provided for good coordination with ITTO, but made difficult to make timely decisions by the Implementation Team at CESERF, resulting in delay. It is recommended that the Project Coordinator should be given authority to make final decision by himself or herself without undue interventions from supervision bodies.

5. Monitoring and Evaluation:

It is recommended that a firm schedule of monitoring and evaluation activities be developed as a priority in project implementation. Written, agreed-upon TOR for Project Steering Committees (for project administration) and Advisory Committees (technical, substantive) and Evaluators should be provided.

6. Formal Evaluations:

It is recommended that projects with an expected duration of 24 months or longer be subject to an external and independent mid-project evaluation.
Evaluation should be designed to assisting in project modifications at the midpoint or earlier, while necessary changes can still be implemented prior to project completion.

7. Guidelines for Consultants:

It is recommended that the ITTO guidelines for employment of consultants should be explicitly utilized in securing and employing qualified professional consultants as specified during Project formulation and workplans. Consultation on recruitment, TOR and related matters of employment should be provided within the limitations of ITTO staffing and timing.

8. Remuneration for National Consultants:

It is recommended that ITTO applies a fair, reasonable and competitive remuneration for national consultants. In the era of globalization, it is normal and reasonable to have indifferent rules and treatment for national and international consultants. Such rules and treatment are working well in the Philippines and India. Such a fare rate will encourage and increase motivation of national consultant to work harder and devote his/her time more to the project.

9. Output Dissemination:

The value of technical assistance projects depends on the usefulness of the Output(s) specified in the Project Document and workplan. It is recommended that a project Dissemination Plan be developed indicating the nature and timing of dissemination activities designed to make maximum opportunities for the review and discussion of draft documents, findings and recommendations, and formal reports.

10. Factors for Successful Implementation of the Project:

The project is regarded as a success in that the impacts of the project are apparent and substantial. There are many factors which made the project a successful one. Among them are the following included:

- A well-coordinated teamwork of the Project Implementation and Execution Agencies with dedication and willingness to work together and hard.
- Active participation and continuous support from stakeholder including private sector, officials both of the central and local governments, non-governmental organizations and international donor agencies.
- Managerial support from ITTO projects manager by means of a frequent and continuous communications with the Project Coordinator.
- The timing of project was right. Not long after the project’s termination, there was a new Minister of Forestry was appointed, making room for listening the project’s outputs and recommendation wider.
- An independent, full time, and effective leadership of project coordinator, supported by other project staffs could make the project implementation smooth.

Future Actions and Potentials

The Ex-Post Evaluation Mission included wide-ranging discussions of future actions and the potential for subsequent assistance to Indonesia in the development of sustainable wood-based industry and sustainable forest management. These potential areas of interest should be further discussed between ITTO and the appropriate Indonesian forest and forest industry representatives, including the private sector.

1. Action Plan for Sustainable Wood-based Industry in major Forest-abundant Regions

Further studies on wood-based industry restructuring in Indonesia, especially in the regional scale are in need. A follow-up project of the Project PD 85/01 Rev. 2 (I) for a regional level can facilitate the local governments and industries to further develop the strategies for sustainable forest industry, fitting to their local situations and their capacity to implement.

2. Study on Marketing of Forest Products

Indonesian wood-based industry is in transition from an industry with abundant timber resource to one relying on plantations and intensively managed forests. This transition poses the industry to look for alternative products and markets in the future. There is a great need for technical assistance in developing business strategies adapting changes in resources situations, especially for small industries located in remote locations including communities involving forestry. Representatives from forest industries expressed their willingness to cooperate in such activities during the meetings with the Evaluation Mission Team.

3. Forest Certification

International certification of forest products will likely become a major obligation for international suppliers in the future. Certification of forests in Indonesia is costly especially when done by international organizations like SFC and has not yet generated benefits to the companies with certified forest/products. Forest certification is one of concerns to the wood-based industry in Indonesia. The merits and demerits of international versus national certification systems should be investigated by ITTO.
4. Study on Forest Resource Fiscal and Trade Policy

Indonesian forest and trading policies imposing royalty and export tax on forest resource produced and exported is not favorable to domestic producers when compared to their competitors not facing similar burdens. A study of the impact of such national fiscal and trade policy on Indonesian wood-based industry and of the social and environmental implications merits further consideration for further assistance by the ITTO.

5. International Networking Against Illegal Timber Trading from Indonesia

Indonesian wood-based industry is facing growing competition in international markets, for logs, commodity products, and for secondary or value added products. International trade of illegally logged and exported logs damages Indonesian wood-processing industry, eroding markets by reducing the competitiveness of Indonesian producers asked to pursue sustainable forest business. A regional networking involving monitoring and interventions (including policy and regulatory enforcement) on a multi-national level could assist in development of more sustainable Indonesian timber industry. Establishment of such an international networking merits further consideration for assistance by the ITTO.

6. Development of Forestry Database Systems

There is lack of reliable database of forest resources and industry in Indonesia. There is need for further development of database systems which can support policy and market development for sustainable forest industry in Indonesia. If such databases are developed and well managed, the international effort against for illegal logging and timber trade will be greatly strengthened. A project for development of forest database including forest resources accounting systems merits further consideration for further assistance by the ITTO.