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REPORT OF COMPLETED PROJECTS

This document highlights the work carried out under projects PD 912/20 Rev.3 (I) Phase I, PD 935/23 Rev.1 (I), PD 943/25 (I) and PD 951/25 (I) of the Committee on Forest Industry.

Committee on Forest Industry

1. PD 912/20 Rev.3 (I) Phase I — Strengthening Technical and Business Management in the Timber Forest Industry of Peru

Budget and Sources of Funding:

Total Budget:	US$	291,439
Government of Japan:	US$	166,847
Executing Agency contribution:	US$	124,592

Executing Agency: Cámara Nacional Forestal (CNF)

Approved: January 2024

Financed: March 2024

Starting Date: August 2024

Duration: Planned: 15 months
Actual: 15.5 months

At the Fifty-ninth Session of the International Tropical Timber Council and Associated Sessions of the Committees (ITTC), held in Pattaya, Thailand, from 13 to 17 November 2023, the Government of Japan expressed interest in funding the project PD 912/20 Rev.2 (I). The proposal was revised and resubmitted by the Executing Agency to be implemented in two phases for a total of 30 months, thus 15 months each for phase I and II respectively. This split was made considering the pledge made at the Council Session. This proposal was placed under the time-bound no objection procedure that was completed on 19 January 2024. The project agreement was signed in July 2024 and the Executing Agency submitted the Inception Report and all other start-up documentation to the ITTO Secretariat in August 2024, after which the first installment of funds was disbursed on 14 August 2024 marking the official commencement of project implementation followed by the second disbursement made on 11 July 2025 and the final disbursement made on 10 October to allow for the completion of the project on time with only two-week extension.

The mainstay of the projects in terms of its developmental objective is to contribute to the sustainable development of Peru's timber industry by promoting formal, efficient and competitive market oriented forest enterprises, taking advantage of business opportunities articulated with value chains, and marketing products based on the use of timber from legal sources in managed forests in the Amazon Region of Peru for the benefit of Peruvian society and, in particular, the men and women that depend on the forests for their livelihoods. More specifically, the projective will specific aim is "strengthening the technical and business management of the forest industry that relies on timber species from the Peruvian Amazon Region".

The Executing Agency has submitted to the Secretariat the project completion report and technical reports which are available on request (Spanish only). The final financial audit of the project has also been completed. The Committee may wish to declare the project duly complete. Below is a summary report following the completion of the project:

Project Implementation Approach

The project was carried out in collaboration with stakeholders and beneficiaries who have a direct or indirect interest in improving the forestry production system—particularly in the wood processing sector—so that companies are managed more efficiently and better use is made of the timber from forest species found in managed forests in the Amazon. The approach to achieving this objective was participatory and inclusive of both men and women, as it will foster the development of a consensus-based vision to raise producers' competitiveness, while promoting mechanisms that ensure the legality of logging activities and the sustainable use of the region's forest resources. The project focused on optimizing participating companies' production processes with a market-oriented approach, through training and the strengthening of business strategies tailored to the beneficiaries' needs; and actions carried out in accordance with the following intervention strategies:

- Gather information on forest management plans and the species processed by the processing centers. Conduct a study using data provided by beneficiaries and public institutions to determine the potential of the forests in the departments of Madre de Dios and Ucayali and consult with companies regarding the species they process and their timber needs.

- Build capacity for the efficient management of forestry companies' production operations. Through a participatory process involving the men and women who lead the timber companies, identify business challenges that limit production efficiency and propose solutions that the project can help implement.

- Support the development of market-oriented business plans for timber products. The project assists companies in developing business plans to implement new technologies, processes, and/or new products. Business plans are developed with the ongoing participation of beneficiaries—both men and women—who propose their needs, which will be addressed with the project's involvement.

- Strengthen organizations in the forestry production sector. By working with the leaders of producer organizations and inviting them to participate in workshops and meetings organized by the project and the associations, producers are made aware of the advantages of being organized and encouraged to actively participate in their organizations; furthermore, courses and workshops on leadership, mentoring, and technical assistance are conducted to strengthen the organizations, and the project participates in forestry roundtables. Furthermore, the forestry production sector and authorities and officials from the public forestry sector are invited to participate in order to foster closer ties between the two sectors through the organization of events, meetings, and visits, thereby contributing to the formalization and legalization of forestry activities.

- Gender Equity Approach. This approach is integrated across all project activities; therefore, the equitable participation of men and women throughout the production chain—as producers,

entrepreneurs, professionals, etc., with knowledge and experience in wood processing—is analyzed and promoted. Actions are designed to include, in every activity, reflection and discussion on gender, forests, and the forestry industry; women's leadership is encouraged, and producer organizations are strengthened to ensure the participation of both men and women in leadership roles and responsibilities.

Key Findings and Project Outcomes

The internal evaluation of Phase I of the project was conducted by the National Forestry Chamber in coordination with the key stakeholders involved in the project's implementation and was based on an analysis of the project's performance and the results achieved. The analysis conducted at the conclusion of the project made it possible to assess its relevance, the quality of the identification process, the relationship between the problem definition, the objectives, and the operational strategy, as well as the adequacy of the time, human resources, equipment, financial resources, and technical expertise available for the execution of the planned activities.

The project was grounded in a thorough assessment of the main constraints facing the timber forestry sector in the target regions, primarily due to weak coordination between forest producers and processing companies, technological gaps in processing facilities, limitations in business management, limited access to market information, and challenges in complying with forestry regulations and ensuring timber traceability.

The identification process made it possible to identify the key actors in the timber forestry supply chain—primary and secondary processing companies, forest producers linked to concessions and indigenous communities, trade associations, and public entities in the forestry sector—which facilitated the effective implementation of the activities. Although stakeholder participation in Phase I was adequate, the early inclusion of micro- and small enterprises in the processing facility registries was identified as an area for improvement, an important aspect that was addressed through technical assistance.

