

PROJECT COMPLETION REPORT

A. Project Identification

- (a) Title : Strategies for Sustainable Wood Industries in Sarawak
- (b) Serial No. : PD 107/90(I)
- (c) Implementing Agency : Forest Department, Sarawak
- (d) Host Governments : Government of Malaysia; State Government of Sarawak
- (e) Starting Date : April 1993
- (f) Actual Duration : 20 months
- (g) Actual Project Costs : US\$440,550

PART I - EXECUTIVE SUMMARY

1. Background Information

1.1. Key Problems

The ITTO Mission identified that a basic plan for the long-term management of the productive forest resources of Sarawak and the development of her forest industries should be developed based on a reliable assessment of the forest resources of the State and the long-range demand and supply outlook for forest products. To carry out an assessment of the forest resources would require and develop a sector plan for the forest industries, the following assumptions would have to be made :-

- (i) Determining the total area of forests dedicated for sustainable timber production ;
- (ii) Determining the log out-turn from the natural forests that will be gradually reduced to a sustainable level of about 8 million m³ per year before the year 2020 ; and
- (iii) Identifying inland locations close to the resource base for the expansion and development of primary and secondary processing.

1.2. Specific Objectives and Outputs

The specific objects of the project are :-

- (i) To assess a future outlook on the demand and supply for Sarawak's forest products.
- (ii) To establish a sector plan for the development of the forest industries of Sarawak, related to the results of the future outlook study and to the sustainable yield of the forests.

Based on the policy assumptions aforementioned, the broad outputs of the projects are :-

- (i) Primary processing capacity in the Kuching - Sri Aman area and in Sarikei - Sibul area should be substantially reduced.
- (ii) Emphasis should be given to expansion and development of primary and secondary processing in inland locations, in first hand in Kapit or upstream Kapit along Batang Baleh, in locations between Bakun Dam and Tubau and in the Baram basin, upstream Marudi.

1.3. Strategy

The strategy in implementing the project was as follows :-

- (i) To identify inland locations close to the resource base for the expansion and development of primary and secondary processing.
- (ii) To gather information on the Sarawak forest resource and the wood industries.
- (iii) To draw up the sector development plan for the wood industries.

1.4. Planned Duration and Costs

The planned duration was 13 months when the project proposal was conceived. However, due to relevant activities which needed to be covered, the duration was extended to 20 months.

The necessary review by the State Government of Sarawak and the wood industries has resulted in the untimely production of the final report. It is expected that the final report (100 copies) be made available to ITTO by the end of April 1996.

The planned costs of the project were US\$440,550 in respect of ITTO contribution and US\$55,000 in respect of the contribution by the Sarawak Government.

2. Project Achievements

2.1. Output Achieved

Sector Development Plan for Sustainable Wood Industries for the State of Sarawak.

2.2. Specific Objectives Achieved

- (i) Future outlook for the log out-turn from the natural forests of Sarawak will be at a level of 7.8 to 7.9 million m³ per year.
- (ii) The processing industry will be encouraged to build up its capacity which enable it to process the total sustainable log out-turn volume.

2.3. Contribution to Achievement of Development Objective

The Sarawak Government has reduced the level of timber production from the Permanent Forest Estate (PFE) to the sustainable level as recommended by the ITTO Mission. Further, the Government has allocated, by administrative arrangement, at least 50 per cent of the total log production for local processing.

3. Target Beneficiaries Involvement

The Sarawak Forest Department counterparts and support staff were actively involved in the project particularly with regard to field data collection on the resource and the wood industries studies.

The Sarawak Timber Industrial Development Corporation (STIDC), the parastatal body of the Sarawak Government directly responsible for forest industrial planning and development, were directly involved in gathering data on the status and situation of the wood industries.

The Sarawak Timber Association (STA) was involved in providing comments and feedback on issues related to the development of the wood industries in Sarawak. The STA is currently involved in the review of the draft final report of this project.

4. Lessons Learned

4.1. Development Lessons

(i) Project Design

The determination of the resource base from Forest Department's records was useful for the integration of scattered information and identification of gaps so that future projects related to forest resource can be effectively implemented.

The identification of suitable inland sites for the expansion and development of primary and secondary processing was most appropriate to ensure the practicality of wood processing in locations close to the forest resource base.

(ii) Intersectoral Link

The project success was enhanced by the active involvement of the State Planning Unit (SPU), the Sarawak Government's planning agency, who provided information on the economic situation of Sarawak. This has enabled the analysis to be carried on the wood industries contribution to GNP, employment and foreign exchange earning.

(iii) Additional Arrangement

Consultations with the people working in the wood industries have further contributed toward the development of the sector plan.

