

# INTERNATIONAL TROPICAL TIMBER ORGANIZATION

## ITTO

### PROJECT PROPOSAL

TITLE:	PROMOTING SUSTAINABLE WOOD USE FOR DOMESTIC MARKET IN MALAYSIA
SERIAL NUMBER:	PD 935/23 <b>Rev.1</b> (I)
COMMITTEE:	FOREST INDUSTRY
SUBMITTED BY:	GOVERNMENT OF MALAYSIA
ORIGINAL LANGUAGE:	ENGLISH

#### SUMMARY:

Malaysia's wood industry has been heavily focused on foreign markets for the past 20 years, with strong export growth. Malaysia has become heavily dependent on exports as a result of the sector's export-oriented development, making it subject to external uncertainties and shocks, like as the Covid-19 pandemic.

Nevertheless, there is a gap in the local use of wood and wood-derived products. Malaysia's domestic market might be a lifeboat for the wood sector as well as plantation forestry, which is expected to provide jobs and generate revenue for the local communities as the country develops and its population approaches 34 million.

Given these challenges, the development objective of the project is to provide contribution to sustainable and efficient development of Malaysia's wood industry.

The specific objective of the project is to enhance and diversify domestic consumption and promote local markets of sustainable wood and wood products in Malaysia.

To achieve the specific objective, the project will pursue the strategy of facilitating initiatives towards improvement of regulatory framework, extensity of awareness and promotions activities and building up capacity for relevant stakeholder groups to engage effectively in wood supply chains.

EXECUTING AGENCY: MALAYSIAN TIMBER CERTIFICATION COUNCIL (MTCC)

DURATION: **18** MONTHS

PROPOSED BUDGET AND OTHER FUNDING SOURCES	SOURCE	CONTRIBUTION IN USD
	ITTO	<b><u>212,088</u></b>
	Government of Malaysia (in-kind)	<b><u>92,124</u></b>
	TOTAL	<b><u>304,212</u></b>

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## 1. PROJECT BRIEF

This project proposal is submitted for consideration of donors who are willing to support ITTO producing member countries to sustain their forest industry.

The Malaysian timber industry has been and continues to be one of the major revenue contributors to the country's economy. It is ranked the country's top three gross domestic product (GDP) contributors in the commodity sector after palm oil and rubber. The export value of timber and timber-based products has consistently exceeded RM20 (USD4.4) billion over the last decade and reached a record high of RM25.21 (USD5.5) billion in 2022. The timber industry provides employment to about 300,000 workers.

As a major timber exporting country, Malaysia possesses a well developed timber industry supply chain for the export market. Such a supply chain has facilitated the development and implementation of the Malaysian Timber Certification Scheme (MTCS), providing the needed platform for Malaysia to supply certified sustainable timber and timber products to the international market.

In Malaysia, there is a sizeable domestic market for timber and timber products estimated at RM18.4 (USD4.0) billion in 2022. Based on previous studies, the major industries responsible for the consumption of timber locally are the construction industry, followed by furniture, interior decoration, moulding and packaging industries. However, due to more focus being given to the export market, and the fragmented nature, coupled with less research on the domestic timber supply, trade and market, detailed information on the domestic timber supply chain as well as the key players involved is not available.