The definition of the project's central problem remained aligned with the reality of the forestry sector within the project's scope, and the project's objectives were relevant to the identified issues, which was reflected in an operational strategy appropriate to the context of the intervention. The scheduling of training activities, personalized technical assistance, the preparation and dissemination of technical and market studies, the strengthening of multisectoral dialogue forums, and the promotion of productive innovation processes made it possible to address the needs of enterprises in the timber forestry sector and contributed to the progressive strengthening of the beneficiaries' technical, organizational, and management capacities. The project was implemented according to schedule, with only a slight delay at the outset that required a 15-day extension of the implementation period—a change that was in line with the schedules of the wood processing centers, which were the project's beneficiaries. The extended implementation period did not entail additional costs but rather an internal rescheduling of resources, which ensured the completion of planned activities and the delivery of expected outputs.

The time and resources available were sufficient to achieve the deliverables planned for Phase I. The project had a technical team with relevant expertise in forestry, business, and innovation, as well as sufficient financial resources to carry out the planned activities, which contributed to achieving the expected results. However, the demand for specialized technical assistance in processing plants, particularly in technological improvement and business management processes, highlights the need for greater technical support for Phase II.

The project has contributed to the development of knowledge regarding the forestry potential of managed forests in the Ucayali and Madre de Dios regions, training 100 people, 33% of whom are women.

Support was provided to enable three companies to benefit from funding granted by Procompite Ucayali 2025 to innovate their production processes through the implementation of Computer Numerical Control (CNC) systems and the use of CAD/CAM software, which allows for the design of 3D parts and the

subsequent generation of machine codes for CNC tools, thereby facilitating the production of complex and customized parts. Furthermore, the use of CAD/CAM software helps develop innovative and competitive products for domestic and international markets.

Furthermore, the conditions related to stakeholders' willingness to participate in capacity-building processes, institutional openness to coordination among institutions, and the private sector's commitment to improving its competitiveness were maintained throughout the project's implementation, which facilitated the achievement of the results anticipated in Phase I. The main risk identified was the beneficiaries' time constraints. The mitigation measures implemented—such as making schedules more flexible, prioritizing activities at the processing plants themselves, and coordinating with organizations and public entities in the forestry sector—allowed these challenges to be overcome, thereby ensuring the fulfillment of the deliverables and objectives set for Phase I.

Lessons Learned

a) Issues related to the project's identification, design, and strategic approach (key insights):

- It became evident that the relevance of the interventions depended on the assessment of stakeholders and an adequate understanding of the diversity of companies in the forestry sector, which required a comprehensive initial characterization that allowed for the adjustment of intervention strategies; priority was given to working with stakeholders with high potential for improvement. In this process, it was found that coordinated planning with business owners—especially regarding schedules and implementation timelines, was a critical factor in ensuring effective participation and efficient implementation of activities.

- The integration of technical, business, and governance approaches helped generate greater impacts than isolated actions, consolidating a comprehensive approach that strengthened technical capacities by linking them to business management, access to market information, regulatory compliance, and public-private dialogue. Within this framework, the development of workshop-style courses directly at the primary and secondary wood processing facilities was identified as a best practice, as it fostered greater acceptance, ownership, and practical application of the content by the beneficiaries. Similarly, in multisectoral dialogue forums, the National Forestry Chamber played a strategic role as a mediator and coordinator, thanks to its institutional partnerships and ability to bring stakeholders together, thereby contributing to the strengthening of sectoral governance.

b) Operational and Territorial Implementation Issues (Key Insights):

- The participation of local specialist professionals facilitated closer and more continuous support for the beneficiaries, contributing to more dynamic and timely interaction during production processes, thereby promoting better operational results and greater effectiveness in the implementation of activities.

- Ongoing support proved key to consolidating knowledge in areas such as occupational safety, timber traceability, and wood drying, among others. The methodology chosen by the project team—which involved conducting on-site training sessions and personalized technical visits tailored to each company's specific circumstances—achieved a greater impact.

- The synergy with APROFU's partner companies was essential for the proper execution of project activities, such as coordination meetings, courses, and workshops, and for fostering greater openness on the part of the companies.

- Documenting the project and organizing the information is important for facilitating the dissemination of the project's results and contributing to its sustainability.

Conclusions and Recommendations

- Identification

  Project proposals must be identified through a participatory process involving key local stakeholders and addressing local issues, with direct benefits for the population dependent on forest resources.

- Design

  The project design was appropriate and consistent with the identified issues, as it effectively integrated technical-productive, business, market, and forest governance approaches, which contributed to objective and results-oriented implementation, demonstrating that the coordination of these areas enables technological improvements and more competitive businesses. For Phase II, it is recommended that greater support be provided to companies to help them access financial resources in order to improve their production processes.

- Implementation

  The project was implemented according to schedule, achieving the planned outcomes through on-site training methodologies, personalized technical assistance, and specialized technical support, which effectively contributed to strengthening the beneficiaries' technical and business capacities; It was found that operational flexibility, the adaptation of schedules to the companies' availability, and the participation of specialized local professionals were key factors in achieving results. It is recommended that extended periods of support for the companies be maintained in Phase II to consolidate the processes of technological and organizational improvement.

- Organization

  Strategic partnerships with local institutions, such as NiiBiri in Ucayali and AIDER in Madre de Dios, helped strengthen the project's organization for the implementation of various activities in these regions.

- Administration

  Administrative and financial management was adequate and enabled the efficient and timely use of resources, ensuring funding for the completion and implementation of the activities scheduled for Phase I of the project.

Project Sustainability

Phase I of the project has been completed, and Phase II will begin shortly. To ensure the sustainability of the results, the National Forestry Chamber plans to provide ongoing support to beneficiary companies and other local stakeholders in the forestry sector in the Ucayali and Madre de Dios regions, strengthening the processes initiated in the areas of business management, innovation, product, traceability, and market coordination. The institutional framework will ensure the continuity of the promoted actions and maintain channels for technical and business coordination.

Timber companies will be encouraged to continue strengthening their productive and technological capacities through participation in competitive grant programs and public and private financing mechanisms aimed at innovation, industrial modernization, and improved competitiveness.

The CNF will maintain ongoing coordination with stakeholders in the forestry sector to continue participating in and supporting the organization of meetings within the various forums for dialogue and forest governance.