4.2 Operational Lessons

(i) Project Organization and Management

The active involvement of the counterparts from Forest Department and STIDC, and the full cooperation of the STA have made easy access to information required.

The competence of and arrangement made by Forest Department have resulted in the uninterrupted availability of working facilities such as office space, communication equipment, field transportation, supporting services and others.

(ii) Project Documentation

Project documentation has been slow due to untimely availability of experts in certain activities. Consequently, their individual reports were not available simultaneously for integration.

(iii) Monitoring and Evaluation by the Steering Committee

Satisfactory.

(iv) Quality of Project Planning

Satisfactory.

(v) Definition of Roles

Satisfactory.

(vi) Actions to Avoid Variation to Plan

The original project document was referred to as much as possible. However, due to non-clarity of some considered items in the document (formulated in 1990), some variation in the activities were unavoidable.

(vii) Foreseen External Factors

The full cooperation of the local wood industries, Forest Department, STIDC and STA has enabled the consultants to overcome problems related to data procurement.

There were lapses in gathering of information as consultants has to take breaks once in a while. However, this had not jeopardize the smooth running of the project.

(viii) Unforeseen External Factors

Not Encountered.

5. Recommendations

The following actions have been identified as desired for promoting and assisting industry development and re-structure :

- a) Agreements by importers of timber from Sarawak to remove import taxes on processed timber should be sought, as the removal of these taxes would contribute substantially to making local, primary processing financially attractive by increasing the export value of processed wood products.
- b) Studies of markets for secondary processed timber products should be conducted. These studies should in first hand be focusing on markets for furniture and furniture parts, for mouldings and for packing cases, boxes and pallets.

- c) A study on pulp and paper industry potential should be carried out and, if that study gives positive indications, land for the concentration of pulpwood plantations should be identified.
- d) International cooperation and assistance for the development of low impact logging systems and methods should be sought.
- e) Assistance to the industry, in the form of loan facilities, industrial estates, communication and transport infrastructure development, and research, should be provided as means of achieving desired re-structure of the industry.
- f) A re-structure of the royalty system should be considered, to extend the range of rates and to establish regional rates.

PART II - THE PROJECT

1. Project Content

Based on its objectives, ITTO Project PD 107/90 (I) should prepare a basic sector plan for the development of sustainable forest industries in Sarawak, by carrying out the assessments of the forest resources of the State and the long-term market outlook for forest products.

The completed work are documented as follows :-

- (i) ITTO Project PD 107/90 (I) - Strategies for Sustainable Wood Industries in Sarawak : The Sector Plan
- (ii) Annex 1 - Forest Resources Status and Timber Supply Planning for the Future.
- (iii) Annex 2 - A Review of the Trends in the Export Markets of Sarawak's Timber Products.
- (iv) Annex 3 - Harvesting and Transportation Costs.
- (v) Annex 4 - Wood Processing Industries.

The sector plan for the development of the sustainable forest industries in Sarawak contains the following key elements :-

(i) Basic conditions for sector development

- resource potential
- land use
- log out-turn
- market outlook
- national objectives

(ii) Plan outline

- log utilization
- primary industry development
- Kuching Area
- Song-Mukah Area
- Baram River
- primary industry development scenario
- secondary industries
- pulp and paper industries

(iii) Manpower requirement and development

(iv) Policy instruments

- information

- industry licensing
- incentives for local processing

- (v) Direct assistance to industry
 - industrial estates
 - roads
 - communications and community services
 - finance
 - pulp and paper studies
 - marketing services
 - research

- (iv) Royalty

2. Project Context

The project focused on two elements, namely :-

- (a) a future outlook study on the demand and supply for Sarawak's forest products; and
- b) a sector plan for the development of the forest industries of Sarawak, related to the results of the future outlook study and to the sustainable yield of the forests.

3. Project Design and Organization

The evaluation of plan options, with regard to their effects on development parameters, was carried out with the help of a linear programming programme, LP 83, and a desk top computer. In the analysis, the selected State development objectives were considered and quantified.

Policy options, which affect the achievements towards fulfilling State objectives, formed basic inputs to the analysis. These policy inputs, or more correct, the policy tools, were changed in repeated analyses to provide for comparative assessments of the effects of various policy options on the State development parameters.

In the basic analysis the programme maximizes net revenue to the timber industry, as it can be assumed that, in a market economy, industry will aim at achieving this maximization, within the constraints imposed on it by government regulations, resources availability and market opportunities.

Resources, understanding of roles and responsibilities by the consultants and counterparts as well as participation by beneficiaries in the project have been satisfactory.

4. Project Implementation

The project was implemented in April 1993 upon the employment of the project leader, Dr. Nils Svanquist.

