

INTERNATIONAL TROPICAL TIMBER ORGANIZATION

ITTO

PROJECT PROPOSAL

TITLE:	DEVELOPMENT OF SUSTAINABLE DOMESTIC MARKET FOR WOOD PRODUCTS
SERIAL NUMBER:	PD 928/22 Rev.1 (I)
COMMITTEE:	FOREST INDUSTRY
SUBMITTED BY:	GOVERNMENT OF INDONESIA
ORIGINAL LANGUAGE:	ENGLISH

SUMMARY:

- Indonesia is blessed with a huge forest resources, the total area of state forest lands is around 120 million hectares of which around 60 million hectares are allocated for production forests that allows development a gigantic capacity of wood processing using planted timbers as the raw material. While exports of processed wood products had increased from 20.2 million m³ in 2020 to 23.3 million m³ in 2021, domestic national consumption decreased from 26.2 million m³ to 25.1 million m³ during the annual period which is widely perceived as the impact of the COVID-19 pandemic that hit Indonesia since early in 2020.
- For sure, reduction in domestic consumption is not in the interest of the government and society; domestic consumption has to be steadily promoted that it may serve as a stabilizer for wood production during the economic crises such as the one caused by COVID-19 pandemic.
- The proposed project aims to increase contribution of the national forest industry to national economic development. Its specific objective is to promote a strong and resilient domestic consumption of wood products, to be achieved through delivery of two outputs, namely: i) increased capacity of domestic market to satisfy consumers' need for wood product, and ii) enhanced institutional arrangement for steadily rising domestic consumption of wood products.
- The project will be implemented in a participatory, collaborative manner, for which partners will be selected based on competence. Risks will be managed by putting in place the relevant mitigating measures since the onset of project operations.

EXECUTING AGENCY: : DIRECTORATE GENERAL OF
SUSTAINABLE FOREST MANAGEMENT
MINISTRY OF ENVIRONMENT AND FORESTRY
REPUBLIC OF INDONESIA

DURATION: : 18 MONTHS

PROPOSED BUDGET AND OTHER FUNDING SOURCES:	SOURCE	CONTRIBUTION IN US\$
	ITTO	261,811
	GOI	23,880
	TOTAL	285,691

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Project Brief

Available data on national consumption of wood products in recent years indicated that volume of consumption had first increased from around 22 million m³ in 2019 to 26 million m³ in 2020 but then decreased to 23 million m³ in 2021 or experienced only a slight increase during the 2014-2021 period. This phenomenon was generally perceived as caused by the outbreak of COVID-19 pandemic which started in early 2020.

Indeed, the COVID-19 pandemic had slowed down economic activities in all sectors of the economy due to reduced state funds for development in favour of funding for public health protection and strict enforcement of health protocols by the government authorities that practically restricted movement of people hence economic activities.

The slowed down economic development pace in general, growth of national wood consumption in particular, indeed was not in the interest of the government and the wood industry alike. As reported by the ITTO, domestic consumption has proven to be a stabilizer for tropical timber production in previous economic crises. Amidst the outbreak of COVID-19 pandemic, the government and the wood industry are attempting to invigorate the sluggish development of domestic consumption of wood products. To this end, Directorate General of Sustainable Forest Management (DG SFM) of the Ministry of Environment Forestry (MoEF) is proposing a project to ITTO for possible funding by the Government of Japan.

The title of proposed project is “Development of Sustainable Domestic Market for Wood Products”. The project is aimed to increase contribution of the wood industry to the national economy through strengthened growth of the industry. Its specific objective is “to promote a strong and resilient domestic consumption of wood products” which is planned to be achieved through delivery of two outputs, namely: i) Increased capacity of domestic market to satisfy consumers’ need for wood products; and ii) Enhanced institutional arrangements for steadily rising domestic consumption of wood products. The outputs will be delivered by fully implementing nine planned project activities.

Achievement of the specific objective at project completion will be assessed using five indicators, namely:

- A study on domestic wood consumption completed
- 5 new, fortified wood products sold in domestic market
- 6 consumer education sessions organised
- A national council of domestic market for wood products operational
- Draft policy intervention on wood uses ready for national review
- Draft policy incentives for wood processing ready for MoEF to endorse

The primary beneficiaries of the project are the wood industry in general including processors, consumers, forest industry associations, traders and labours; also, the economy and society as a whole. Aside from delivering defined outputs, domestic market for wood products will be strengthened through better educated consumers on advantages of using wood products relative to substitute, more diversified wood products offered to consumers, weakened penetration of wood substitutes, improved efficiency of processing, and better growth of the wood industry which in turn will yield larger contribution to the national economy.

The project will be implemented using participatory, collaborative approach. Planned activities will be executed in close consultation, cooperation, and collaboration with competent partners, as appropriate. Selection of partners to work with shall be made using expertise and experience as the primary criteria. A healthy communication between the project with the stakeholders in general will be established and maintained through the project duration in view of obtaining their support in implementation of the project activities.

To sustain yielder project's results an exit strategy should be carefully developed towards end of the projects. The strategy should be built on three basic elements, namely: i) what project activities that need to be continued after project completion; ii) which institution(s) are responsible for implementing selected activities; and iii) source of funds to finance implementation of the activities.

The key assumptions made for a successful implementation of the project are: supportive FIAs and wood processors, supportive MoEF, corporative consumers and corporative institutions of the construction sectors. If any assumption does not hold true, achievement of the project may be compromised due to materialised potential risk. Hence, it is critical to identify and implemented the relevant and appropriate risk mitigating measures since the onset of the project.

The proposed project budget is US\$285,691 in total, comprising contributions of the ITTO US\$261,811, respectively. Out of the ITTO's contribution, US\$82,300 (31%) is used to pay project personnel, with no allocation for capital items.

List of Abbreviations and Acronyms

APHI	Indonesian Forest Entrepreneurs Association
APKINDO	Indonesia Wood Panel Association
<u>DG SFM</u>	<u>Directorate General of Sustainable Forest Management</u>
DSA	Daily Subsistence Allowance
EA	Executing Agency
FC	Field Supervisor
FGD	Focus Group Discussion
FIA	Forestry Industry Association
<u>FIP</u>	<u>Forest Industry Professional</u>
FLEGT	Forest Law Enforcement, Governance and Trade
FOLU	Forest and Other Land Use
GDP	Gross Domestic Product
GHG	Green House Gases
Gol	Government of Indonesia
HIMKI	Indonesian Furniture and Craft Industry Association
IHE	In-House Expert
ISWA	Indonesia Sawmill and Wood Working Association
ITTA	International Tropical Timber Agreement
ITTO	International Tropical Timber Organization
LSSC	Legal and Sustainable Supply Chains
MA	Management Advisor
<u>MM</u>	<u>Man Month</u>
<u>MD</u>	<u>Man Day</u>
MoEF	Ministry of Environment and Forestry of Republic of Indonesia
Mol	Ministry of Industry
<u>MoPWP</u>	<u>Ministry of Public Works and Public Housing</u>
MoT	Ministry of Trade
<u>NPPPA</u>	<u>National Public Procurement Policy Agency</u>
NC	National Consultant
NDC	Nationally Determined Contribution
PAC	Project Advisory Committee
PBC	Professional Building Contractor
PBPH	Forest Utilization Business Management
PC	Project Coordinator
PIT	Professional Information Technology
PMT	Project Management Team
PMU	Project Management Unit
PS	Project Secretary
PSC	Project Steering Committee
SAP	Strategic Action Plan
SDG	Sustainable Development Goals
SFM	Sustainable Forest Management
SME	Small Medium Enterprise
<u>TD</u>	<u>Travel Day</u>
TLAS	Timber Legality Assurance System
YPO	Yearly Plan of Operation
VPA	Voluntary Partnership Agreement
<u>WIP</u>	<u>Wood Industry Professional</u>

PART I: PROJECT CONTEXT

1.1 Origin

Available data on national consumption of wood product, derived by subtracting export volume from production volume and adding import volume. Indicate that national consumption had increased from around 22.1 million m³ in 2019 to 26.2 million m³ in 2020, but then reduced to 23.3 million m³ in 2021, which was generally perceived as caused by the outbreak of COVID-19 pandemic that started in early 2020.

The developing perception is indeed understandable considering the fact that the COVID-19 pandemic has slowed down implementation of development programs and activities, in different sectors of the economy due mainly to reduce allocated state funds for economic development, in favor of public health security, and strict enforcement of health protocols by the authorities that restrict work activities of the Indonesians. Restricted public activities have resulted reduced average income of citizens that caused postponed or cancellation of many planned spendings including building construction using wooden materials. This reduced consumption of wood product is not in the interest of the government and society.

In its report titled “Impact of the COVID-19 Pandemic on Tropical Timber Production”, ITTO points out three critical conclusions:

- Exports of primary wood products are highly vulnerable to economic shocks.
- The focus and strong dependency on unprocessed wood products should be reconsidered to chance forest sector resilience in the future.
- Domestic consumption has proven to be a stabilizer for tropical timber production in previous economic crises.

Reduced export by COVID-19 pandemic is understandable due to depressed economy in all countries of destination. As pointed out by ITTO, domestic consumption may become a stabilizer for timber production that reduced consumption in Indonesia should be overcome by all means. The sluggish development of consumption observed in recent years has to be addressed with the main purpose to promote a strong and resilient domestic consumption of wood products such that the increasing consumption will serve as a stabilizer economic shock in the sector.

In this context, this proposed project, developed by Directorate General of Sustainable Forest Management (DG SFM) of the Ministry of Environment and Forestry (MoEF), aims to promote development of domestic consumption for wood products, in anticipation of population and economic growth, through increased resilience of consumption, enhanced supply chains and improved government policies. This proposal has been thoroughly discussed involving the main stakeholders of the national forest industry and received their full support.

1.2 Relevance

1.2.1 Conformity with ITTO’s objectives and priorities

▪ *Conformity with ITTA 2006*

Proposed project concerns with increasing the capacity with domestic wood industry to supply wood products demanded by domestic consumers by increasing investment in collective processing facilities, utilizing the vast supply of planted timbers in an efficient and sustainable manner and enhancing institutional arrangements for marketing and domestic distribution of wood products. These efforts are expected to promote growth of the wood industry and contribute to national economic development. Unquestionably, these efforts are consistent with objective (c) of ITTA 2006.

Proposed project also deals with increasing competitiveness of wood products relative to other materials by studying consumers' taste and preference, educating potential consumers on advantage of using wood products relative to non-woody substitute and increasing efficiency in utilizing timbers harvested from sustainably managed plantation forest. These endeavours are in conformity with objective (f) of ITTA 2006.

Proposed project is relevant to at least two objectives of the ITTO defined in Article 1 of ITTA 2006, namely:

- **Objective (c): Contributing to sustainable development and poverty alleviation, and**
- **Objective (f) : Promoting and supporting research and development with a view to improving forest management and efficient of wood utilization and the competitiveness of wood products relative to other materials, as well as increasing the capacity to conserve and enhance other forest values in timber producing tropical forests.**

▪ ***Conformity with ITTO Strategic Action Plan 2022 – 2026***

In addition to ITTA 2006, the priority activities of the proposed project are coincided with strategic priorities defined in the ITTO Strategic Action Plan 2022 – 2026 that aims to:

- Highlight the ITTO's contribution to, among others, the SDGs;
- Recognize that COVID recovery may preoccupy the tropical forest sector for the SAP's duration;
- Serve as a transitional guidance document between 2022 and the launch of a process to renegotiate ITTA, 2006; and
- Coincide with the extension of ITTA, 2006 to 2026.