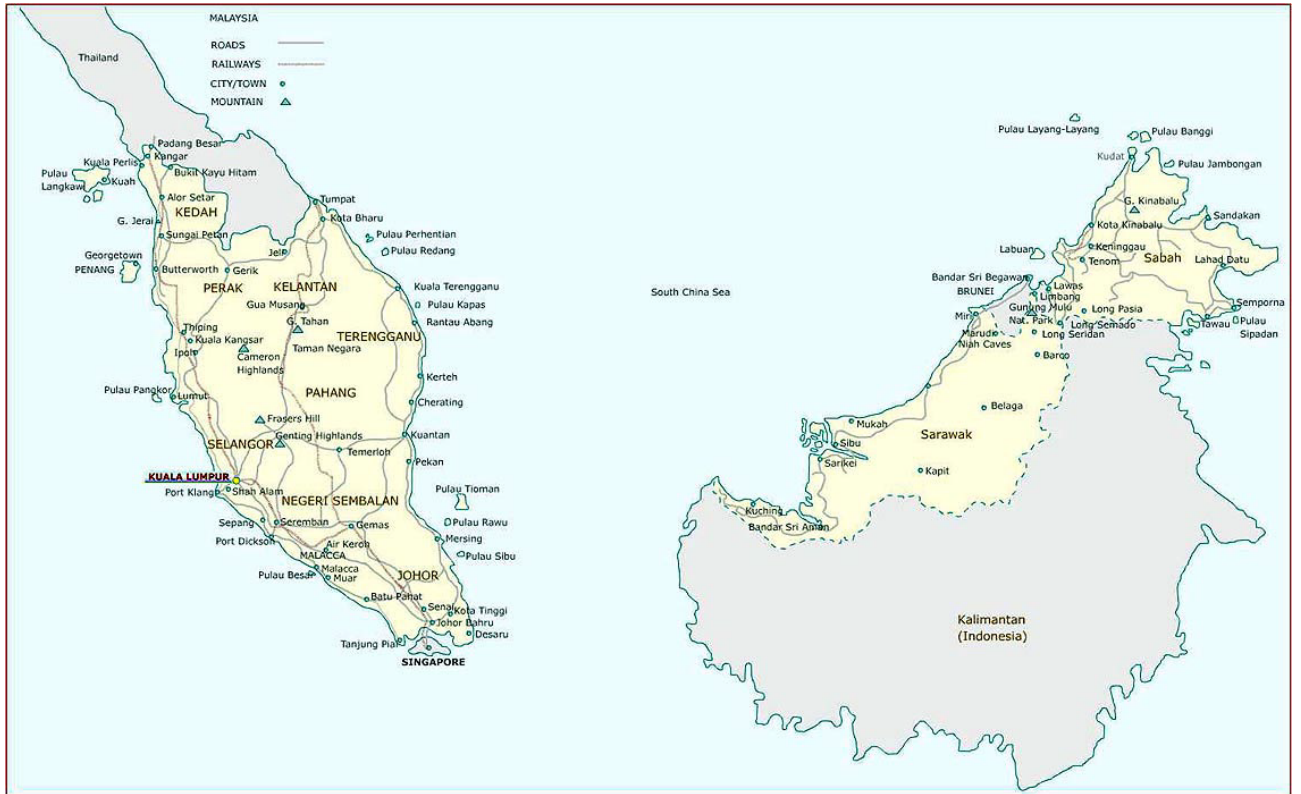
In line with Malaysia's commitments to the various international Conventions related to forestry and the environment, as well as the Sustainable Development Goals (SDGs), there is now an increasing interest and emphasis by the government to ensure the sustainable production and consumption of natural resources including timber, not only for the international market but also domestically. The Malaysian government's endeavour towards this end is further demonstrated by its announcement of the introduction of a framework on environmental, social, and corporate governance (ESG) standards by the end of 2023 which will affect all companies operating in Malaysia including the small and medium sized enterprises (SMEs). In addition, investors increasingly expect companies to demonstrate a coherent policy and commitment relating to conformance to ESG requirements to qualify as an attractive investment.

In light of the above developments, the government is looking into the feasibility of implementing mandatory timber certification for sustainable forest management (SFM), for both international and domestic markets. This would be a major shift for the forestry and timber industries as currently timber certification is voluntary under the MTCS, and has been mainly for the international market.