Furthermore, the technical documents, informational materials, and market bulletins produced as part of the project will continue to be published on the National Forestry Chamber's website, ensuring ongoing access to information critical for business decision-making.

The Executing Agency has submitted to the Secretariat the project completion report and technical reports which are available on request (Spanish only). The final financial audit of the project has also been completed. The Committee may wish to declare the project duly complete.

2. PD 935/23 Rev.1 (I) Promoting Sustainable Wood Use for the Domestic Market in Malaysia

Budget and Sources of Funding:

Total Budget:	US$	323,244
Government of Japan:	US$	212,088
Government of Republic of Korea:	US$	19,032
Government of Malaysia contribution:	US$	92,124

Executing Agency:		Malaysian Timber Certification Council (MTCC)
Approved:		October 2023
Financed:		November 2023
Starting Date:		October 2024
Duration:	Planned:	18 months
	Actual:	21 months

In compliance with the new financing architecture (approved by the 56th ITTC under Decision 4(LVI)), a donor has expressed interest in funding this project proposal developed from Concept Note: CN-23025-Malaysia. The proposal was developed by the Executing Agency in collaboration with the ITTO Secretariat and donor, taking into account comments received during the time-bound electronic no objection procedure that was completed on 18 October 2023. The Japan Forestry Agency pledged funding to this project and the project agreement was signed in April 2024. The disbursement of the 1st installment of the project budged has been done at end of September 2024.

The project has the following four outputs, namely: 1) Improved policy framework to drive domestic consumption of wood and wood products; 2) Strengthened capacity to produce wood and wood products to meet local market demands & promote local consumption; 3) Assessed the market demands and supply for sustainable wood and its Chain of Custody with higher quality, more diverse products, fulfilling the due diligence requirements and the commitment to ESG requirements, including carbon emission and the use of IR 4.0 and advanced technologies; and 4) Established an integrated system master plan that integrates existing data platforms and systems for a proposed Sustainable Wood Database (SWD).

Implementation Approach

The project adopted an integrated and evidence-based approach. Policy and regulatory reviews, international benchmarking, stakeholder consultations, focus group discussions, surveys, market and industry assessments, awareness programmes, capacity-building activities, technical visits, demonstration activities, and business-to-business engagement were used to understand the factors affecting domestic sustainable wood use. A nationwide public survey involving 768 respondents provided insights into awareness and perceptions of sustainable wood, while an assessment involving 153 stakeholders across the wood value chain examined market conditions, industry practices, sustainability readiness, and technology adoption. Practical activities complemented these assessments. These included sustainable wood awareness programmes, forest and industry visits, Chain of Custody and business formalisation activities, business matching, the Sustainable Wood Furniture Design Competition, and documentation of the White Seraya Timber House as a practical reference for locally sourced timber and engineered wood applications. Findings from these activities were analysed collectively. This allowed the project to identify common issues across policy, market demand, wood supply, industry readiness, stakeholder capacity, and information access, and to develop an integrated SWU Implementation Framework.

Project Implementation and Key Adjustments

The project was originally planned for 18 months and was subsequently extended to 21 months, ending in June 2026. The extension provided additional time for stakeholder engagement, data collection, consultation, analysis, and completion of project activities. The project also experienced financial adjustments due to fluctuations in the USD/MYR exchange rate, which reduced the actual Ringgit Malaysia value available compared with the initial budget estimate. Activities and resources were therefore prioritised and adjusted while maintaining focus on the approved project objectives. A participatory and adaptive implementation approach was used throughout the project. Regular coordination among the executing agency, project team, consultants, partners, and stakeholders helped address implementation challenges and allowed findings from earlier activities to inform subsequent work.

The overall project performance demonstrates substantial progress in implementing planned activities across all outputs, with the majority successfully completed and aligned with the project's objective of enhancing and diversifying domestic consumption of sustainable wood products in Malaysia. Under Output 1, extensive desk studies and policy reviews were conducted, covering national policies, legal frameworks, fiscal instruments, procurement systems, and public and private sector initiatives related to sustainable wood use, alongside international benchmarking exercises. These efforts were complemented by stakeholder surveys and focus group discussions, enabling a comprehensive assessment of policy effectiveness and the identification of key issues, gaps and opportunities.

The completed work includes the preparation of a policy discussion paper and a strategy for moving from the current voluntary certification approach towards mandatory requirements for certified sustainable timber. Output 2 recorded strong implementation performance, with a wide range of awareness, capacity-building, and industry engagement activities successfully executed. These included awareness surveys, public campaigns, a furniture design competition involving 207 participants, technical training for finalists, documentation of sustainable timber structures, educational forest tours, and workshops on chain of custody and business formalization. Notably, industry engagement efforts resulted in successful business matching sessions, yielding seven concluded deals, and ongoing initiatives to strengthen partnerships between plantation farmers and industry players through focus group discussions.

Output 3 was fully implemented through comprehensive desktop studies and nationwide stakeholder surveys across the timber value chain, generating critical insights into market demand and supply dynamics, ESG compliance, and the adoption of Industry 4.0 technologies. Meanwhile, Output 4 progressed through key stages of stakeholder engagement, data analysis, and the development of an Information system Master Plan framework, ensuring alignment with system requirements and stakeholder needs. Despite minor delays in

consultation and validation processes, the project overall reflects a high level of achievement, with most planned activities completed, delivering significant outputs in policy development, capacity building, market assessment, and system planning, thereby contributing meaningfully towards strengthening the sustainable wood sector in Malaysia.

Key Findings and Project Outcomes

The project confirmed that Malaysia has a strong foundation for expanding domestic sustainable wood use. The country has established forest resources, certification and legality systems, wood-processing capacity, and supporting policies and initiatives. However, stronger coordination and market-oriented implementation are needed to translate these strengths into greater domestic consumption. Domestic demand remains a major challenge. Public understanding of sustainable wood is still uneven, while purchasing decisions are influenced by price, product availability, familiarity, and confidence in sustainability information. Stronger demand from government, institutional buyers, developers, businesses, and consumers is therefore important. Government Green Procurement, market engagement, product visibility, practical demonstrations, and clearer communication can play a stronger role in creating demand.