SAP 2022 – 2026 adopted at the ITTC-57 provides a new mission statement “To promote the expansion and diversification of international trade in tropical timber from sustainably managed and legally harvested forests and to promote the sustainable management of tropical timber-producing forests.” In addition, four strategic priorities were developed as follows:

- Strategic Priority 1. Promote good governance and policy frameworks to enhance financing and investment in sustainable tropical forest management, legal and sustainable forest product supply chains and related trade;
- Strategic Priority 2. Increase the contribution of the tropical forest sector to national and local economies and resilient livelihoods, including through further processing and trade in tropical timber and other forest products and services;
- Strategic Priority 3. Reduce tropical deforestation and forest degradation, enhance forest landscape restoration and the resilience of forest ecosystems to climate change, and conserve forest biodiversity and ecosystem services; and
- Strategic Priority 4. Improve the quality, availability and timeliness of information on tropical forest product markets, supply chains and international trade, including challenges and opportunities related to market access, expansion and diversification.

Proposed project concerns to promote sustainable consumption of wood and wood products. Therefore, proposed project is in conformity with in conformity to ITTO's Strategic Priority in the following manner:

- The proposed project deals with policy intervention on wood and wood product thus is in conformity to ITTO's Strategic Priority 1 "promote good governance and policy frameworks to enhance financing and investment in sustainable tropical forest management, legal and sustainable forest product supply chains and related trade"
- This proposed project concerns with enhancement of supply chains in particular from plantation forest and to reduce the pressure to natural forest thus is in conformity to ITTO's Strategic Priority 2 "increase the contribution of the tropical forest sector to national and local economies and resilient livelihoods, including through further processing and trade in tropical timber and other forest products and services and ITTO's Strategic Priority 3 "reduce tropical deforestation and forest degradation, enhance forest landscape restoration and the resilience of forest ecosystems to climate change, and conserve forest biodiversity and ecosystem services."
- In addition, the project also concerns with capacity building program on wood industry development and domestic marketing strategy for wood products thus is in conformity to ITTO's Strategic Priority 4 "improve the quality, availability and timeliness of information on tropical forest product markets, supply chains and international trade, including challenges and opportunities related to market access, expansion and diversification'.

In particular, the project will contribute to create enabling conditions for the promotion of sustainable domestic market of wood and wood products and upgrade the efficiency of plantation forestry and wood industry in Indonesia by selected interventions to improve regulatory framework and develop necessary human capacities as described below in the Objective Tree Analysis and Part III: Description of Project Interventions.

▪ ***Relevance to the ITTO Program Lines***

This proposed project is relevant to ITTO's program line on Legal and Sustainable Supply Chains (LSSC). In particular with forest timber product, for local wood processing industries and downstream manufacturers, the impact of LSSC will be two-fold. From the market perspective, LSSCs bring improved opportunities to formalize and professionalize their business and accrue through partnerships a higher share of the previously forgone investments and value added from tropical wood products. Price premiums are also within possibility. In reverse, those operators who fail to adhere to legal and quality standards will find fewer channels to the market, making it harder to continue their business as usual. From the forest management and timber supply standpoint, more efforts will have to be concerted to applying SFM certification, legality verification, traceability and chain-of-custody standards on own concessions and scrutinize those wood supplies coming from other concessions or traders.

▪ ***Relevance to the Sustainable Development Goals (SDGs) and other global agenda***

The Activity contributes to the achievement of SDGs, especially Goal 1 (No Poverty), **Goal 5 (Achieve gender equality and empower all women and girls)**, Goal 12 (Responsible Consumption and Production), Goal 13 (Climate Action), and Goal 15 (Life on land).

This activity will help to promote sustainable consumption of wood and wood products. Concerted efforts to promote legal and sustainable forest product will be facilitating the economic, environmental and social benefits from management of forest plantation. This activity linkages with SDGs by climate change mitigation actions, community and women empowerment, low emission development, and sustainable consumption. This proposed project is also part of effort to support GOI's agenda of Indonesia's FOLU Net Sink 2030 as well as **Gender Mainstreaming** implemented by MoEF.

1.2.2 Relevance to the Indonesia's policies

This proposed project is relevant to the forest utilization business process policies in Indonesia. Following are the key policies that are in favor of project implementation:

- **The Job Creation Law Number 11 Year 2020**, issued on 2 November 2020, creating easiness for the community, especially business actors, in obtaining business permits and facilitating investment including in forestry sector by utilizing forest areas and implementing the concept of a new forestry business configuration to increase in the contribution of national income from forestry sector.
- **Presidential Decree Number 23 Year 2021** of Forest Governance, issued on 2 February 2021, creating Forestry Multi-Business Development in the form of implementing several forestry business activities including forest area utilization and timber, non-timber forest product utilization in Production Forest and Protection Forest.
- **Minister of Environment and Forestry Decree Number 8 Year 2021** concerning of Forest Management Planning and Forest Utilization in Protection Forests and Production Forests, issued on 1 April 2021, creating breakthroughs in risk-based forestry business, scope of area for forestry business development, and forestry multi-business scheme.
- **Director General of Sustainable Forestry Management Decree Number 4 Year 2020 concerning** Strategic Plan of Directorate General of Sustainable Forestry Management Year of 2020-2024, issued on 7 September 2020, guiding sustainable forest management with strategies to increase forest productivity and forestry contribution to national income, increase forestry business diversification, investment, and forest product exports, optimize legal access for the community in forest management and forest governance.
- **Circular Letter of the Goods and Services Policy Agency Number 16 Year 2020** concerning of Determination of Green Products in Sustainable Government Goods and Services Procurement, issued on 28 May 2020, encouraging the process of Procurement of Goods/Services Sustainable at government institutions according to national priorities and policies.
- **Minister of Environment and Forestry Decree Number 31 Year 2017 concerning of Guideline for Gender Mainstreaming Implementation in Environmental and Forestry Sector, ensuring that the implementation of gender mainstreaming is integrated with all agendas and activities conducted by MoEF.**

1.3 Target area

1.3.1 Geographic location

Java Island is the province with the largest population in Indonesia with 48 million people out of 272 million people in the country. Indonesia's population is expected to continue grow and is projected to reach 305 million people by 2035 of which 56 percent lives on Java Island, the most populous island in the world. Indonesia itself is the fourth most populous country in the world. Regarding the project, Java Island is characterized as the centre for trade service and logistics at national scale; the centre of potential urban consumer; the biggest wood product exporter at national scale; one of the biggest timber producers for wood industry at national scale.

The project will be implemented in three provinces in Java Island namely West Java Province, East Java Province, and Central Java Province. The studies on consumers are planned to be conducted in the capital city of the provinces. These three host provinces represent major wood product exporter at national level as well as represent the province with biggest number of young generations as potential wood products consumers in Indonesia as targeted in the proposed project. Brief information on the host province is exhibited in Table 1.



Figure 1. Map of Project Areas

Table 1: Description of Project Areas

Project Areas
<p>1. West Java Province: Number of populations: 49.9 million; <u>Number of young generations: 25.5 million;</u> Area: 35.378 km²; Capital City: Bandung; GDP per capita: US\$38.6 million; Forest Area: 776.830,83 Ha; Number of wood facility: 1,323 units; The biggest wood product exporter at national scale with export value of US\$426 million (3.41 percent of total export by country) <u>with the products consisting of paper, pulp, panel, furniture, woodworking, veneer, woodcraft and woodchip.</u></p>
<p>2. East Java: Number of populations: 40.7 million; <u>Number of young generations: 19.6 million;</u> Area: 47.800 km²; Capital City: Surabaya; GDP per capita: US\$43.5 million; Forest Area: 2.042.511 Ha; The fourth biggest timber producer for wood industry at national scale; Number of wood facility: 10,120 units; Second biggest wood product exporter at national scale with wood export value of US\$868.74 million (17,84 percent of total export by country) <u>with the products consisting of paper, pulp, panel, furniture, woodworking, veneer, woodcraft and woodchip.</u></p>
<p>3. Central Java Province: Number of populations: 36.7 million; <u>Number of young generations: 18.1 million;</u> Area: 32.801 km²; Capital City: Semarang; GDP per capita: US\$25.4 million; Forest Area: 1.3 million Ha; The fifth biggest timber producer for wood industry at national scale (mostly from private forest); Number of wood facility: 2,000 units; The third biggest wood product exporter at national scale with wood export value of US\$1.91 billion (14.07 percent of total export by country) <u>with the products consisting of paper, pulp, panel, furniture, woodworking, veneer, woodcraft and woodchip.</u></p>

1.3.2. Social, cultural, economic and environmental aspects

(a). Social and cultural aspects

The demographic dynamics of the Indonesian population continue to experience dynamic developments. Based on the data as per June 2021, the total population of Indonesia was 272,229,372, of which 137,521,557 people were men and 134,707,815 are women. From total population of 272 million, 56.01 percent is concentrated on Java Island.

This country is home to more than 300 ethnic groups or ethnic groups, to be precise there are 1,340 ethnic groups in the country. The Javanese are the largest group in Indonesia, accounting for 41 percent of total population.

(b). Economic aspects

Indonesia is the largest economy in South East Asia. It represents 0.94 percent of the world economy. The Gross Domestic Product (GDP) of Indonesia was worth US\$1,058.42 billion in 2020 with GDP per capita reaches US\$4,349.51. Industry accounts for the largest share of GDP of which 46.5 percent of total GDP followed by agriculture sector accounts for the remaining 15 percent. Full Year GDP growth in Indonesia averaged 4.66 percent from 2009 until 2021. The Indonesian economy in 2021 grew by 3.69 percent, higher than the achievement in 2020 which experienced a growth contraction of 2.07 percent. The spatial structure of Indonesia's economy in 2021 is dominated by a group of provinces on Java Region, which contributed 57.78 percent to national economy, and followed by Sumatra Region with 21.96 percent, Kalimantan Region with 8.29 percent, Sulawesi Region with 6.73 percent, Bali and Nusa Tenggara Region with 2.66 percent, and Maluku and Papua Region with 2.58 percent.

Indonesia, in terms of its economic proportions, can be categorized as an industrial country. The reason is that the industrial sector is the largest contributor to the national economy with its contribution reaching more than 20 percent. The achievement of 20 percent is very large, so that Indonesia is included in the ranks of the world's elite. In the manufacturing category, Indonesia is in the top 10 in the world. Where the enabling factors to support national industrialization consist of human resources, capital or investment, and technology.

(c). Environmental aspects

Despite the ongoing impact of climate change coupled with COVID-19 and the global recession, Indonesia has managed to take a balanced approach to dealing with it. Indonesia continues to focus on achieving commitments to improve the environment and forestry. There have been two progresses made in the forestry sector, namely progress in the forestry sector and economic recovery policies.

In the forestry sector, Indonesia has succeeded in stopping the conversion of 66 million hectares of natural forest and peatland. By 2020, Indonesia had achieved its lowest deforestation rate in decades, as low as 0.1 million Ha, while cutting 82 percent of national forest fires area. All of this is being achieved as the world is witnessing increasing deforestation and destructive forest fires in various countries. Indonesia is also currently rehabilitating 620,000 Ha of mangrove forest and will be completed in 2024, this is the largest rehabilitation activity in the world with carbon sequestration four times compared to tropical forests.

The Indonesian government has issued various policies to help stimulate the economy through several interventions, including supporting SMEs, accelerating community forest development, and various support for wood-based industries combined with government support for meeting market requirements such as timber legality assurance. Indonesia, by MoEF, has gone further in promoting Timber Legality Assurance System (TLAS) for sustainable management of forests and forest products. Its implementation has been proven to increase trade in forest products from Indonesia in a legal and controlled manner.

In an effort to reduce GHG emissions, Indonesia has a very strong commitment, one of which is the issuance of the Minister of Environment and Forestry Decree Number 168 of 2022 concerning the Operational Plan for Indonesia's FOLU Net Sink 2030 launched by the Minister of Environment and Forestry on February 2022. The operational plan is an effort to control climate change to achieve Indonesia's Nationally Determined Contribution (NDC), based on basic principles which mainly include sustainable forest management, environmental governance and carbon governance.