## List of Abbreviations and Acronyms

CoC	Chain of Custody
DAKN	National Agri-Commodity Policy
EA	Executing Agency
ESG	Environmental, Social and Corporate Governance
EUDR	European Union Deforestation Regulation
EUTR	European Union Timber Regulation
FDPM	Forest Department of Peninsular Malaysia
FRIM	Forest Research Institute Malaysia
FSD	Forestry Sabah Department
GDP	Gross Domestic Product
GIS	Geographical Information System
IR 4.0	Fourth Industrial Regulation
JWMA	Japan Woodworking Machinery Association
LSSC	Legal and Sustainable Supply Chains
MPC	Ministry of Plantation and Commodities
MTC	Malaysian Timber Council
MTCC	Malaysian Timber Certification Council
MTCS	Malaysian Timber Certification Scheme
MTIB	Malaysian Timber Industry Board
MyTLAS	Peninsular Malaysia Timber Legality Assurance Systems
MWIA	Malaysian Wood Industry Association
NFP	National Forestry Policy
NRECC	Ministry of Natural Resources, Environment and Climate Change
NTISP	National Timber Industry Strategic Plan
NTP	National Transformation Programme
OBM	Original Brand Manufacturing
ODM	Original Design Manufacturing
OEM	Original Equipment Manufacturing
OECD	Organisation for Economic Co-operation and Development
PEFC	Programme for the Endorsement of Forest Certification
R&D&C	Research, Development & Commercialisation
SDGs	Sustainable Development Goals
SFD	Sarawak Forestry Department
SFM	Sustainable Forest Management
SMEs	Small Medium Enterprises
SPV	Shared Prosperity Vision
STIA	Sabah Timber Industry Association
STIDC	Sarawak Timber Industry Development Corporation
STLVS	Sarawak Timber Legality Verification System
TCIS	Timber Certification Information System
TLASs	Timber Legality Assurance Systems
UNSPF	Strategic Plan for Forest

# MAP OF PROJECT AREA



## PART I: PROJECT CONTEXT

### 1.1. Origin

Forests are invaluable renewable natural resources that act as suppliers of wood. This means that through various appropriate approaches like tree planting, SFM practices, and the establishment of forest plantations, this resource can be replenished. In Malaysia, the timber industry encompasses both upstream and downstream activities. Upstream activities involve the sustainable extraction of timber from natural forests and forest plantations. The timber industry's operations span primary, secondary, and tertiary stages, starting with the processing of raw materials (logs) and extending to the production of semi-finished and finished wood products. Primary operations in the timber industry encompass harvesting and processing of sawn timber, plywood, veneer, fibreboards, and chipboard. Secondary and tertiary activities include the production of hardwood, flooring, laminated veneer lumber, laminated wood, furniture, and wood joinery items such as doors, windows, window frames, and other engineered wood products.

The timber industry in Malaysia is one of the largest industries contributing to the growth of exports of the Malaysia commodity sector, in addition to the palm and rubber industries. The export value for the year 2022 of Malaysian timber products recorded an increase of 10.6% to RM25.21 billion compared to 2021. The largest export value contribution recorded in 2022 is wooden furniture which is as much as RM11.15 billion followed by plywood RM3.32 billion and sawn timber RM2.66 billion.

The characteristics of the wood industry and the wood products in Malaysia are as follows:

- Shortage of raw material supplies for domestic needs
- Development of international trade policies and regulations that pressing the industries to comply:
  - US Lacey Act 2008
  - Australia Illegal Logging Prohibition Act 2012
  - European Union Timber Regulation 2013
  - Japan Clean Wood Act 2016
  - UK Timber Regulation 2021
  - European Union Deforestation Regulation 2023
- Workforce – reliance on foreign labour and compliance with Act 446
- Productivity and innovation – mechanisation and automation (IR 4.0)
- Low contribution / participation in export by the Bumiputera companies. There are less than 1%, currently
- Acceptance of Research, Development and Commercialisation (R,D&C) and Innovation – the downstream furniture industry is not yet ready to switch from Original Design Manufacturing (ODM) and Original Brand Manufacturing (OBM) due to high costs.