Wood supply and industry readiness also require attention. Peninsular Malaysia has strong downstream processing and manufacturing demand but faces constraints in log supply, while Sabah and Sarawak have stronger availability of logs and primary timber resources. Better inter-regional linkages could help connect available resources with downstream demand. Long-term supply can also be strengthened through plantation timber, rubberwood, reclaimed and recycled wood, urban wood, wood residues, and Trees Outside Forests. The assessment of 153 industry stakeholders also identified uneven readiness in sustainability and technology adoption. Only 20.7% reported using advanced technologies, while 52.7% had yet to implement formal emission-reduction measures. More than 37% were unaware of their customers' specific ESG requirements. These findings highlight the need for continued technical support, capacity building, digitalisation, ESG readiness, carbon management, certification support, and appropriate incentives.

The project also demonstrated the value of practical market and capacity-building activities. Sustainable furniture design, technical learning, timber construction documentation, workshops, industry engagement, and business matching helped increase exposure to sustainable wood applications and strengthen connections among stakeholders. Another cross-cutting finding was the fragmentation of sustainable wood information. Information on resources, products, manufacturers, suppliers, certification, legality, technical specifications, and market availability is spread across different organizations and platforms. This can make it difficult for stakeholders to identify sustainable wood sources, suitable products, suppliers, and reliable sustainability information.

To address this gap, the ISMP proposes a framework for the future development of a Sustainable Wood Database (SWD). The proposed SWD is intended as an integrated information platform that complements existing certification, legality, government, and industry systems. Its purpose is to improve information access, product and supplier visibility, information sharing, market transparency, and informed decision-making in support of wider SWU.

Overall Synthesis of Key Findings

Overall, the findings show that increasing the supply of sustainable wood alone will not be enough to grow the domestic market. Several conditions need to work together. Malaysia needs stronger coordination between policies and institutions. Domestic demand needs to be increased. Sustainable wood supply needs to be reliable and diverse. Industry players need to be ready for changing sustainability and market requirements. Consumers and buyers need better awareness and confidence. Stakeholders also need easier access to reliable information.

The findings therefore point to five interconnected areas:

- Policy, Governance and Domestic Market Enablement: To create a stronger environment for sustainable wood use.
- Market Awareness and Consumer Demand: To increase demand and confidence in sustainable wood products.
- Sustainable Wood Supply and Industry Readiness: To ensure reliable resources and improve the industry's ability to respond to market needs.
- Capacity Building and Market Engagement: To strengthen knowledge, participation, partnerships, and market connections.
- Information Access and Digital Integration: To improve access to reliable information, product visibility, market transparency, and decision-making.

These five areas are closely connected. Progress in one area can support progress in the others. For example, stronger procurement policies can create demand. Stronger demand can encourage industry participation. A reliable supply can help industry respond to new market opportunities. Better awareness and market engagement can connect buyers with suppliers. Better information can support all these areas by making products, suppliers, resources, and sustainability information easier to identify. Together, these findings provide the evidence base for strengthening Malaysia's domestic sustainable wood market and achieving the overall project objective to enhance and diversify domestic consumption and promote local markets of sustainable wood and wood products in Malaysia.

Project Sustainability

The project demonstrates **strong sustainability prospects** after completion. Rather than depending on continued project funding, sustainability is built on institutional capacity, strategic knowledge, stakeholder partnerships, and implementation frameworks that can continue to support Malaysia's sustainable wood sector (See tables below).

Sustainability of project outputs

Sustainability Element	Evidence	Evaluation
Knowledge Resources	Policy recommendations, Market assessments, implementation matrices, technical publications and reports were developed	**Highly sustainable.** These outputs provide long-term references for policymakers, researchers and industry stakeholders
Institutional Partnerships	Strong collaboration among MTCC, government agencies, industry, certification bodies, universities and consumers	**Sustainable.** Established networks provide a platform for future collaboration and policy implementation
Stakeholder Capacity	Training programs, workshops, awareness campaigns, business matching and educational activities strengthened stakeholder knowledge and technical skills	**Highly sustainable.** Improved capacity increases long-term adoption of sustainable timber practices
Implementation Frameworks	Draft Information Systems Master Plan (ISMP) and policy recommendations developed.	**Potentially sustainable.** These provide clear roadmaps but require continued stakeholder involvement, interoperability between agencies, and investment

Sustainability resulting from project conceptualization and implementation

Aspect	Evaluation
Project Conceptualization	The project was designed to address long-term policy, market, institutional and digitalization needs rather than short-term outputs, increasing sustainability
Project Assumptions	Most assumptions such as stakeholder participation, institutional support and resource availability remained valid, supporting continued implementation after project completion
Implementation Conditions	Extensive stakeholder engagement, evidence-based research, capacity building and adaptive implementation strengthened ownership and acceptance of project outputs

Long-term benefits after project completion

Stakeholder	Expected Long-Term Benefit
Government Agencies	Continued use of policy recommendations to strengthen sustainable wood policies
MTCC	Implementation of the ISMP and improved timber certification systems.
Timber Industry	Better competitiveness through certification, ESG readiness and digital transformation
Researchers and Universities	Continued use of project findings for research, education and innovation
Consumers and Youth	Greater awareness and demand for sustainable wood products.

The project demonstrates strong prospects for long-term sustainability as it has established strategic assets that will continue to provide value after project completion. These include comprehensive policy recommendations, market intelligence, technical publications, institutional partnerships, stakeholder capacity and the framework of ISMP. Unlike projects that rely solely on continued funding, this project focused on building institutional knowledge, strengthening stakeholder networks and creating practical implementation frameworks that can support future initiatives. The collaborative relationships developed among MTCC, government agencies, industry stakeholders, certification bodies and academic institutions provide a strong foundation for continued coordination and implementation. Furthermore, the enhanced awareness and technical capacity of stakeholders increase the likelihood of sustained adoption of sustainable timber certification, ESG practices, responsible sourcing and digital transformation within Malaysia's timber sector.