Regarding forest development efforts with community involvement in the context of improving the national economy, Indonesia has exceeded the target for social forestry allocation of a total area of 12.7 million Ha. As per March 2021, 4.5 million Ha of social forestry access were allocated to almost 7,000 forest farmer groups consisting 930,000 households and assisted by 1,250 forest extension administrators. This has also created 7,529 social forestry business groups and succeeded in increasing the productivity and value of agricultural and non-agricultural commodities, as well as small rural industries.

In particular, forest in Java Island has a role as a buffer for Java Island. It must be able to carry out ecological functions as water storage, flood barrier, soil landslides, fertilizing the soil, providing clean air and conserving biodiversity. Consequences of pressure population against the forest, then the forest in Java Island must accommodate social and economic function as well as contribute to the national income. The forest in Java must be carry out the economic function managed by Perum Perhutani (State Own Company) through production and protection forest management.

Forest in Java Island has an area of 12.9 million Ha including state forest area of 3,1 million Ha (\pm 24 percent of area of Java Island) with forest cover reaching 19 percent. The forest consists of protected forest of 0,7 million Ha, production forest of 1,8 million Ha, and conservation forest of 76,000 Ha. Protection and Production Forest are managed by Perum Perhutani, except in Yogyakarta Province, while conservation forest is managed by MoEF. Forest area managed by Perum Perhutani as much as 76.83 percent of forest area in Java Island. Forests in Java Island are surrounded by 6,807 villages with a population of 13 million households (30 percent of population Java Island), where 60 percent of those depend on agriculture and is classified in poor condition with average land ownership <0.50 Ha/household.

1.4 Expected outcomes at project completion

By implementing a large range of activities to to create enabling conditions for the promotion of sustainable domestic market of wood products, at the completion of the project, the policy framework and institutional set-up needed to succeed with the promotion of domestic consumption of wood and wood products will be developed and strengthened. Demonstrated legal and sustainable wood supply chains with effective incentive which improve domestic market access of wood products in particular in Java Island as one of the biggest producers of wood product at national level.

At the end of the project, strong penetration of substitutes for wood products is significantly reduced by effective dissemination to the public of the regulations on strengthening the position of wood products in domestic market. In particular, following 18 months of project lifespan, the regulatory framework based on the preliminary study on domestic wood consumption, the final draft of policy interventions on wood use, the final draft of policy incentives for wood processing, strategy for product development, domestic marketing strategy for wood products, outreaching program on domestic and international costumers and other supportive policy tools endorsed by a national council of domestic market operational will be in place to improve the enabling conditions for promoting sustainable consumption of wood and wood products. At the same time, capacity of relevant stakeholder groups will be improved by means of promoted capacity building program on wood industry development and networking between FIAs and related potential consumers in particular urban consumers, young generations and construction sectors.

In the context of Indonesia recently becoming one of a few VPA/FLEGT signatory with strong commitment to reinforce wood legality control for both domestic and export markets and consolidate responsible development of wood industry sector, special attention will be given by the

project to trainings on wood legality assurance and SFM implementation. To enlarge project outreach, a series of publication and communication of project outputs are planned to take place.

By achieving the specific objective of enhancing and diversifying domestic consumption and promoting domestic markets of wood and wood products, the expected outcomes of the project will go beyond its overall goal of sustainable and efficient development of the wood industry, as a key economic sector of the Indonesian economy, contributing significantly to the national economic growth and creation of job and income opportunities for Indonesia people.

PART II: PROJECT RATIONALE AND OBJECTIVES

2.1 Rationale

2.1.1 Institutional set-up and organizational issues

On October 8, 2001, the Government issued a Memorandum of Understanding between the Minister of Forestry and the Minister of Industry and Trade concerning cessation of export of logs/chip raw materials from all regions of Indonesia. This memorandum is followed by the enactment of Minister of Trade Regulation Number 44/M-DAG/PER/7/2012 concerning Prohibited Goods Exports Including Logs. These policies aimed to specifically at increasing the added value of log through processed wood products as well as in general to reduce pressure on forests, especially natural forests due to the proliferation of illegal logging and the illicit trade of natural wood. The government has also taken a policy of "forcing" Forest Business Management Unit (PBPH) to build wood processing industry inside a country with a plywood industry core. In fact, this policy created the condition of upstream forestry business conditions are quite depressed with low log prices.

Prohibition of log exports by Ministry of Trade (MoT) will reduce competition for wood round and reduce the price of logs domestic, which then causes decrease in stand value and in turn will decrease government revenue from sources forest sector. The price of domestic logs that cheaper may serve as an incentive for building industrial capacity in wood processing, but vice versa, could be a disincentive to do intensive natural forest management in the long term. Furthermore, cheap round wood price led to low efficiency in use of wood raw materials in the forest as well as in wood processing factories, and lead to a lack of incentives economy to build forest plantation.

Policy integration has succeeded in increasing the production of plywood and sawn timber, consequently demand for logs is increasing. Especially with the determination of installed capacity plywood and sawn timber industry. The integration of all these policies causes forests are damaged more quickly, so the supply of logs is getting harder with high price, resulting in the market of wood products become sluggish.

In this condition, the role of MoEF in particular DG of SFM as Executing Agency is vital to engage associated institutions to promote a strong and resilient domestic consumption of wood products. DG of SFM MoEF has direct responsibilities in carrying out the formulation and implementation of policies in managing forest, timber and non-timber extraction as well as its processing, marketing, and distribution conducted by PBPH. EA collaborates with Provincial Forestry Agency as the institution that carrying the responsibility in formulation of technical policies, administration of government affairs, public services and supervision in the field of forest inventory and administration, forest exploitation, forest rehabilitation and forest protection at provincial level. In forest product processing, MoEF is integrated with Ministry of Industry (Mol) and MoT that is responsible in the domain of middle and downstream forestry business. DG of SFM also actively engages FIAs as partners of the government that functioning as a forum for communication, information, consultation, facilitation and advocacy, regarding to forest and forest product business in responsible, accountable, transparent and professional manner. In wood product user sector, EA is integrated with Ministry of Public Works and Public Housing (MoPWPH) and National Public Procurement Policy Agency (NPPPA).

Regarding wood product development, Mol is in charge to carry out the formulation and implementation of the policies in the field of improvement and strengthening industry 4.0, fostering optimization of the use of industrial technology, resource utilization plans natural resources for industry, development of green industry and strategic industry, development of use of domestic products, planning and fostering industrial standardization, fostering industrial services, and supervision and control of industrial business activities in the forest product industry and plantation in particular with type of wood products of furniture, pulp and paper. Different from those wood products, wood craft products development is under the supervision of the Ministry of Cooperatives and SMEs. This is because wood craft products are included in the category of micro, small and medium enterprises.

Concerning the effort to improve wood product consumption, EA will integrate MoPWPH and NPPPA. Currently, Mol is coordinating with the MoPWPH in the preparation of standardization regarding the construction of buildings and housing. This standardization is expected to spur an increase in the use of domestic products, one of which is the use of wood as a construction material applied mainly to projects funded by the state budget. It can empower domestic industries through securing the domestic market, reducing dependence on imported products, and increasing the added value of domestic products. This progressive plan is also related with the function of NPPPA as the only government institution that is responsible to carry out the development and formulation of government goods/services procurement policies.

2.1.2 Stakeholder analysis

While the main beneficiaries of the project are SMEs, a large variety of stakeholders could also benefit from the project, including the associations of wood processing and trading enterprises at the national and international levels, potential consumers, research and training institutions as well as government agencies as both regulator and wood products users in Indonesia.

Table 2: Stakeholder Analysis of the Project

Related stakeholder groups	Characteristics	Problems/Needs/Concerns	Potential contribution	Participation in project implementation
Primary Stakeholders				
Wood producers	Producing wood from state forest or private forest at large scale or small scale	<ul style="list-style-type: none"> - No premium price for the timber - Lack of options to export timber - Lack of ability to engage effectively in supply chains 	Engaging in supply chains	Share problems and challenges to be analyzed and addressed
Wood processing and trading enterprises (in particular SMEs)	<ul style="list-style-type: none"> - Having factories, wood working equipment, labor force - Need to comply with Indonesian TLAS - Need sustainable supply of legal and higher wood with efficient price - Wish to increase local consumption and enlarge domestic 	<ul style="list-style-type: none"> - Lack of updated information on consumption of wood products - Weak strategy for product development - Limited assortments of wood products offered by the market - Weak marketing strategy for wood products 	<ul style="list-style-type: none"> - Share experience and challenges to be analyzed and addressed - Communicate with wood producers and SMEs wood processing and trading businesses to improve the efficiency of forestry and wood industry - Joining B2B 	<ul style="list-style-type: none"> - Attending trainings and workshops, trade fairs etc. - Providing comments/ feedbacks on policies - Sharing experience with and encouraging SMEs to

	markets for wood products	No subsidies for the raw material	meetings to promote trade ties and improve supply chains	engage in project implementation Engaging in supply chains
Potential consumers with special attention given to urban and young generations	<ul style="list-style-type: none"> - Sharing 23.90 percent of Indonesian population - Young generation of urban consumers have raised their awareness about green products - Consuming more influenced by digital culture 	<ul style="list-style-type: none"> - Potential consumers have preference to use handy, low-cost, and trendy products - Many of these consumers abusing environment non-friendly - Having limited options of wood products of offered by the market - Lack of understanding on the advantage of using wood products - Poor understanding on substitute products 	<ul style="list-style-type: none"> - Contribution to better utilization of wood products and engage in green lifestyle - Communication on the need of shifting to the use of wood product to replace substitute products - Potential customers for promoting wood consumption in the local markets - Contribution to better utilization of certified wood products for daily consumptions and construction requirement 	<ul style="list-style-type: none"> - Provide feedbacks on through interviews and surveys

Secondary Stakeholders

Private sector associations /FIAs	<ul style="list-style-type: none"> - Having large spectrum of members - Maintaining good cooperation with central and local authorities - Wishing to have enabling environ for member companies to do business 	<ul style="list-style-type: none"> - Insufficient capacity to provide services and advices to members - Inadequate capability to connect their members and maintain strong network - Lacking of abilities and experience to access to and develop proposal on trade promotion at provincial level - Lacking of experiences on linking business - Lacking of resources to hold training on advanced technology and designing as well as legal requirements 	<ul style="list-style-type: none"> - To provide appropriate advisory services and update on policies, technologies available for timber industry development. - Experiences of mastering events on trade promotion and advertising wooden furniture - Bridge links between wood enterprise and community timber plantation - Develop collaborative links with relevant authorities and related associations 	<ul style="list-style-type: none"> - Connecting member companies with the project - Leading training, seminars, technology transfer - Partner in Indonesia TLAS implementation
Government institution	<ul style="list-style-type: none"> - Actively involved in preparing policies for forestry management in particular wood industry development - Preparing guidance to implement Indonesian 	<ul style="list-style-type: none"> - Lack of policy tools to support domestic market development - Lack of updated information for market trend 	<ul style="list-style-type: none"> - Sharing experience and networks to improve supply chains - Follow up project progress and disseminate project 	<ul style="list-style-type: none"> - Providing database of information - Providing coordination among stakeholders

	TLAS and relevant legal requirements Working closely with provincial government	analysis Limited access to overseas experience on local consumption facilitation	outputs and review existing regulations based on project outputs	with same concern and interest Gathering member of FIAs to implement project activities
Tertiary Stakeholders				
University/ School	Lacking facilities to attract students to study wood product designing and marketing	Lack of updated knowledge on domestic markets of wooden furniture and other wood products	Assigning teachers and students to participate in project implementation Having the modality of abundant numbers and database of project target (urban and young generations)	Jointly conducting trainings and exhibitions Nominating promising students to join training, contests on the best designs Providing training services

2.1.3 Problem analysis

As highlighted in Section 1.1., it appears that COVID-19 pandemic has caused a shock in domestic consumption of wood product. This is understandable due to depressed economic activities and thus income of the people that necessitated reducing spending. The sluggish development of domestic consumption is not the interest of the government and stakeholder. In fact, domestic consumption must be revitalized that it becomes a stabilizer for the wood industry during the crisis caused by the pandemic. **It is to be noted however, that while the impacts of COVID-19 are a major impetus for the proposal, foreign exports are still an important part of the long-term equation. For the proposal, foreign exports are still an important part of the long-term equation. In other words, exportation of wood products will always affect domestic consumption and influence behaviour of processors.**

The stakeholder consultation meeting organized by the Executing Agency on 17 March 2022 in Jakarta, involving MoEF officials and main stakeholders concluded that the key problem on market for wood products that requires urgent addressing is “sluggish development of domestic consumption of wood products”. The meeting identified two main causes of the key problem namely: i) denied taste and preference of consumers by market and, ii) weak institutional arrangement for raising domestic consumption.