In this context, this project proposal has been developed by the Malaysian Timber Certification Council (MTCC) to promote the development of domestic consumption for sustainable wood products, in anticipation of population and economic growth and reduced carbon foot print, through increased resilience of consumption, and enhance supply chains and improved government policies. This proposal has been thoroughly discussed involving the relevant stakeholders of the national forest industry sector.

## 1.2. Relevance

### 1.2.1 Conformity with ITTO Objectives and Priorities

- Conformity under ITTA 2006, ITTO has two closely related and overarching objectives:
  - To promote the expansion and diversification of international trade in tropical timber from sustainably managed and legally harvested forests
  - To promote sustainable management of tropical timber-producing forests
- Conformity with ITTO Strategic Action Plan 2022 - 2026:
  - Strategic Priority 1 - Promoting good governance and enabling policy frameworks to enhance financing and investment in sustainable tropical forest management, legal and sustainable forest product supply chain and related trade.
  - Strategic Priority 2 - Increase the contribution of the tropical forest sector to national and local economies and resilient livelihoods, including through the further processing and trade of tropical timber and other forest products and services.
  - 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.
- This project is also in conformity with ITTO's programme line on Legal and Sustainable Supply Chains (LSSC).

### 1.2.2. Conformity with the United Nations Sustainable Development Goals (SDGs) and Strategic Plan for Forests (UNSPF)

- This project contributes to the achievement of UNSDGs, especially SDG 12 (Responsible Consumption and Production), SDG 13 (Climate Action), SDG 15 (Life on Land) and SDG 1 (No Poverty).
- The project is also consistent with four of the six global forest goals of the UN Strategic Plan for Forests (UNSPF) 2017-2030, namely:
  - Global Forest Goal 1: Reverse the loss of forest cover worldwide through sustainable forest management, including protection, restoration, afforestation and reforestation, and increase efforts to prevent forest degradation and contribute to the global effort of addressing climate change.
  - Global Forest Goal 2: Enhance forest-based economic, social and environmental benefits, including by improving the livelihoods of forest dependent people.
  - Global Forest Goal 3: Increase significantly the area of protected forests worldwide and other areas of sustainably managed forests, as well as the proportion of forest products from sustainably managed forests.

Global Forest Goal 5: Promote governance frameworks to implement sustainable forest management, including through the UN Forest Instrument, and enhance the contribution of forests to the 2030 Agenda.

### 1.2.3. Relevance to Submitting Country's Policies

- This project is relevant to the following national commitments, policies, plans and efforts towards SFM:
  - i. Malaysian Government's commitment to keeping at least 50 percent of its land area under forests and tree cover in line with its commitment made at the Earth Summit in 1992;
  - ii. National Forest Policy 2021 objectives statement is as follows:
    - Ensure sufficient forest areas are managed through good governance and practices for the conservation of biodiversity and ecosystem services.
    - Manage, conserve and rehabilitate the permanent reserved forests or forest reserves or permanent forests based on the principles of sustainable forest management.
    - Ensure continuous supply of raw materials from natural forests and forest plantations to sustain the development of wood-based and non-timber forest industries.
    - Encourage the participation of indigenous, native and local communities in the protection, conservation and rehabilitation of forests.
    - Strengthen capacity building; research, development and commercialisation; and innovation including providing adequate human financial resources to improve forest management and utilisation of forest resources
  - iii. National Agri-commodity Policy (DAKN) 2021 – 2030;
  - iv. National Timber Industry Strategic Plan (NTISP) 2021-2025;
  - v. Malaysian Government's efforts in the implementation of a voluntary timber certification scheme under the MTCS since 1999. The MTCS was endorsed by the Programme for the Endorsement of Forest Certification (PEFC) in 2009, the largest forest certification programme, representing more than 300 million hectares of certified forests worldwide. The MTCS is the first tropical timber certification scheme in the Asia Pacific region to be endorsed by the PEFC
  - vi. The timber industry in Malaysia is required to comply with legislative requirements by importing countries. Hence the need for the legality of timber products becomes a compulsory obligation. In Malaysia there are three legality instruments with reference to the Timber Legality Assurance Systems (TLASs) in practice. The TLASs operated in Malaysia as Due Diligence systems were established for Peninsular Malaysia (MyTLAS);, Sabah (Sabah TLAS) and Sarawak (Sarawak Timber Legality Verification System – STLVS).