However, the long-term sustainability of the project will depend on several external factors. The policy recommendations and ISMP must be formally adopted and implemented, while continued commitment from relevant government agencies, industry stakeholders and academic institutions will be essential to maintain momentum. Ongoing investment in digital infrastructure, stakeholder collaboration and policy support will also be required to realize the full benefits of the project. Without these follow-up actions, some project outputs particularly the ISMP and policy recommendations may not achieve their intended long-term impact.

Overall, the project can be assessed as having high sustainability potential, as its benefits extend beyond the completion of project activities through strengthened institutional capacity, enduring knowledge resources, established stakeholder partnerships and implementation frameworks that support the continued growth of Malaysia's domestic sustainable wood market.

Lessons Learned and Recommendations

Several important lessons emerged from project implementation. Sustainable wood use requires an integrated approach that connects policy, demand, supply, industry capacity, market development, and information. Early and continuous stakeholder engagement improves the relevance of project activities, while regional differences require flexible implementation approaches. The use of multiple sources of

evidence strengthens decision-making, and practical activities are more effective when awareness is linked with technical learning, demonstration, industry participation, and market connections.

The project also showed that digital solutions should begin with clear user and information needs, supported by appropriate governance and information-sharing arrangements. Adaptive project management is equally important for responding to changes in timelines, resources, stakeholder needs, and emerging issues.

Moving forward, priority should be given to strengthening coordination for SWU implementation, increasing domestic demand and sustainable procurement, improving sustainable wood supply and market linkages, supporting industry capacity and transition, expanding wood applications, integrating circular and alternative wood resources, strengthening awareness and market engagement, and improving access to reliable information.

Implementation should be progressive and guided by priority, institutional and industry readiness, available resources, and regional conditions. Continued collaboration among Federal and State Governments, industry, certification bodies, professional organizations, research institutions, academia, and other stakeholders will be essential. Overall, the project provides a practical and evidence-based foundation for advancing sustainable wood use in Malaysia. By connecting policy, market demand, sustainable supply, industry capacity, stakeholder engagement, and information access, the project provides a pathway towards enhancing and diversifying domestic consumption and promoting stronger local markets for sustainable wood and wood products in Malaysia.

The Executing Agency has submitted to the Secretariat the project completion report and technical reports which are available on request (English only). The final financial audit of the project is currently underway and expected to be completed before the Council Session. The Committee may wish to declare the project duly complete.

3. PD 943/25 (I) Enhancing Legal and Sustainable Supply Chain in the Wood Industry to Stimulate Good Forestry Governance (Indonesia)

Budget and Sources of Funding:

Total Budget:	US$	236,600
Government of Japan:	US$	225,000
Government of Indonesia contribution:	US$	11,600

Executing Agency: Directorate of Forest Product Processing and Marketing
Directorate General of Sustainable Forest Management
Ministry of Forestry Republic of Indonesia

Approved: April 2025

Financed: February 2025

Starting Date: June 2025

Duration: Planned: 12 months
Actual: 10 months

In compliance with the new financing architecture (approved by the 56th ITTC under Decision 4(LVI), a donor expressed interest in funding a concept note, which was subsequently developed into a proposal by the Executing Agency in collaboration with the ITTO Secretariat and donor. The project agreement between

ITTO and the Ministry of Forestry, Indonesia was signed on 18 April 2025 and the project has been operational since June 2025.

The project focuses on stimulating good forestry governance by enhancing the legal and sustainable supply chain. Therefore, the proposed project aims to reduce pressure on the forest area supported by good forest and wood industry governance. Finally, stimulating the supporting environment to implement legal and sustainable supply chains and increasing the capacity of the wood industry in the domestic and global markets can prevent over-exploitation and become an enabling condition for better supervision of sustainable forest management and development of the wood industry. By enhancement of the wood industry performance through the implementation of this proposed project, sustainable forest management and a legal and sustainable supply chain will promote forestry governance, law enforcement, and traceability.

The project's specific objective is to reduce pressure on the North Sumatra Forest area due to illegal activity by stimulating good forest governance through enhanced legal and sustainable supply chains in wood industries. It was achieved by implementing two outputs: 1) Stimulated implementation of legal and sustainable supply chains of the wood industry to support forest governance; and 2) Increased capacity of the wood industry in the domestic and global markets that cover activities. The outputs were delivered by fully implementing four planned project activities consisting of: 1) Conducting the study of the legal and sustainable supply chain of the wood industry (Activity 1.1); 2) Developing an integrated platform for the legal and sustainable supply chain of the wood industry (Activity 1.2); 3). Increasing the capacity of SME wood industries in domestic and global markets; and 4) disseminating the progress of the legal and sustainable supply chain of the wood industry.

Specific Objective/Outputs/Activities achievement of the project

Specific Objective/Output/ Activities	**Measurable Indicators**	**Result of Realized Activities**
Specific objective: To reduce pressure on the North Sumatra Forest area due to unplanned destructive activities by stimulating good forest governance through enhanced legal and sustainable supply chains in wood industries	**Specific indicator:** • A study on the supply chain of the wood industry completed • 2 information systems of the wood industry and its market are integrated • 10 training on capacity building in the wood industry are conducted • The progress of the sustainable supply chain of the wood industry is disseminated	The specific objective defined in the specific indicators is achieved throughout the smooth implementation of four activities representing two outputs defined in the project