The meeting maintained that the first main cause of the key problem is attributable to five underlying problems, namely:

- Lack of updated information on consumption of wood products
- Strong penetration of substitute products, e.g. plastic, steel, etc.
- Limited assortment of wood product offered by market
- Weak strategy for wood product development
- Poor understanding of consumers on advantages of using wood products

As regard the second main cause of the key problem, the meeting argued that it is due to four causes, namely:

- Absence of a national council supervising domestic market for the wood products
- Lack of policy intervention on use of wooden materials in construction sector
- Weak policy incentive for promotion of investment in wood process facilities
- Weak outreaching program on sharing of information and experience

Above information on cause-effect of the key problem is summarized in Figure 2, in The Problem Tree. Correspondingly, solutions to the problems have been identified as shown in Figure 3, The Solution Tree, which is just the direct mirror of the problem tree. The solution tree indeed exhibits the effective and relevant solutions to the problems at hand as it has been derived from the problem themselves; the solution tree has, therefore been used as the basis for defining the project elements as presented in the subsequent sections.

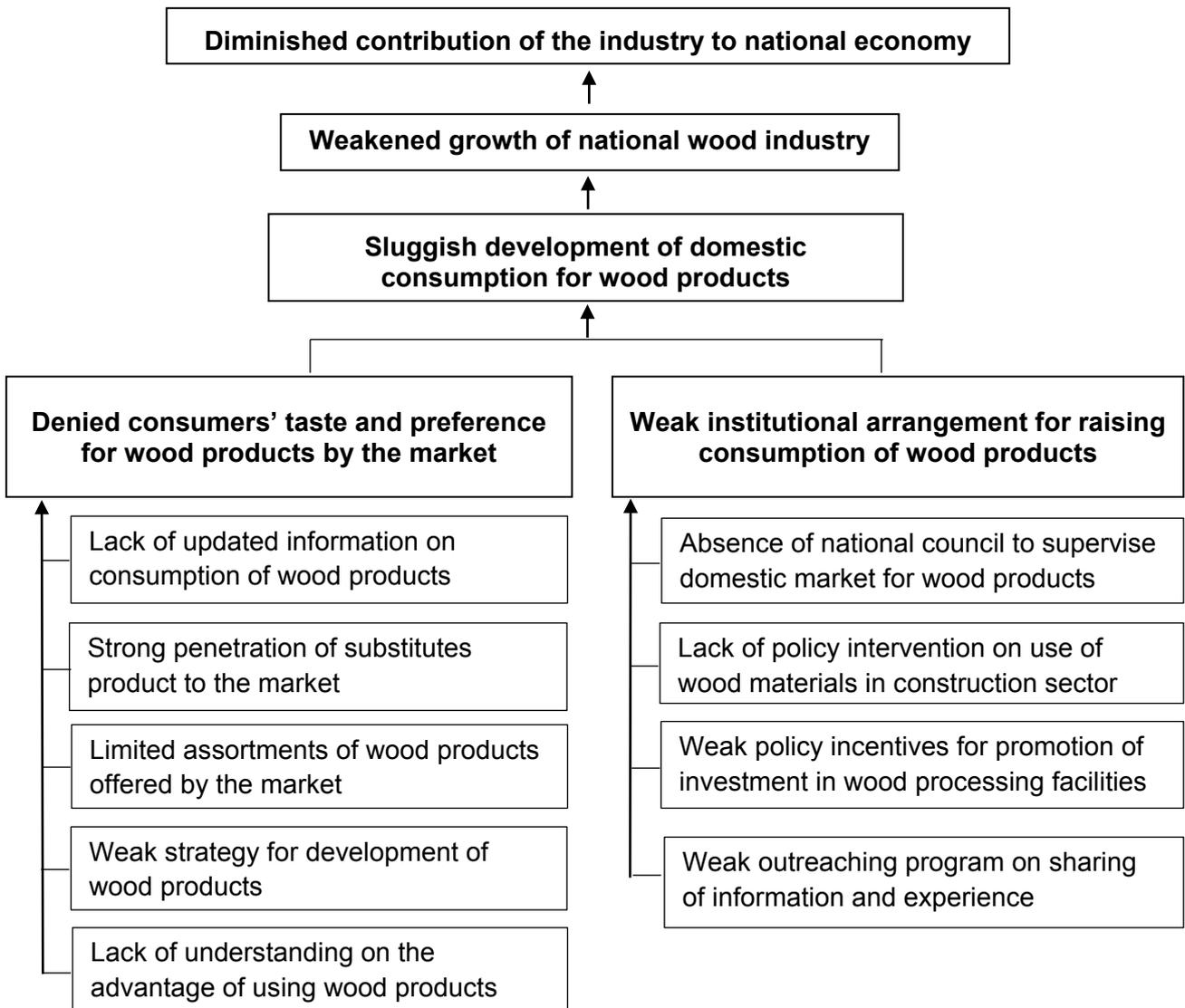


Figure 2. The Problem Tree

As above indicated, the problems accumulated slow growth of the forest industry in Indonesia lie in weak participation of large forest business companies in domestic market and weak of incentive for domestic market of wood products in Indonesia. The problem tree further indicates that these topping problems of sluggish development of domestic consumption of wood and wood products associated with 2 key pending issues, including (1) *Strong penetration of substitute products*, and (2) *Weak institutional arrangement to drive domestic consumption of wood and wood products*. These two problems/weaknesses, in their turn, root in 2 groups of related sub-problems as above described.

The Objective Tree below shows the Superstructure (“software” – improved policy framework to drive domestic consumption of wood and wood products) and the infrastructure (“hardware” – strengthened capacity to produce wood and wood products to promote domestic market and consumption. These “software” and “hardware” are needed for the enhanced and diversified domestic consumption and promoted local markets of wood & wood products. Given the limited funding and lifespan allocated, project interventions are designed to provide direct contribution to mitigate or eradicate the identified problems and reach the targeted objectives.

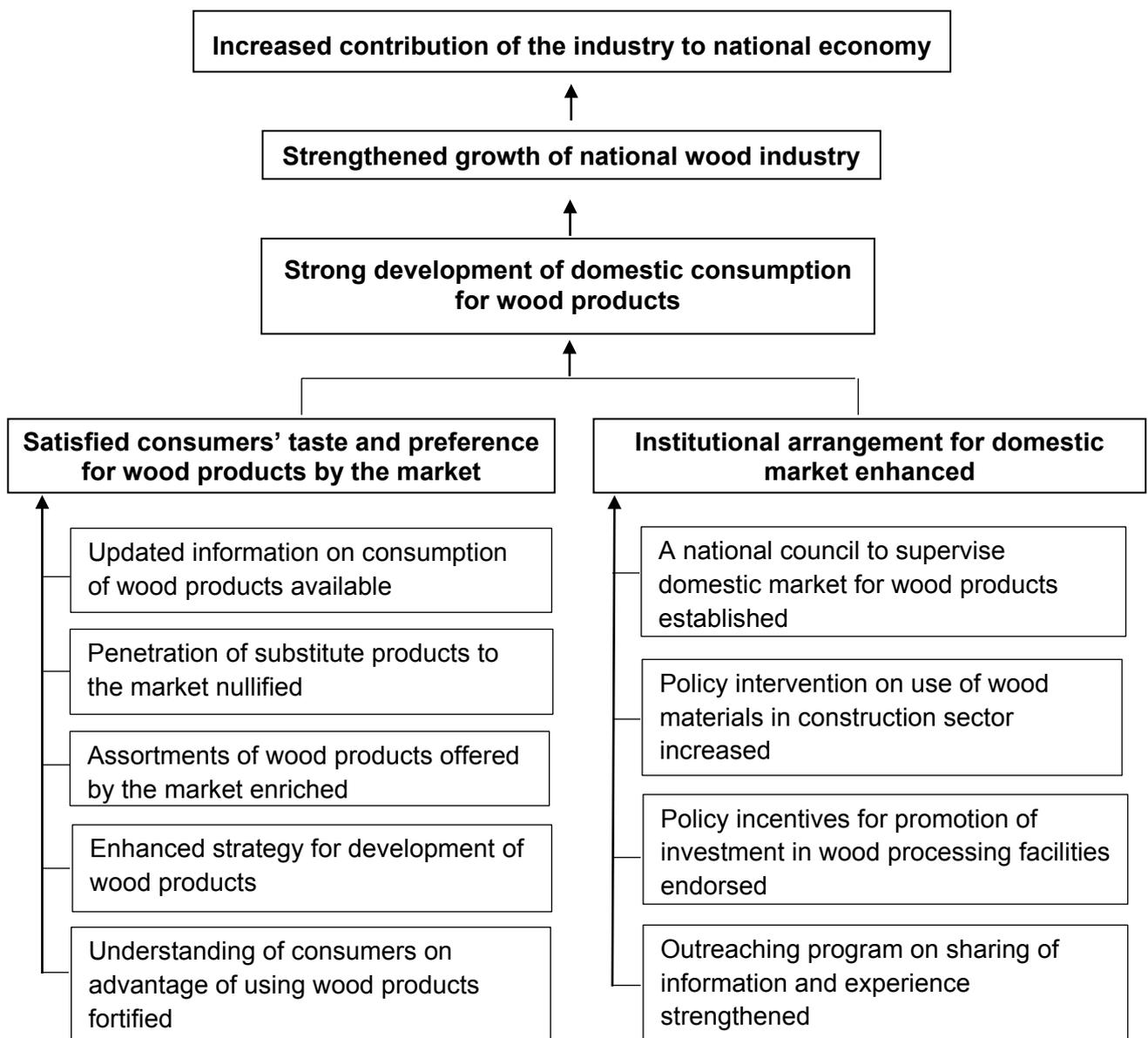


Figure 3. The Objective Tree

2.1.4. Logical framework matrix

Table 3: Logical framework

Project element	Measurable indicators	Means of verification	Key assumptions
<p><u>Development objective:</u> To increase contribution of the wood industry to national economy through strengthened growth of the industry</p>	<p><u>3 years after project completion</u> Compared to situation in 2022, contribution of forest industry to national GDP increased by 3 percent</p>	Annual report by Central Bureau for Statistics	Supportive MoEF and FIAs
<p><u>Specific objective</u> To promote strong and resilient domestic consumption of wood products</p>	<p><u>At project completion</u></p> <ul style="list-style-type: none"> • <u>A preliminary study by conducting combined survey on domestic wood consumption completed</u> • 5 new fortified wood product sold in domestic market • <u>6 consumers education sessions by conducting exhibition completed</u> • A national council of domestic market operational • Draft policy for interventions on wood use ready for national review • Draft policy for incentives for wood processing ready for MoEF to endorse 	<ul style="list-style-type: none"> • Consultant's report • Field inspection • Technical report by EA and FIAs • Report by the EA • Consultant's report • Consultant's report 	<ul style="list-style-type: none"> • Cooperative consumers • Supportive processors and FIAs • Cooperative consumers • Supportive MoEF and FIAs • Supportive MoEF and FIAs • Supportive MoEF and FIAs
<p><u>Output 1</u> Increased capacity of domestic market to satisfy consumer's need for wood products</p>	<ul style="list-style-type: none"> • <u>A preliminary study by conducting combined survey on domestic wood consumption completed in first semester</u> • Salient features of substitute products documented in first semester 	<ul style="list-style-type: none"> • Consultant's report • Consultant's report • Field inspection 	<ul style="list-style-type: none"> • Cooperative consumers • Cooperative producers and FIAs • Cooperative consumers