Mr. James Dawos Mamit from the Sarawak Forest Department was the project co-leader. Other consultants involved in the project were:-

- (i) Mr. Gordon Pickles
- Forest industries expert

- (ii) Mr. Yang Blakeney
 - Forest resource expert
- (iii) Mr. Kurt Bostrom
 - Harvesting and transportation costs expert
- (iv) Mr. Abdul Wahab Bujang
 - From Forest Department, assisted the project leader in gathering data and information on timber markets.
- (v) Mr. Hashim Bojet
 - From Sarawak Timber Industry Development Corporation (STIDC), assisted the forest industries expert.

In terms of project components, the following activities as outlined in the planned project (project document) were fully adhered to :-

- (i) Determination of the sustainable supply of wood fibre (forest resources).
- (ii) Determination of the current (and currently proposed) capacity of the wood processing industries.
- (iii) Determination of the product mix which will optimize the economic return to the country and to the State.
- (iv) Review and update existing markets.
- (v) Recommendations to expand and develop the forest industries sector in Sarawak.

The proposed output of the project in the document, i.e., a sector plan for the forest industries of Sarawak, was successfully achieved.

In terms of project costs, the total amount expended to-date was US\$320,000 out of the total cost of US\$440,550.

The only critical difference was the duration of the project. The 13-months period spelt out was too short to cover in depth the components of the project. Hence, the extension to 20 months was deemed necessary and justifiable. Further, the need for the project leader to take breaks in between had rendered the stretching of the period for completion and submission of the final report to the executing agency. On the whole, the achievement of the project was satisfactory and in compliance to the project document.

The assumptions made in the final report of the project are based on analyses of the actual situations and field data.

The project inputs were of high quality with detailed information on each component annexed to the sector plan.

5. Project Results

The specific objectives of the project were achieved. The achievement has enabled the development of the sector plan for sustainable forest industries in Sarawak.

The proposed sector plan will enable the State Government of Sarawak to effectively restructure the forest industries, thereby achieving the desired capacity based on existing forest resources.

The local forest industries will benefit from the sectoral plan due to the availability of information on markets and resources up to the year 2020. In this regard, the sustainability of the forest industries in Sarawak will be attained.

6. Synthesis of the Analysis

- (a) Specific Objectives : Realized
- (b) Outputs : Realized

- (c) Schedule : Delayed but not seriously
- (d) Actual Expenditures : Below planned

PART III - CONCLUSIONS AND RECOMMENDATIONS

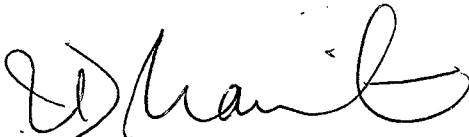
(a) Development Lessons

The determination of the sustainable level of log out-turn of 7.8 to 7.9 million m³ per year up to the year 2020, and the determination of inland locations for the expansion and development of primary and secondary processing have provided a stimulating experience. Hence, focus on the specific objectives has been a valuable lesson.

(b) Operations Lessons

In developing the sector plan for sustainable forest industries in Sarawak, clear focus on the activities of the project has provided useful guidance.

Responsible for the Report

Name : 

(James Dawos Mamit)
Project Co-Leader

Date : 25 March 1996

FINANCIAL STATEMENT - PERIOD ENDING 29 FEBRUARY 1996

(in U.S. dollar)

PROJECT CODE: F.20 - 082

PD107/90(1) - Strategies for Sustainable Wood Industries In Sarawak

ITTO Contribution

COMPONENTS	CONTRIBUTION U.S. \$ (A)	UP TO DATE			BALANCE OF FUNDS (A-D)
		Committed (B)	Spent (C)	Committed & Spent D=(B+C)	
I. Funds managed by Executing Agency					
A. Personnel : International Consultancies	336,500.00		286,926.31	286,926.31	49,573.69
B. Personnel - Local Government Counterparts Local Supporting Staff	24,000.00		16,550.52	16,550.52	7,449.48
C. International Travel	15,000.00		13,474.96	13,474.96	1,525.04
D. Other expenses - Auditing Charges a/			309.02	309.02	-309.02
sub - Total:	375,500.00				
Total in VOTE LEDGER	415,550.00			317,260.82	98,289.18
II Funds retained by ITTO					
H. ITTO Monitoring, Review & Evaluation	15,000.00	-	-	-	b/
I. Reports & Translation	40,050.00	-	-	-	b/
J. Contingency (10%)	10,000.00	-	-	-	b/
sub - Total:	65,050.00				b/
GRAND TOTAL:	440,550.00			317,260.82	98,289.18

Note: Balance in Ledger Book as at 29.2.1996 - RM 254,450.48 = U.S.\$ 98,289.18

a/ Other expenses include those which were not previously identified in the original budget,
such as Auditing charges