Output 1 Increased capacity of the domestic market to satisfy consumers' need for wood product		
Activity 1.1: To conduct the study of the legal and sustainable supply chain of the wood industry	One report of study of the legal and sustainable supply chain of the wood industry in North Sumatra Province and at national level	• One report of study of the legal and sustainable supply chain of the wood industry is available • Three Focus Groups Discussion (FGD) are conducted in project locus, North Sumatra Province, in term of entry meeting, inception meeting and closing meeting also one FGD in Bogor City to disseminate the study result to relevant stakeholders. • The study result also disseminated in the 1st and 2nd PSC – PTC Meeting and ITTC-61 Panama City • One academic journal manuscript is developed
Activity 1.2: To develop an integrated platform for the legal and sustainable supply chain of the wood industry	Two information system are integrated to support legal and sustainable supply chain of wood industry at national level	• Four modules are developed in building one information system **"SIHUTANKU.id"** to support legal and sustainable supply chain of wood industry at national level • Disseminations of **"SIHUTANKU.id**" are conducted in PSC-PTC Meetings, ITTC-61 Panama City, and other meetings held by PD 943/25 (I)
Conclusion: It is clear that pre-defined indicators of Output 1 had been fully satisfied by exceeding achievement based on the targeted indicators; it is reasonable to conclude that the output had been fully delivered. The policy intervention recommended by the study could be improved through policy enhancement of the existing policies and regulations to enhance legal & sustainable supply chain in wood industry to stimulate good forestry governance		

Output 2: Increased capacity of the wood industry in the domestic and global markets		
Activity 2.1: To conduct training in enhancing human resources capacity in SME wood industries in the competitive global and domestic market	Ten training in enhancing human resources capacity in SME wood industries are conducted	• Ten training in enhancing human resources capacity in SME wood industries are conducted • The training is conducted in four provinces namely: ✓ North Sumatra (2 trainings) ✓ Yogyakarta (1 training) ✓ Central Java (2 trainings) ✓ East Java (5 training) • The site of the trainings is chosen due to the majority of existing SMEs wood industry existing at national level
Activity 2.2: To disseminate the progress of the legal and sustainable supply chain of the wood industry	Dissemination of project progress is conducted	• The progress of the sustainable supply chain of the wood industry is disseminated in the 1st and 2nd PSC – PTC Meeting and ITTC-61 Panama City and other meetings conducted by EA and ITTO PD 943/25 (I) • PD 943/25 (I) is actively supports ITTO National Focal Point (NFP), Public Relation and International Cooperation Bureau the Ministry of Forestry, to conduct ITTO Project Proposal Development Training. It was held on December 22-23, 2025 in Bogor City, West Java • PD 943/25 (I) is continuously supporting the task of NFP by facilitating negotiation of ITTA 2006 successor. The meeting conducted on 27 January 2026 in Bogor City, Indonesia. The meeting engaged relevant stakeholders within the Ministry of Forestry as well as supporting external stakeholders, that is forestry and wood industry associations to capture comprehensive input for ITTA 2006 successor based on factual condition of sustainable forest management in Indonesia. • PD 943/25 (I) has facilitated a timber

		industry partnership between the EA and East Java Provincial Government. This partnership has connected timber farmers with the timber industry within East Java Province to support sustainable and legal supply chain in wood industry in East Java. The MoU signing is conducted in October 2025.
		• PD 943/25 (I) supports EA in development of supply chain of wood pellets to boost the forest product industry at national level by conducting FGD on Down-streaming of Wood Pellets and Derivative Products that is conducted on 27 February 2026 in Bogor City, Indonesia • PD 943/25 (I) support EA to strengthen the industrialization of wood and non-timber forest products with the commodity of wood pellet and pine resin. Forum Group Discussion on Down-streaming of Pine Resin Commodities and its Derivative Products is conducted on 6 March 2026 in Bogor City.
Conclusion: It is obvious that the pre-defined indicators of Output 2 had been fully met, implying that the output had been successfully completed. The recommended policy intervention could be improved through policy enhancement of the existing policies and regulations as well as broader engagement of relevant stakeholders both at national and international level		

Project Sustainability

The project had completed all planned activities. The completed planned activities align with and support achieving the targeted outputs. Regarding the project completion by the end of March 2026, a package of exit strategies has been identified to sustain and enhance the benefits that have been achieved. The exit strategies are based on the recommendation from all stakeholders in the 1st and 2nd PSC – PTC Meeting of ITTO PD 943/25 (I). The strategies comprises to develop and extending PD 943/25 (I) in other regions to develop a comprehensive roadmap for the sustainable supply chain of wood industry and its connectivity with other sectors; to connect the supply chain with forest product administrative; to enhance the incentive for SVLK+ holders and strengthen the wood industry to meet global market requirements; to boost the existing mutual collaboration with the construction sector; and to accelerate the result of the project to the policy stage with the synergy of the EA by its structure of the organization, regulations, and corrective actions.

Conclusion

Indonesia's forestry industry is vital to the economy. Indonesia is one of the world's largest forests, making its provinces a major source of wood and wood products. North Sumatra contributes to regional and national economies. This region supports roundwood production, wood processing, furniture and wood

panel production with its forest resources. According to management, the 30% utilization rate indicates poor planning for raw material needs, technology investments, and marketing strategies. Factory utilization depends on management's ability to match market demand, cost efficiency, and resource management. Failure to mitigate risk, adapt to market changes, or collaborate with suppliers and consumers also lowers production. This raises the factory's fixed cost per unit of product, decreasing profitability and competitiveness. The company must strengthen partnerships with raw material suppliers (e.g., support community forests or social forestry), invest in efficient and innovative technologies, adapt to market standards to strengthen domestic and export marketing, and improve managerial capacity, especially in planning and risk mitigation. An integrated strategy increases plant capacity utilization and operational efficiency. From 2018 to 2025, North Sumatra and national processed wood product exports showed significant changes in value, commodity variety, and volume. Prefabricated buildings, chip-wood, furniture, handicrafts, panels, paper, pulp, veneer, and woodworking products are exported. Each commodity had different successes and trends, but North Sumatra's export contribution is still small compared to other provinces.

The critical analysis of the project implementation is regarding the short term of the project period. Nevertheless, the Project Coordinator manages the effort to coordinate and develop the plan of project implementation, thus, all of technical activities are accomplished in March 2026. This project is a good opportunity for many stakeholders to collaborate on the ideas and insights based on its findings to address the challenges in enhancing legal and sustainable supply chain in the wood industry to stimulate good forestry governance. Furthermore, the collaborative works conducted in PD 943/25 (I) will ensure to see the great picture of Indonesia's wood industries and support sustainable forest management and livelihoods as well as contribute to the nation's prosperity.