Project element	Measurable indicators	Means of verification	Key assumptions
	<ul style="list-style-type: none"> • 5 new wood products sold in domestic markets since 3rd semester • A mid-term national strategy for development of wood product ready for MoEF's endorsement • <u>6 consumer education sessions by conducting exhibition completed by end of 3rd semester</u> 	<ul style="list-style-type: none"> • Document of strategy • Technical report by EA and FIAs 	<ul style="list-style-type: none"> • Supportive MoEF • Supportive MoEF and FIAs
<p><u>Output 2</u> Enhanced institutional arrangements for steadily rising domestic consumption of wood products</p>	<ul style="list-style-type: none"> • A national council on domestic market for wood products established in first semester and operational since 2nd semester • First draft policy interventions on use of wooden materials ready for review at national level by end of 2nd semester • Find draft policy incentives for investment in collective facilities for wood processing ready for endorsement by MOEF by end of 3rd semester • Sharing of information and experience in development of domestic consumption implemented by ITTO secretariat since 2nd semester 	<ul style="list-style-type: none"> • Report by the FIA • Consultant's report • Consultant's report • Communication with ITTO 	<ul style="list-style-type: none"> • Supportive MoEF and FIAs • Supportive MoEF • Supportive MoEF and FIAs cooperative processing firms • Cooperative ITTO

2.2 Objectives

2.2.1 Development objective and impact indicators

Development objective

To increase contribution of the wood industry to national economy through strengthened growth of the industry.

Impact indicators, 3 years after project completion

Contribution of forest industry to national GDP increase by 3 percent compared to 2020's situation.

2.2.2 Specific objective and outcome indicators

Specific objective

The specific objective of the project is to promote a strong and resilient domestic consumption of wood products.

Outcome indicators, at project completion

- A preliminary study conducted by survey on domestic wood consumption completed
- 5 new justified wood products sold in domestic markets
- 6 consumer education sessions by exhibition in 3 targeted project area completed
- A national council of domestic market operational
- Final draft policy interventions on wood use ready for national review
- Final draft policy incentives for wood processing ready for MoEF to endorse

PART III: DESCRIPTION OF PROJECT INTERVENTIONS

3.1 Outputs and Activity

3.1.1 Outputs

Output 1: Increased capacity of domestic market to satisfy consumers' need for wood product.

Output 2: Enhanced institutional arrangements for steadily rising domestic consumption of wood products.

Note that outputs correspond to the main cause of the key problem shown in the problem tree.

3.1.2 Activities and inputs

The activities presented below have been defined correspond to the indirect or underlying cause of the key problem exhibited in the problem tree.

Output 1

Activity 1.1 : To conduct a preliminary study on consumption of wood products

Notes : The study will include 3 selected provinces in Java Island as the centre of consumption involving different groups of consumers (age class, income bracket, urban vs rural)

Activity 1.2 : To examine salient features of substitute products

Notes : The information gathered will be used to support formulation of a strategy for development of wood products

Activity 1.3 : To enrich assortment of wood products sold in domestic market

Notes : This activity will consist of finding out what products are most demanded by consumers, what products are available in the markets, and what new products are needed, also involves exhibition/promotion of the wood products

Activity 1.4 : To develop a mid-term national strategy for wood product development

Activity 1.5 : To educate consumers on the advantages of using wood products

Notes : **Elements of this activity should consist of identification of targeted consumers (urban people and younger generations as potential customers as targeted on Activity 1.1) groups, preparation of education materials (short videos, printed materials, etc) and presentation of materials to target consumers**

Output 2

Activity 2.1 : To establish a national council for promotion of sustainable and resilient domestic market for wood products

Notes : ✓ The main tasks of the national council for monitoring of market competitiveness, major players and application of measures for expansion of sustainable wood use.

✓ The council would be working with the main stakeholders, notability timber producers, wood processing industry, consumers organization, central/local governments and Forest Industry Associations (FIAs).

✓ The project will facilitate the establishment of the national council

including preparation of legal requirements, organizational structure, and term of reference as well as development of a mid-term work plan. To this end, it is strongly advisable for the EA to hold consultation with Japan Forestry Agency.

Activity 2.2 : To introduce policy interventions on use of wooden materials in construction sectors

Notes : The government should, for instance, require use of certain volume of wooden materials in construction of different types of building

Activity 2.3 : To promote policy incentives for investment in collective facilities for wood processing

Notes : Investment in large-scale wood processing facilities such as wood kiln-drying and preservation needs to be encouraged to help SMEs produce quality wood products by renting the facilities

Activity 2.4 : To share information and experience in development of domestic consumption of wood products with the assistance of ITTO Secretariat in collaboration with other potential international organizations.

3.2. Implementation approaches and methods

The project will be implemented using participatory, collaborative approach, i.e., planned activities will be executed in close consultation, cooperation and collaboration with competent partners, as appropriate, including **policy makers and regulators, universities, wood product producers, consumers, with special attention to urban consumers.** Any partners should be selected solely on the basis of competence in accordance with existing ITTO rules and procedures. **The project will also practice gender mainstreaming, equality and inclusion by giving priorities to women as the most targeted beneficiaries. Gender mainstreaming, equality and inclusion will be implemented based on ITTO Policy Guideline of Gender Equality and Empowering Women and MoEF Decree Number 31 Year 2017 of Guidelines for Gender Mainstreaming Implementation in Environment and Forestry Sector. It will be practised by giving priority of project interventions to women to join project activities such as all of intended surveys, trainings, workshops, and field visits will include women (at least, 35% of invitees/participants). All aspects of the gender equality and the woman empowerment will be prioritized in the course of the project execution and policy preparation.** Table 4 summarizes the approaches/methods used to implementing individual activities.

Table 4: Approaches to executing project activities and the stakeholders involved

Output and Activity	Approach	Stakeholders involved
<u>Output 1:</u> Increased capacity of domestic market to satisfy consumers' need for wood product		
Activity 1.1: To conduct a preliminary study on consumption of wood products	Sub-contract with university	<ul style="list-style-type: none"> • <u>EA develops ToR</u> • <u>Universities implement the study by conducting combined survey based on ToR</u>
Activity 1.2: To examine salient features of substitute products	Hiring a PBC organizing FGD for reviewing finding	<ul style="list-style-type: none"> • <u>PC and FIAs develop ToR</u> • <u>PBC to conduct deep study on substitute products based on ToR and reports the findings</u> • <u>FIAs assist in reviewing findings</u>

Output and Activity	Approach	Stakeholders involved
Activity 1.3: To enrich assortment of wood products sold in domestic market	Collaboration with WIP and FIAs	<ul style="list-style-type: none"> • <u>PC and FIAs develops ToR</u> • <u>PC, WIP and FIAs identify products to introduce based on Activity 1.1 and 1.2</u> • <u>FIAs and WIP develop prototypes and organize exhibition of the products</u> • <u>FIAs and WIP produce catalogues</u>
Activity 1.4: To develop a mid-term national strategy for wood product development	Collaboration with NCs	<ul style="list-style-type: none"> • <u>PC develops ToR with the assistance of FIPs</u> • <u>NCs develop draft of strategic plan</u> • <u>FIPs, MoT, Mol review draft</u> • <u>NCs finalize the strategic plan</u> • <u>FGD for reviewing draft report</u>
Activity 1.5: To educate consumers on the advantages of using wood products	Collaboration with FIAs, PIT, and schools/ universities	<ul style="list-style-type: none"> • <u>PC and FIAs develop ToR</u> • <u>FIAs organize discussion with schools/universities</u> • <u>PIT develops materials for presentation</u>
<u>Output 2:</u> Enhanced institutional arrangements for steadily rising domestic consumption of wood products		
Activity 2.1: To establish a national council for promotion of sustainable and resilient domestic market for wood products	Collaboration and coordination between EA and other agencies	<ul style="list-style-type: none"> • <u>PC and FIAs develop ToR</u> • <u>NC prepares requisites for forming the National Council and developed organizational structure and operational plan as well as ToR for the National Council</u> • <u>EA invites Mol, MoT, FIAs, MoPWPH, and NPPPA to become members of National Council</u>
Activity 2.2: To introduce policy interventions on use of wooden materials in construction sectors	Collaboration with FIAs, NC, MoPWPH, and NPPPA	<ul style="list-style-type: none"> • <u>PC and FIAs develop ToR</u> • <u>NC carries out the activity</u> • <u>MoPWPH helps reviewing draft policy</u>
Activity 2.3: To promote policy incentives for investment in collective facilities for wood processing	Collaboration with FIAs, NC and Mol	<ul style="list-style-type: none"> • <u>PC and FIAs develops TOR</u> • <u>NC executes the TOR</u> • <u>Mol helps reviewing draft policy</u>
Activity 2.4: To share information and experience in development of domestic consumption of wood products with the assistance of ITTO Secretariat in collaboration with other potential international organizations	Collaboration with ITTO secretariat	<ul style="list-style-type: none"> • <u>EA documents findings of the project and shares with ITTO</u> • <u>ITTO disseminates findings to member countries</u>

3.3. Outputs and Work plan

Table 5: Workplan for the entire project duration

Output/Activity	Responsible Party	Year 1				Year 2	
		Q ₁	Q ₂	Q ₃	Q ₄	Q ₁	Q ₂
<u>Output 1:</u> Increased capacity of domestic market to satisfy consumers' need for wood product							
Activity 1.1: To conduct a preliminary study on consumption of wood products	<u>PC</u> , University	X	X				
Activity 1.2: To examine salient features of substitute products	<u>PC</u> , PBC	X	X				
Activity 1.3: To enrich assortment of wood products sold in domestic market	<u>PC</u> , FIA, WIP			X	X	X	X
Activity 1.4: To develop a mid-term national strategy for wood product development	<u>PC</u> , NC			X	X	X	X
Activity 1.5: To educate consumers on the advantages of using wood products	<u>PC</u> , FIA, PIT			X	X	X	X
<u>Output 2:</u> Enhanced institutional arrangements for steadily rising domestic consumption of wood products							
Activity 2.1: To establish a national council for promotion of sustainable and resilient domestic market for wood products	<u>PC</u> , NC, FIA	X	X	X	X	X	X
Activity 2.2: To introduce policy interventions on use of wooden materials in construction sectors	<u>PC</u> , NC	X	X	X	X		
Activity 2.3: To promote policy incentives for investment in collective facilities for wood processing	<u>PC</u> , NC			X	X	X	X
Activity 2.4: To share information and experience in development of domestic consumption of wood products with the assistance of ITTO Secretariat in collaboration with other potential international organizations	EA, ITTO			X	X	X	X