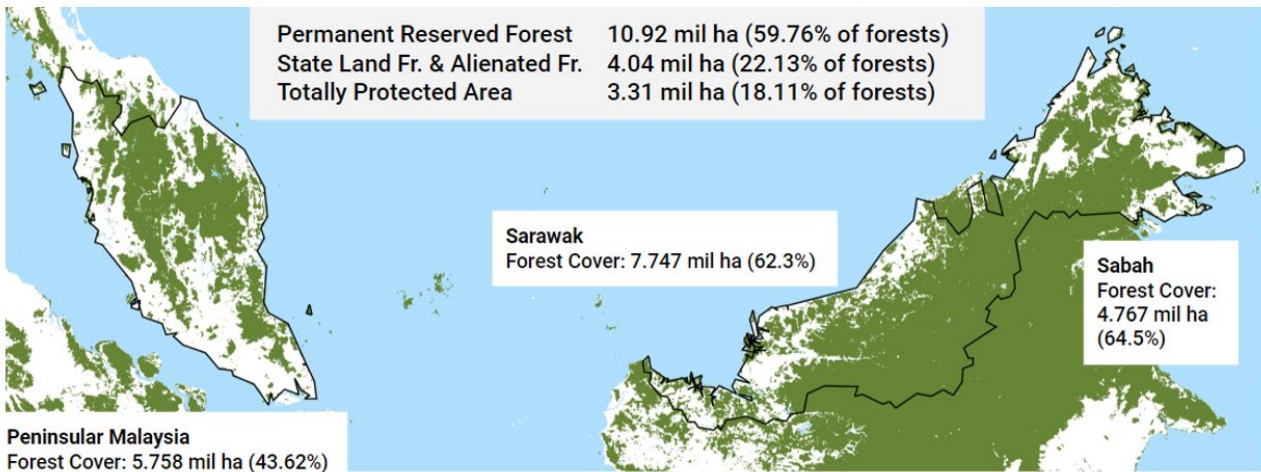
- vii. The government has shown an increased interest in ensuring the sustainable production and consumption of the country’s natural resources including timber, not only for the international market but also domestically. As a further measure following the successful implementation of timber certification under the MTCS, the government has also announced the introduction of a framework of ESG standards to be implemented by all industries by the end of 2023.

**1.3. Target Area**

**1.3.1 Geographical Location**

The project will cover the three regions of Malaysia, namely Peninsular, Sabah and Sarawak. Malaysia covers an area of 330,241 square kilometers and lies entirely in the equatorial zone, with the average daily temperature throughout Malaysia being 26.7°C. It is made of 13 states, namely Johor, Kedah, Kelantan, Melaka, Negeri Sembilan, Pahang, Pulau Pinang, Perak, Perlis, Selangor, Terengganu, Sabah and Sarawak as well as the three Federal Territories of Kuala Lumpur, Labuan and Putrajaya.

**Total Forest Area (2018): 18.273 mil. ha (55.31% of land area)**



The total forested areas in Malaysia are as follows:

LAND AREA (mil ha)	FOREST TYPES (million ha)			TOTAL FOREST (mil ha)	FOREST COVER
	Fully Protected Area / Protected Area	Permanent Forest Reserved / Reserved Forest / Permanent Forest Estate	Government Land Forest		
32.86	3.31	10.92	4.04	18.27	55.3%