The Executing Agency has submitted to the Secretariat the project completion report and technical reports which are available on request (English only). The final financial audit of the project is currently underway and expected to be completed before the Council Session. The Committee may wish to declare the project duly complete.

4. PD 951/25 (I) Strengthening the Forest Sector Value Chain through Sustainable Forest Management and Harvesting in Costa Rica

Budget and Sources of Funding:

Total Budget:	US$	212,500
Government of Japan:	US$	160,000
Government of Costa Rica contribution:	US$	52,500

Executing Agency:		Forestry, Timber and Industry Association of Costa Rica
Collaborating Agency:		Carbon Revenue Services S.A. (CRS)
Approved:		July 2025
Financed:		July 2025
Starting Date:		August 2025
Duration:	Planned:	12 months
	Actual:	12 months

In compliance with the new financing architecture (approved by the 56th ITTC under Decision 4(LVI)), a donor has expressed interest in funding the following project proposal developed from Concept Note:

CN-24032-Costa Rica. The proposal has been developed by the Executing Agency in collaboration with the ITTO Secretariat and donor and the time-bound electronic no objection procedure was completed on 1 July 2025:

The project implementation focused mainly on three outputs which were executed successfully. The output are: (i) Conduct a diagnostic assessment of timber availability for the industry; (ii) Facilitate access to the use of timber products; and (iii) Propose investment programs with a wide range of incentives, developing marketing strategies and training programs aimed at timber industry technicians.

The development objective is to: Establish effective mechanisms for sustainable harvesting, processing and marketing of timber products The specific objective of the project is to: Strengthen the sustainable management and valuation of timber resources to ensure their long-term availability and the ecosystem services they provide with following outputs: Output (i) Diagnostic assessment of timber availability for the industry; output (ii) Facilitating access to the use of timber products; output (iii); Create the appropriate environment for investment in timber processing.

Project Implementation Approach and Cross-cutting Principles

The Camara Forestal Madera e Industria (CFMI) served as the executing agency and received technical support from Carbon Revenue Service, SA (CRS). The strategy was structured by outputs and combined a review of documents and regulations, analysis of available forestry and economic data, collection and systematization of sectoral information, spatial analysis, technical consultations, validation workshops, and stakeholder feedback.

The deliverables were developed sequentially and complementarily. The assessment in output 1 identified gaps in supply, industrial capacity, financing, and human capital; output 2 delved into regulatory and business bottlenecks, formulating options for simplification without undermining environmental sustainability or legality controls; and output 3 used these findings to propose incentives and market strategies.

Stakeholder participation and sector-wide validation were cross-cutting components. The project document included workshops, working sessions, training activities, digital materials, and dissemination mechanisms, with an emphasis on forest owners, industrialists, professionals, institutions, and the rural population, including women and youth.

The implementation approach maintained the following cross-cutting principles:

- Sustainable forest management, legality, and traceability.
- Promotion of sustainably sourced timber and higher-value-added products.
- Inclusion of small- and medium-scale producers, rural communities, women, and youth.
- Strengthening of technical and institutional capacities.
- Digitization, transparency, and administrative efficiency.
- Coordination among public entities, industry, forest landowners, the financial sector, and academia.

Key Findings and Project Outcomes

The assessment revealed that Costa Rica possesses forest resources whose sustainable productive use can be strengthened, particularly in secondary forests, forest plantations, and agroforestry systems. The analyzed national supply comes primarily from forest plantations (77%), followed by agroforestry systems (14%) and natural forests (9%). However, the physical availability of the resource does not automatically translate into an accessible, predictable, and competitive industrial supply. This gap is explained by factors such as access, harvesting and transportation costs, fragmentation of the supply, administrative restrictions,

limited integration between landowners and processors, and limited participation by forest landowners in the stages with the highest value added.

The analysis showed that industry is concentrated in regions with better infrastructure and that, in some areas, installed capacity exceeds the actual supply of wood. Limited species diversification was identified, with a predominance of teak, gmelina, and acacia, as well as gaps in technology, finance, human capital, and traceability. Profitability tends to be concentrated in the later stages of the chain, while landowners and producers face significant risks and costs without necessarily sharing equitably in the benefits generated.

Agroforestry systems emerge as a growing source of sustainable supply, and the development of regional forestry clusters presents an opportunity to reduce logistics costs, add value at the source, and coordinate producers, industry, and technical services. The report also highlighted the need to revitalize the management of natural forests and improve the standardization and digitization of information.

The report identifies a complexity and fragmentation of procedures that affect competitiveness, timely compliance, and the economic viability of forestry activities. Approval times, variability in the interpretation of requirements, lack of interoperability, and business informality reduce the predictability of supply and increase transaction costs. These fixed costs and administrative delays have a particularly severe impact on small and medium-sized producers, reducing the relative profitability of smaller-scale operations and creating disincentives for formalization.

In natural forest management, the process may involve the preparation of inventories and management plans, technical reviews, preventive measures, inspections, and resolutions with varying timeframes; cases of prolonged delays have been reported, with direct financial consequences for those investing in sustainable management. Opportunities were identified to reduce duplicate documentation, standardize technical criteria, improve institutional coordination, and move toward a risk-based control framework.

Lessons Learned

a) Issues Related to Project Identification and Design

The sequential-product design proved appropriate for a systemic problem. Beginning with an assessment of supply and industrial capacity allowed regulatory and investment proposals to be grounded in concrete gaps rather than solely in sectoral perceptions.

The inclusion of public and private actors is essential from the design phase onward. Proposals regarding traceability, digitization, financing, public procurement, and marketing involve responsibilities distributed among different institutions and links in the supply chain; therefore, their feasibility depends on permanent coordination mechanisms.

A cross-cutting gender and intergenerational approach is most effective when linked to specific barriers—such as the costs of formalization, access to information, financing, training, and markets—rather than being limited to a general mention of participation.

Medium-term impact indicators, such as an increase in sustainable production or the number of management plans, require a post-project monitoring system. For future projects, it is advisable to clearly distinguish between output indicators, institutional adoption, and sectoral impact.