3.4 Master Budget

Table 6: Master budget of the project

Output/Activity	Quarter	Budget Component	Inputs	Unit	Quantity					Unit Cost	ITTO Contribution			GoI Contribution (Executing Agency)			Grand Total	
					ITTO		GOI		Total		Year 1	Year 2	Total	Year 1	Year 2	Total		
					Year 1	Year 2	Year 1	Year 2										
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	
Activity 1.1: To conduct a preliminary study on consumption of wood products	Q1-Q2, Y1	21	a	Sub-contract; study	contract	1	-	-	-	1	20.000	20.000	-	20.000	-	-	-	20.000
		16	b	In-house expert	MM	-	-	2	-	2	600	-	-	-	1.200	-	1.200	1.200
		31.3	c	DSA, IHE	MD	20	-	-	-	20	80	1.600	-	1.600	-	-	-	1.600
		33	d	local transport	TD	20	-	-	-	20	50	1.000	-	1.000	-	-	-	1.000
		54	e	Coordination meeting	meeting	1	-	1	-	2	400	400	-	400	400	-	400	800
											23.000	-	23.000	1.600	-	1.600	24.600	
Activity 1.2: To examine salient features of substitute products	Q1-Q2, Y1	14	a	PBC	MM	1	-	-	-	1	2.000	2.000	-	2.000	-	-	-	2.000
		53	b	FGD	event	1	-	-	-	1	2.000	2.000	-	2.000	-	-	-	2.000
		31.5	c	DSA, PBC	MD	15	-	-	-	15	80	1.200	-	1.200	-	-	-	1.200
		33	d	local transport, PBC	TD	15	-	-	-	15	50	750	-	750	-	-	-	750
		54	e	Coordination meeting	meeting	1	-	-	-	1	400	400	-	400	-	-	-	400
											6.350	-	6.350	-	-	-	6.350	
Activity 1.3: To enrich assortment of wood products sold in domestic market	Q1-Q2, Y1	31.6	a	DSA, FIA Experts	MM	20	20	-	-	40	80	1.600	1.600	3.200	-	-	-	3.200
		22	b	Sub-contract; Exhibition	contract	-	4	-	-	4	3.000	-	12.000	12.000	-	-	-	12.000
	Q1, Y2	33	c	Transport, Experts	TD	20	20	-	-	40	50	1.000	1.000	2.000	-	-	-	2.000
		54	d	Coordination meeting	meeting	1	-	1	1	3	400	400	-	400	400	400	800	1.200
		62	e	Support on new products	product	-	10	-	-	10	250	-	2.500	2.500	-	-	-	2.500
											3.000	17.100	20.100	400	400	800	20.900	

Output/Activity	Quarter	Budget Component	Inputs	Unit	Quantity					Unit Cost	ITTO Contribution			GoI Contribution (Executing Agency)			Grand Total	
					ITTO		GOI		Total		Year 1	Year 2	Total	Year 1	Year 2	Total		
					Year 1	Year 2	Year 1	Year 2										
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	
Activity 1.4: To develop a mid-term national strategy for wood product development	Q1-Q2, Y1	17	a	National Consultant	MM	-	2	-	-	2	2.000	-	3.000	3.000	-	-	-	3.000
		53	b	FGD	event	-	1	-	-	1	3.000	-	3.000	3.000	-	-	-	3.000
	Q1, Y2	31.2	c	DSA, NC	MD	-	20	-	-	20	80	-	1.600	1.600	-	-	-	1.600
		33	d	Transport, NC	TD	-	20	-	-	20	50	-	1.000	1.000	-	-	-	1.000
		54	e	Coordination meeting	meeting	-	1	-	1	2	400	-	400	400	-	400	400	800
											-	9.000	9.000	-	400	400	9.400	
Activity 1.5: To educate consumers on the advantages of using wood products	Q1-Q2, Y2	15	a	Comm Professional	MM	1	-	-	-	1	2.000	2.000	-	2.000	-	-	-	2.000
		23	b	Sub-contract; public Education	contract	4	4	-	-	8	1.500	6.000	6.000	12.000	-	-	-	12.000
		31.1	c	DSA, Experts	MD	20	29	-	-	49	80	1.600	2.320	3.920	-	-	-	3.920
		33	d	Transport, Experts	TD	20	20	-	-	40	50	1.000	1.000	2.000	-	-	-	2.000
		54	e	Coordination meeting	meeting	1	-	-	1	2	400	400	-	400	-	400	400	800
											11.000	9.320	20.320	-	400	400	20.720	
											43.350	35.420	78.770	2.000	1.200	3.200	81.970	
Activity 2.1: To establish a national council for promotion of sustainable and resilient domestic market for wood products	Q1-Q4, Y1	18	a	Consulting JFA	Trip	3	-	-	-	3	3.000	9.000	-	9.000	-	-	-	9.000
		31.1	b	DSA, Experts	MD	15	15	-	-	30	80	1.200	1.200	2.400	-	-	-	2.400
	Q1-Q2, Y2	33	c	Transport, Experts	TD	15	15	-	-	30	50	750	750	1.500	-	-	-	1.500
		54	d	Coordination meeting	meeting	1	1	-	-	2	400	400	400	800	-	-	-	800
											11.350	2.350	13.700	-	-	-	13.700	

Output/Activity	Quarter	Budget Component	Inputs	Unit	Quantity					Unit Cost	ITTO Contribution			GoI Contribution (Executing Agency)			Grand Total	
					ITTO		GOI		Total		Year 1	Year 2	Total	Year 1	Year 2	Total		
					Year 1	Year 2	Year 1	Year 2										
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	
Activity 2.2: To introduce policy interventions on use of wooden materials in construction sectors	Q1-Q4, Y1	17	a	National Consultant	MM	2	-	-	-	2	2.000	3.000	-	3.000	-	-	-	3.000
		16	b	In-house Expert	MM	-	-	2	-	2	600	-	-	-	1.200	-	1.200	1.200
		31.2	c	DSA, NC and IHE	MD	30	3	-	-	33	80	2.400	240	2.640	-	-	-	2.640
		33	d	Transport, NC and IHE	TD	30	2	-	-	32	50	1.500	100	1.600	-	-	-	1.600
		54	e	Coordination meeting	meeting	1	-	1	-	2	400	400	-	400	400	-	400	800
		53	f	FGD	Event	1	-	-	-	1	2.500	2.500	-	2.500	-	-	-	2.500
											9.800	340	10.140	1.600	-	1.600	11.740	
Activity 2.3: To promote policy incentives for investment in collective facilities for wood processing	Q3-Q4, Y1	17	a	National Consultant	MM	2	-	-	-	2	2.000	3.000	-	3.000	-	-	-	3.000
		53	b	FGD	Event	-	1	-	-	1	2.500	-	2.500	2.500	-	-	-	2.500
	Q1-Q2, Y2	31.2	c	DSA, NC	MD	15	15	-	-	30	80	1.200	1.200	2.400	-	-	-	2.400
		33	d	Transport NC	TD	15	15	-	-	30	50	750	750	1.500	-	-	-	1.500
		31.3	e	DSA IHE	MD	15	15	-	-	30	80	1.200	1.200	2.400	-	-	-	2.400
		54	f	Coordination meeting	meeting	1	1	-	1	3	400	400	400	800	-	400	400	1.200
										6.550	6.050	12.600	-	400	400	13.000		
Activity 2.4: To share information and experience in development of domestic consumption of wood products with the assistance of ITTO Secretariat in collaboration with other potential international organizations	Q3-Q4, Y1	61	a	ITTO Services	Pack	1	1	-	-	1	20.000	10.000	10.000	20.000	-	-	-	20.000
	Q1-Q2, Y2	31.3	b	DSA, IHE	MD	20	10	-	-	30	80	1.600	800	2.400	-	-	-	2.400
		54	c	Coordination meeting	meeting	-	-	1	1	2	400	-	-	-	400	400	800	800
											11.600	10.800	22.400	400	400	800	23.200	
											39.300	19.540	58.840	2.000	800	2.800	61.640	

Output/Activity	Quarter	Budget Component	Inputs	Unit	Quantity					Unit Cost	ITTO Contribution			GoI Contribution (Executing Agency)			Grand Total		
					ITTO		GOI		Total		Year 1	Year 2	Total	Year 1	Year 2	Total			
					Year 1	Year 2	Year 1	Year 2											
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18		
Total Project											82.650	54.960	137.610	4.000	2.000	6.000	143.610		
<u>Non-activity based</u>																			
			<u>Key Personnel</u>																
		11	a	Project Coordinator	MM	12	6	-	-	18	2.200	26.400	13.200	39.600	-	-	-	39.600	
		12	b	Project Secretary/Admin	MM	12	6	-	-	18	750	9.000	4.500	13.500	-	-	-	13.500	
		13	c	Management Advisor	MM	12	6	-	-	18	400	4.800	2.400	7.200	-	-	-	7.200	
			<u>Duty Travel</u>																
		32	d	Air tickets	trip	2	1	2	2	7	150	300	150	450	300	300	600	1.050	
		31.4	e	DSA	MD	20	10	8	8	46	80	1.600	800	2.400	640	640	1.280	3.680	
		33	f	Local transport	TD	20	10	2	2	34	50	1.000	500	1.500	100	100	200	1.700	
			<u>Office</u>																
		55	g	Space 30 M2	month	-	-	12	6	18	300	-	-	-	3.600	1.800	5.400	5.400	
		56	h	Facilities	set	-	-	1	-	1	5.000	-	-	-	5.000	-	5.000	5.000	
		52	i	Utilities	month	-	-	12	6	18	200	-	-	-	2.400	1.200	3.600	3.600	
		51	j	Consumable	month	-	-	12	6	18	100	-	-	-	1.200	600	1.800	1.800	
			<u>Miscellaneous</u>																
		65	k	PTC Meeting	meeting	2	1	-	-	3	2.000	4.000	2.000	6.000	-	-	-	6.000	
		66	l	Financial Auditing	year	1	1	-	-	2	2.000	2.000	2.000	4.000	-	-	-	4.000	
		64	m	Report Printing	copy	-	100	-	-	100	10	-	1.000	1.000	-	-	-	1.000	
		63	n	Sundry	pack	1	1	-	-	2	250	250	250	500	-	-	-	500	
Total Non-activity based											49.350	26.800	76.150	13.240	4.640	17.880	94.030		
Grand Total Project Costs											132.000	81.760	213.760	17.240	6.640	23.880	237.640		
ITTO Monitoring and Review																12.000			12.000
ITTO Ex-post Evaluation																8.000			8.000
ITTO Programme Support																28.051			28.051
National Management Cost																-			-
																261.811			285.691

3.4.2 Consolidated budget

Table 7: Consolidated budget of the project

Category	Description	Total	Year 1	Year 2
10	Personnel			
11	Project Coordinator	39.600	26.400	13.200
12	Project Secretary/Admin	13.500	9.000	4.500
13	Management Advisor	7.200	4.800	2.400
14	Professional Buildings Contractor	2.000	2.000	-
15	Communication Professional	2.000	2.000	-
16	In-house Expert	2.400	2.400	-
17	National Consultant	9.000	6.000	3.000
18	Consultant Forest Industry Association	9.000	9.000	-
19	Sub total	84.700	61.600	23.100
20	Sub contracts			
21	Sub contract No. 1, Study	20.000	20.000	-
22	Sub contract No. 2; Exhibition	12.000	-	12.000
23	Sub contract No. 3; Public Education	12.000	6.000	6.000
29	Sub total	44.000	26.000	18.000
30	Duty Travel			
31	Daily Subsistence Allowance			
	31.1. DSA Expert	6.320	2.800	3.520
	31.2. DSA National Consultants	6.640	3.600	3.040
	31.3. DSA In-house Expert	6.400	4.400	2.000
	31.4. DSA PMU	3.680	2.240	1.440
	31.5. DSA PBC	1.200	1.200	-
	31.6. DSA FIA	3.200	1.600	1.600
32	Air ticket	1.050	600	450
33	Local Transport (NC/PBC/PMU/Expert)	13.050	7.850	5.200
39	Sub total	41.540	24.290	17.250
40	Capital Items			
49	Sub total	-	-	-
50	Consumables items			
51	Consumables	1.800	1.200	600
52	Utilities	3.600	2.400	1.200
53	FGD	10.000	4.500	5.500
54	Coordination Meeting	7.600	4.400	3.200
55	Space 30 M2	5.400	3.600	1.800
56	Facilities	5.000	5.000	-
59	Sub total	33.400	21.100	12.300

Category	Description	Total	Year 1	Year 2
60	Miscellaneous			
61	ITTO Service	20.000	10.000	10.000
62	Support on new product	2.500	-	2.500
63	Sundry	500	250	250
64	Report Printing	1.000	-	1.000
65	PTC Meeting	6.000	4.000	2.000
66	Financial Audit	4.000	2.000	2.000
69	Sub total	34.000	16.250	17.750
70	Total Project	237.640	149.240	88.400
80	National management cost	-	(See EA budget)	
90	Project monitoring and administration			
91	ITTO monitoring & review	12.000		
92	ITTO ex-post evaluation	8.000		
95	ITTO Programme support (70 + 91 +92) x 12%	28.051		
100	Total Project Monitoring and Administration	48.051		
	GRAND TOTAL (70 + 100)	285.691		

3.4.3 ITTO yearly budget

Table 8: ITTO yearly budget of the Proposed project

Category	Description	Total	Year 1	Year 2
10	Personnel			
11	Project Coordinator	39.600	26.400	13.200
12	Project Secretary/Admin	13.500	9.000	4.500
13	Management Advisor	7.200	4.800	2.400
14	Professional Buildings Contractor	2.000	2.000	-
15	Communication Professional	2.000	2.000	-
16	In-house Expert	-	-	-
17	National Consultant	9.000	6.000	3.000
18	Consultant Forest Industry Association	9.000	9.000	
19	Sub total	82.300	59.200	23.100
20	Sub contracts			
21	Sub contract No. 1, Study	20.000	20.000	-
22	Sub contract No. 2; Exhibition	12.000	-	12.000
23	Sub contract No. 3; Public Education	12.000	6.000	6.000
29	Sub total	44.000	26.000	18.000
30	Duty Travel			
31	Daily Subsistence Allowance			
	31.1. DSA Expert	6.320	2.800	3.520
	31.2. DSA National Consultants	6.640	3.600	3.040
	31.3. DSA In-house Expert	6.400	4.400	2.000
	31.4. DSA PMU	2.400	1.600	800
	31.5. DSA PBC	1.200	1.200	-
	31.6. DSA FIA	3.200	1.600	1.600
32	Air ticket	450	300	150
33	Local Transport (NC/PBC/PMU/Expert)	12.850	7.750	5.100
39	Sub total	39.460	23.250	16.210
40	Capital Items			
49	Sub total	-	-	-
50	Consumables items			
51	Consumables	-	-	-
52	Utilities	-	-	-
53	FGD	10.000	4.500	5.500
54	Coordination Meeting	4.000	2.800	1.200
55	Space 30 M2	-	-	-
56	Facilities	-	-	-
59	Sub total	14.000	7.300	6.700
60	Miscellaneous			
61	ITTO Service	20.000	10.000	10.000
62	Support on new product	2.500	-	2.500
63	Sundry	500	250	250
64	Report Printing	1.000	-	1.000
65	PTC Meeting	6.000	4.000	2.000
66	Financial Audit	4.000	2.000	2.000
69	Sub total	34.000	16.250	17.750

Category	Description	Total	Year 1	Year 2
70	Total Project	213.760	132.000	81.760
80	National management cost	-	(See executing agency budget)	
90	Project monitoring and administration			
91	ITTO monitoring & review	12.000		
92	ITTO ex-post evaluation	8.000		
95	ITTO Programme support (70 + 91 +92) x 12%	28.051		
100	Total Project Monitoring and Administration	48.051		
	GRAND TOTAL (70 + 100)	261.811		

3.4.4 MoEF yearly budget

Table 9: MoEF yearly budget of the project

Category	Description	Total	Year 1	Year 2
10	Personnel			
16	In-house Expert	2.400	2.400	-
19	Sub total	2.400	2.400	-
20	Sub contracts			
29	Sub total	-	-	-
30	Duty Travel			
31	Daily Subsistence Allowance			
	31.4. DSA PMU	1.280	640	640
32	Air ticket	600	300	300
33	Local Transport (NC/PBC/PMU/Expert)	200	100	100
39	Sub total	2.080	1.040	1.040
40	Capital Items			
49	Sub total	-	-	-
50	Consumables items			
51	Consumables	1.800	1.200	600
52	Utilities	3.600	2.400	1.200
54	Coordination Meeting	3.600	1.600	2.000
55	Space 30 M2	5.400	3.600	1.800
56	Facilities	5.000	5.000	-
59	Sub total	19.400	13.800	5.600
60	Miscellaneous			
69	Sub total	-	-	-
70	Total Project	23.880	17.240	6.640
80	National management cost	-	(See executing agency budget)	
	GRAND TOTAL (70 + 80)	23.880		

3.5 Assumptions, risks, sustainability

3.5.1 Assumptions and risks

The key assumptions made regarding delivery of outputs and achievement of the objectives, closely relate to attitude of the authorities and partners involved in project implementation which is beyond control of the PC. If an assumption does not hold true, potential risk may materialize and compromise achievement of the project. Hence, it is necessary to put in place the relevant mitigating measures as shown in Table 10 to be implemented since the onset of project operations.

Table 10: Key assumptions, potential risk and mitigating measures

Key assumptions	Potential risk	Mitigating measures
Supportive FIAs and wood processors	Delayed completion of particular activities and delivery of outputs	Continued coordination and communication between EA, FIAs and Processors
Supportive MoEF	Delayed completion of activities 2.1; 2.2; 2.3	Strong and steady consultation by EA
Cooperative Consumers	Delayed completion of particular activities	Executes to apply friendly and attractive communications technicians
Cooperative Institutions on Construction Sector	Unsuccessful execution of activity 2.2	Continued communication and coordination by the EA

3.5.2 Sustainability

Sustainability of the project is mostly dependent on the perception of the main beneficiaries toward the project and the exit strategy pursued. If the main beneficiaries perceive that the project is beneficial to them, they will surely be in favour of project sustainability. Before closing the project, it is critical for the PC to disseminate information on benefits of using wood products and resilient domestic consumption of wood products using any events or occasions of the project to the best possible.

A realistic exit strategy has to be defined by the Executing Agency (EA) prior to completion of the project. Such a strategy should include: i) Project activities that need to be continued and/or expanded, ii) The competent institution to execute the activities, and iii) Source (s) of financing the activities.

PART IV: IMPLEMENTATION ARRANGEMENTS

4.1. Executing agency and organizational structure

4.1.1 Executing agency and partners

The Executing Agency of the project is DG SFM of MoEF. DG SFM is in charge of carrying out the formulation and implementation of policies in the field of sustainable forest management through policy formulation, policy implementation, providing technical guidance and supervision and implementing evaluation and reporting in the field of forest management units, development of business diversification and utilization of timber and non-timber forest products as well as forest service, forest product processing and marketing, forestry levies and distribution of forest products.

DG SFM consists of six directorates. From those, Directorate of Forest Utilization Business Control as the upstream forestry business sector and Directorate of Forest Product Processing and Marketing as the downstream forestry business are majoring technically in charge with the proposed project.

The Directorate of Forest Utilization Business Control is in charge of preparation of policy formulation, policy implementation, provision of technical guidance and supervision as well as evaluation and reporting of business work plan, production and development business and evaluation of Forest Business Management Unit (PBPH) performance in production and protected forests. One of the duties of the directorate related to the proposed project is to ensure that PBPH carries out wood production activities according to the work plan that has been legally justified by the government and ensures that forest management by PBPH is carried out sustainably as evidenced by the existence of an SFM certificate as part of TLAS certification.

Directorate of Product Processing and Marketing Forests are responsible for the preparation of policy formulation, policy implementation, provision of technical guidance and supervision as well as evaluation and reporting of forest product processing, PBPH forest products processing, management of raw materials for forest product processing, certification and marketing of processed forest product as well as notifications of processed forest product notification and export and import. One of the duties of the directorate related to the proposed project is to ensure that the processed wood product is developed both in quantity and quality as well as to ensure that the products are produced in legal manner evidenced by TLAS certificate.

In addition, to implement the project, EA will engage PBPH holders and SMEs as the producer of wood and wood products. It also will engage various stakeholders including the regulators such as MoI, MoT, MoPWPH, NPPPA, and Provincial Government in Java Island. The project will also engage several related FIAs such as Indonesian Forest Entrepreneurs Association (APHI), Indonesia Sawmill and Wood Working Association (ISWA), Indonesia Wood Panel Association (APKINDO) and Indonesian Furniture and Craft Industry Association (HIMKI).

ITTO support will be provided to the project staffs as indicated below:

Table 11: Roles of EA, ITTO, Japan Forestry Agency and FIAs

Organization	Roles
DG SFM	<ul style="list-style-type: none"> ▪ Act as the executing agency of the project ▪ Form the project management team ▪ Implement the project activities and deliver the outputs
ITTO	<ul style="list-style-type: none"> ▪ Provide inputs to the implementation of the project ▪ Supervise, monitor and support the project implementation ▪ Facilitate the communication with the key stakeholders in the target countries
Japan Forestry Agency	<ul style="list-style-type: none"> ▪ Supervise and guide project implementation ▪ Contact JICA Indonesia to join the Project Advisory Committee and attend important events of the project ▪ Provide support to compile and analyze the experience of selected countries in promoting wood and wood product consumption
FIAs	<ul style="list-style-type: none"> ▪ Act as the key collaborator of the project ▪ Provide business implementor to join project activities, especially with the policy framework improvement ▪ Participate in field studies and conduct trainings

4.1.2 Project Management Team

The project management team (PMT) will consist of a project coordinator (PC), project secretary & finance (PS) and national consultants. Project planned activities will be executed with the assistance of partners as indicated in the previous section.

The project organizational structure is as depicted below.

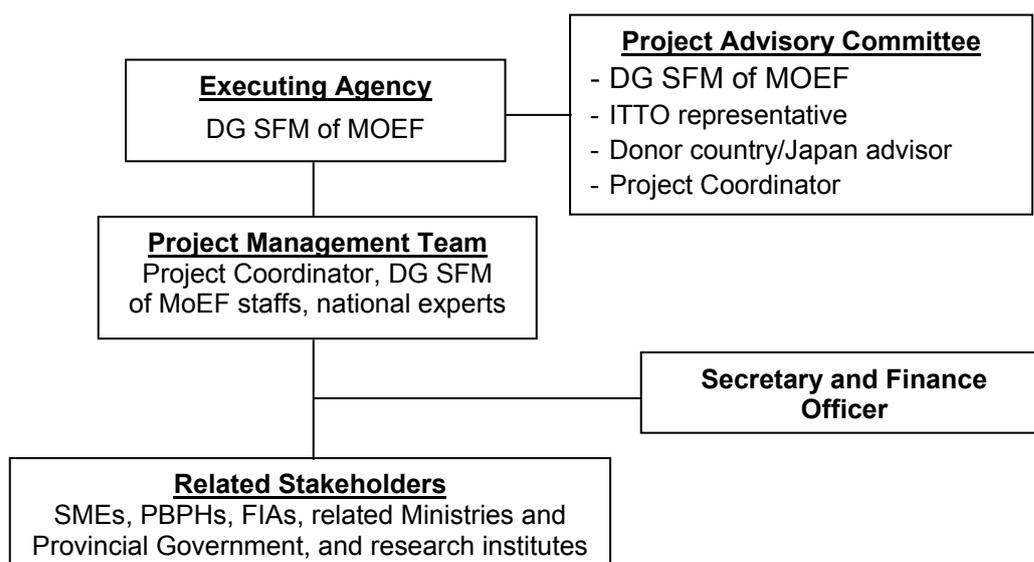


Figure 4. Organizational Structure

4.1.3 Project Advisory Committee (PAC)

PAC will be established to oversee project implementation, approve budget planning, monitor and evaluate project progress against project logical matrix and give immediate instructions on necessary revisions and adjustments. Membership of PAC is:

- Chairperson: Senior leader of DG SFM to be assigned by MoEF;
- Representative of ITTO;
- Representative of donor country;
- Representatives of EA;
- Project Coordinator as the secretary of the PAC;
- Representatives of supplier/consumer sides may be invited to join the PAC.