The generation of technical information is most useful when it is directly linked to decisions regarding investment, regulation, land-use planning, and markets, and when demand for sustainable timber is

simultaneously built through public procurement, certification, commercial partnerships, product quality, and communication targeted at consumers and investors.

b) Operational Matters

Technical implementation benefited from the combination of CFMI and CRS capabilities and the thematic expertise required in forest resources, industry, regulation, financing, and marketing.

The availability, quality, and interoperability of data continue to be an operational constraint for the sector. The project confirms the need for permanent, standardized systems that enable the tracking of timber volumes, permits, transportation, processing, and destinations.

Change management must be considered as part of any digitization process. The creation of platforms, electronic records, or traceability systems must be accompanied by training, protocols, institutional support, and a clear definition of responsibilities. Likewise, administrative barriers must be analyzed not only from the perspective of public efficiency but also in terms of their effects on profitability, sector formality, and the inclusion of small-scale producers.

Proposals for incentives and market mechanisms require governance to ensure their implementation. A technically sound portfolio can lose its effectiveness if leading institutions, timelines, resources, monitoring mechanisms, and high-level dialogue forums are not designated. The participation of local and sectoral stakeholders enhances the relevance of the recommendations and facilitates the identification of operational constraints not apparent in the literature review; therefore, the inclusion of women, youth, and small-scale producers must be incorporated from the design phase of the instruments, rather than as a subsequent component of implementation.

Recommendations

a) Short Term

- Share the three outputs with public institutions, forestry organizations, financial institutions, academia, the industrial sector, and local stakeholders.
- Promote a national agenda for implementing the proposals, with political leadership and a permanent coordination body involving MINAE/SINAC, FONAFIFO, the Ministry of Finance, public banks, MIDEPLAN, SICOP, INA, the private sector, and other relevant stakeholders.
- Establish an inter-institutional technical working group to prioritize and sequence the proposals for simplification, traceability, and incentives.
- Design a plan for the gradual implementation of the Digital Single Window for Forestry and the Electronic Forestry Record, incorporating interoperability, digital signatures, traceability, and data reconciliation throughout the supply chain.
- Prepare an operational roadmap for the National Forest Traceability System, including priorities for interoperability, data standards, governance, and pilot tests.
- Develop and disseminate a manual on legal requirements and business formalization aimed at producers, industries, and forestry enterprises.
- Identify pilot territories or supply chains to coordinate timber supply, industry, financing, and markets.

b) Medium Term

- Consolidate forestry financing mechanisms and guarantee funds tailored to small producers, SMEs, and long-term production cycles, combining long-term credit, green financing, and mechanisms to attract investment.
- Develop support programs for industrial processing, drying, grading, quality control, innovation, and wood products with higher value-added.

- Standardize technical criteria and strengthen forest governance, promoting a control model based on risk, technical support, and proportionality according to scale.
- Strengthen the renewal and diversification of plantations, the sustainable use of agroforestry systems, and the management of natural forests under technically robust plans.
- Promote regional forestry clusters that reduce logistics costs, add value at the source, and coordinate producers, industry, transportation, technical services, design, and marketing.
- Promote public procurement schemes for legal, traceable, and sustainable timber, and foster partnerships among the forestry sector, tourism, construction, banking, academia, and trade promotion agencies.
- Implement training programs on forest management, sawmilling, drying, grading, quality control, administration, legal requirements, formalization, certification, and processing technologies, targeting forest managers, landowners, companies, industries, and government officials.

c) Long Term

- Maintain an up-to-date national information system on forest supply, industry, markets, and traceability.
- Integrate the timber value chain into policies on the bioeconomy, decarbonization, territorial development, housing, infrastructure, public procurement, and trade.
- Stimulate demand for legal and sustainable timber through public procurement, promotion of wood-based construction, certifications, awareness campaigns, and partnerships with the construction, tourism, furniture, and export sectors.
- Establish a post-project monitoring system to measure the adoption of reforms, processing times, new management plans, the volume of legally harvested timber, investment, financing, rural employment, and the participation of women and youth.
- Consolidate and disseminate the three outputs as an integrated sectoral policy package, ensuring that recommendations regarding supply, regulation, investment, and marketing are not implemented in isolation.

Project Sustainability

To ensure the sustainability of the results achieved, the Chamber of Forestry, Timber, and Industry will implement the following actions:

- Maintain institutional custody of all technical products, databases, methodological documents, and other information generated during the project, ensuring their availability for future research initiatives, public policy formulation, and sectoral development.
- Continue to use the national assessment of timber availability and the analyses developed as technical inputs to guide institutional projects, sectoral planning processes, and actions to strengthen the forestry industry.
- Incorporate recommendations on streamlining procedures, legal access to raw materials, and business strengthening into the ongoing dialogue agenda with the Ministry of Environment and Energy (MINAE) and the National Forestry System.
- Promote the dissemination of results through seminars, workshops, technical publications, institutional newsletters, and training activities aimed at forestry producers, industry representatives, professionals, and decision-makers.
- Promote the gradual implementation of recommendations related to incentives, financing, innovation, and market development through partnerships with public institutions, international cooperation agencies, financial institutions, and business organizations.

Institutional Coordination As part of its sustainability strategy, the CFMI will continue to strengthen coordination efforts with national and international institutions, including:

- Ministry of Environment and Energy (MINAE).
- National System of Conservation Areas (SINAC).
- National Forestry Financing Fund (FONAFIFO).
- National Forestry Office (ONF). • Costa Rican Foreign Trade Promotion Agency (PROCOMER).
- Ministry of Economy, Industry, and Commerce (MEIC).
- National Institute of Apprenticeship (INA).
- Public universities and research centers.
- International technical cooperation agencies.

These partnerships will enable the project's results to be incorporated into future initiatives related to competitiveness, wood construction, industrial innovation, sustainable forest management, and the promotion of wood products.

The Executing Agency has submitted to the Secretariat the project completion report which is available on request (Spanish only). The final financial audit of the project is currently underway. The Committee may wish to declare the project duly complete.

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