4.1.4 Stakeholder involvement mechanisms

A stakeholder forum with regular online/offline consultations and dialogues will be established under the project to facilitate participants from PBPH, FIAs, related ministries, local communities, R&D institutions, NGOs, wood farmers, supplier/consumer sides and other groups interested in promoting sustainable consumption of wood and wood products to exchange views and ideas, develop propositions and make recommendations to the executing agency in view of improving efficiency of project implementation. While the forum has no formal responsibility for the project execution, its advices and recommendations are invaluable inputs to the project and will be as much as possible incorporated in recommendations to policy makers.

4.2. Reporting, Review, Monitoring and Evaluation

Reporting

In accordance with ITTO Manual on standard operating procedures for the ITTO project cycle, the following reports will be prepared and submitted to ITTO:

- **Inception Report**

To be submitted after signing of Agreement between ITTO and the Executing Agency. The Inception report contains the confirmation of the availability of office space and facilities, registered banking account, key project personnel and any changes if any and first Yearly Plan of Operation.

- **Yearly Plan of Operation**

To be submitted a year before the commencement of project activities in the subsequent year for endorsement by PAC, as appropriate and by ITTO. The first YPO will be attached to the Inception Report. The subsequent YPOs will be submitted at least ten weeks before the beginning of the planned year. ITTO approves the YPO based on endorsement of PSC.

- **Project Progress Reports**

To be submitted bi-annually or as requested by ITTO. This report contains information on the execution and the progress of activities during the period covered for the report, achieved output and inputs applied.

- **Project Technical Reports**

To be submitted in accordance with the schedule and at the end of project period. The Technical Report contains technical and scientific data and information, analyses and other project results. A technical report may be produced from one or a set of activities in one Output. The report may also contain present procedure and methodologies adopted, the data generated and the results achieved.

- **Financial Report**

An audited financial report will be submitted to ITTO within three months after the end of the current fiscal year. A final audited report will be submitted within four months after the date of project completion. The project will appoint a public accountant to be submitted to ITTO for approval period to carry out project financial auditing.

- **Project Completion Report**

A Project Completion Report will be submitted to ITTO within three months after project completion. The report contains summary of the activities executed, unexecuted (if any), inputs and expenditures, outputs achieved and objectives during the project implementation period. The report also highlights the most critical differences between planned and realized project elements using original project documents as primary reference, lessons learned from the implementation of the project.

Monitoring

Internal monitoring system will be led by the PC to ensure timely and appropriate project implementation and reporting, as well as adaptive management. Internal monitoring is applied monthly basis or where appropriate, including the following aspects:

- Follow-up commitments resulting from the Agreement between ITTO and the EA;
- Progress and proper execution of work, using as indicators planned input items from input tables and budget tables and the Activities in the Work plan and the Yearly Plan of Operation;
- On-time delivery and quality of the Outputs, using indicators as presented in the Logical Framework Matrix in the Project document;
- Report on extent to which the Specific Objective has been achieved, using indicators as presented in the Logical Framework Matrix in the Project document:

External monitoring will be undertaken by ITTO, in cooperation with the Forestry Agency of Japan, where desirable, to supervise the project implementation. The timing for external monitoring will be determined between ITTO and the Executing Agency. The scope of the external monitoring includes:

- To assess whether these Projects are proceeding according to the agreed work schedules, so that the necessary ITTO actions (e.g., payments to the Executing Agency) may be taken;
- To propose and participate in any necessary reviews of the Projects as a result of these assessments; and
- To report to the Committees and the Council on the situation and completion prospects for the Project.

4.3 Dissemination and mainstreaming of project learning

4.3.1. Dissemination of project results

Project learning and results will be disseminated through various means and channels during the implementation stage and after project completion, as outlined below:

- **Technical documents/ brochures**

Will be circulated widely by various means, such as DG SFM Bulletin, publications, brochures, and so on.

- **National Workshop**

The national workshop will be organized to disseminate information on project's goal and objective in order to gain support by stakeholders.

- **Completion Report**

Will be distributed to interested nation-wide and ITTO member countries and other relevant institutions.

- **Magazine and website and TV**

Project effects will be posted by means of articles in DG SFM of MoEF website and integrated into podcast and short video and use of DG SFM of MoEF Instagram and Youtube channel.

4.3.2. Mainstreaming of the project learning

Indonesia has become a globally important manufacturer and exporter/importer of wood and wooden products. This Project will provide an opportunity for Indonesia to share lessons learnt at national and international levels. In particular, the project will analyse the current situation of domestic consumption of wood and wood products, provide recommendation on how to overcome constraints and step up toward sustainable consumption. The experience and lessons learnt with promotion of sustainable wood consumption in the context of Indonesia's dynamic development are expected to be meaningful for other countries.

In the COVID-19 era, the project assumes to grasp every innovative idea and solution to adapt to the "new normal" using online meeting tools, including online trade fair of wood and wood products, whenever appropriate. Short video/s will be produced to reflect/communicate project activities. Social media channels, including Instagram and Youtube, will be used as much as possible to accelerate project outreach and enable project outputs to reach PBPH, timber farmers, urban consumers, community groups, etc.

In the course of the project implementation, off-line and online meetings will be held regularly to review and monitor project activities, update project progress as well as share lessons learnt.

ANNEX

ANNEX 1: Tasks and responsibilities of key experts provided by the Executive Agency

1. Project coordinator

Qualification:

As a project coordinator, the incumbent should be an expert with in-depth knowledge and experience in related fields. The coordinator should have postgraduate qualification in forestry policy, natural resource management or project related subjects, and at least 5-year experience in timber legality and timber processing and trading. Experience in implementation of donor funded projects is of preference.

Minimum requirements:

- Experience in coordinating and leading wood industry related projects;
- Good knowledge on timber processing and trading, and timber legality assurance;
- Familiar with ITTO project management;
- Fluency in English.

Responsibilities:

- Take overall responsibility for project implementation;
- Coordinate project activities;
- Monitor and evaluate project execution, programme and budget implementation
- Represent the project at any event/forum that invites project to participate in
- Guide and supervise project staffs and recruited experts to conduct their assignments
- Prepare all reports described in Reporting Section and submit to PAC and ITTO.

Duration: 18 months.

Location: Jakarta with field trips to various provinces in Java Island, Indonesia

ANNEX 2: Terms of reference for Project Adviser (Sub-contract)

Tasks and responsibilities of Project Adviser

➤ **Qualification:**

As Project adviser should be an expert with in-depth knowledge and experience in the related fields. The advisor should have postgraduate qualification or as equivalent in forestry policy, natural resource management or related subjects. Experience is required at least 15-year experiences in related field as policy maker or expert.

➤ **Minimum Requirements:**

- Experience in coordinating and leading the same kind of project
- Good knowledge on Japanese wood use promoting policy
- Familiar with ITTO project management
- Fluency in English

➤ **Responsibilities:**

- To support the project coordinator by providing advices from the comprehensive perspective, based on good communication with related stakeholders
- To participate in the meetings for the execution of the project, including those for the development of project documents and the Steering Committees.
- To write reports in English on the result of the country study

➤ **Duration:** during the project

➤ **Location:** Jakarta, Indonesia

ANNEX 3: Main human resource and technical experts funded by ITTO

Job title	Main jobs
I. Main human resources of project	
Project coordinator	<ul style="list-style-type: none"> - To maintain daily operation of the project - To prepare project action plans - To coordinate all project activities - To prepare ToRs and supervise recruited experts - To prepare agendas and contents for PAC meetings - To prepare or supervise the preparation of all project reports
Project Secretary and accountant	<ul style="list-style-type: none"> - To deal with tasks assigned by project coordinator - To support project coordinator in project management - Management of project office and keep records - To organize meetings and field visits, support technical experts - Support project coordinator to prepare reports - Manage project account - Update project disbursement and prepare reports to be submitted to ITTO and relevant institution - Develop finance arrangement of project - Manage income and expenditure of the project - Prepare finance reports and consult with auditors to conduct auditing - Arrange financial formalities (taxation, tax report, personal income tax, etc)
II. Technical experts funded by the ITTO	
Technical experts	Review of policies and policies incentives on domestic wood and wood product production and consumption
	Indonesian TLAS applicable for domestic markets
	Domestic marketing strategy for wood products
	FIAs and construction sector linking business

**ANNEX 4: The overall assessment and specific recommendations of the
57th Expert Panel and respective modifications made**

No.	Recommendation	The modification made
Overall recommendations:		
1.	Addition on data collection and analysis process.	A combined survey will be implemented to support Activity 1.1, 1.2, and 1.3 as described in Table 4 Section 3.2. See pp 19 – 20.
2.	Addition on information of wood products in Java Island.	The products are described in Table 1 Section 1.3.1. See p 5.
3.	Addition on the aspect of the GEEW Guidelines in the proposal.	The aspect of the GEEW Guidelines and gender mainstreaming and social inclusion based on MoEF regulation is added in p 3 Section 1.2.1, p 4 Section 1.2.2, and p 19 Section 3.2.
4.	Description about the process on educating future consumers.	Activity 1.5 describes the steps on educating future consumers. See Section 3.1.2 p 18.
Specific recommendations:		
1.	Reformulation of the entire project brief as required in the ITTO Manual for Project Formulation.	The project has been totally revised. See pp iii – iv.
2.	Addition on the list for the missing abbreviations and acronyms.	The missing abbreviations have been added to the list, see p v. Note that VIP was mistyped of WIP that stands for Wood Industry Professional.
3.	Improvement for the map of the project area.	Map of the project area has been improved by indicating the three hosting provinces and cities involved in the study on consumers. See Figure 1 in Section 1.3.1 p 5.
4.	Conformity of the project to the ITTO's objectives in Section 1.2.1.	Conformity of the project to objectives (c) and (f) of ITTA 2006 has been clarified. See pp 1 – 2 in Section 1.2.1.
5.	Description of the roles and responsibilities of different agencies involved in project implementation in Section 2.1.1.	Roles and responsibilities of the agencies involved in the project implementation have been concisely classified in Table 4. Approaches to executing project activities and the agencies involved. See pp 19 – 20 in Section 3.2.
6.	Classification of the stakeholders into Primary, Secondary, and Tertiary stakeholders in Section 2.1.2.	Stakeholders of the project have been classified into Primary, Secondary, and Tertiary Stakeholders in Table 2. See pp 10 – 12 in Section 2.1.2.
7.	Addition on problem analysis in Section 2.1.3: 'while the impacts of COVID-19 are a major impetus for the proposal, foreign exports are still an important part of the long-term equation'.	The concern over COVID-19 has been added to the problem analysis. See section p 12 in Section 2.1.3.
8.	Identification of responsible person or party per activity in Section 3.3.	Responsible person or party by activity has been identified in Table 5. When more than one entity identified, the first one listed should lead the work. See p 21 in Section 3.3.