Source: NRECC, MTIB, MTC

### 1.3.2 Social, Cultural, Economic and Environmental Aspects

#### MALAYSIA: BASIC STATISTICS

	2018	2019	2020	2021	2022
Population (million)	32.4	32.5	32.6	32.7	33.9
Labour force (million)	15.3	15.6	15.7	15.8	16.7
Employment (million)	14.88	15.1	15.0	15.1	16.1
Unemployment rate (%)	3.3	3.3	4.5	4.6	3.7
Nominal GDP (RM billion)	1,447.8	1,512.7	1,418.0	1,545.4	1,695.2 (f)
Nominal GNI (RM billion)	1,402.7	1,473.7	1,389.5	1,503.8	1,626.0 (f)
Real GDP Growth Rate (%)	4.8	4.4	-5.5	3.1	8.7
GNI Per Capita (US\$)	10,735	10,935	10,145	11,109	11,780
GNI Per Capita PPP (US\$)	27,360	28,850	27,360	28,150	32,250
Inflation (% p.a)	1.0	0.7	-1.2	2.5	3.38
Exchange Rate (RM/US\$)	4.035	4.142	4.203	4.144	4.413

Notes: (f) Forecast

(1/) Exchange Rate as of December 2022

Source: Bank Negara Malaysia, Department of Statistic Malaysia and World Bank

#### i. Social & Cultural Aspects

- Malaysia is a multi-ethnic country with the predominant ethnic groups in the Peninsular being Malay, Chinese and Indian. In Sabah and Sarawak, the indigenous people represent the majority, which includes Kadazan-Dusun, Bajau and Murut in Sabah as well as Iban, Bidayuh and Melanau in Sarawak.
- The Government of Malaysia is led by a Prime Minister and a constitutional monarchy, which employs a Parliamentary system. It has three branches of government - the Executive, the Legislature and the Judiciary.
- The Malaysian Parliament is made up of His Majesty Yang di-Pertuan Agong, the Senate (Upper House) with 70 members and the House of Representatives (Lower House) with 222 members. Out of the 70 senators in the Senate, 44 are appointed by His Majesty Yang di-Pertuan Agong while 26 are elected by the State legislatures. The general election for the 222 members of the Lower House must be held every five years.

#### ii. Economic Aspects

- The Malaysian economy expanded by 8.7% in 2022 (2021: 3.1%) despite the challenges faced throughout the year. This was contributed by the full upliftment of containment measures, resilient growth in exports, particularly commodity exports, revival of tourism activity and continued policy support. However, the rate of recovery varied significantly by sector. Construction, mining and quarrying, agriculture, and leisure-related services all continued to operate below pre-pandemic levels. The slower rebound in tourist arrivals, the shutdown of oil and gas facilities for maintenance, manpower shortages, and increased input prices, in that order, each limited activity in these sectors.
- The exports of timber and timber products from Malaysia increased by 10.6% to RM25.21 billion in 2022, representing the biggest profits the sector has seen in recent years. Wooden furniture, plywood, sawn timber, fiberboard, and builders' joinery & carpentry (BJC) are the main timber-based exports from Malaysia. The top export markets include Japan, India, and the United States.

### iii. Environmental Aspects

- Malaysia's ecology is megadiverse with a biodiverse range of flora and fauna found in various ecoregions throughout the country. Tropical rainforests encompass between 59% and 70% of Malaysia's total land area, of which 11.6% is pristine. Malaysia has the world's fifth largest mangrove area, which totals over half a million hectares (over 1.2 million acres).
- Malaysia's pledge to retain at least 50% of its land mass under forest cover is its flagship environmental policy to showcase its sustainability commitment. As of 2022, Malaysia has kept 54% of its forests.

## 1.4 Expected Outcome at Project Completion

- Comprehensive understanding of the domestic timber supply chain: Through rigorous research data collection, this project will provide a detailed overview of the domestic timber supply chain. This will include mapping out the various stages involved, identifying the key players, and assessing the existing practices and challenges faced within the industry.
- Identified and recommended improvement in SFM practices: The project will focus on evaluating current SFM in the domestic timber sector. By assessing industry standards, policies, and regulations, the project will identify potential gaps and areas for improvement to ensure the sustainable production and consumption of timber.
- Assessed key players' commitment to ESG and IR4.0 requirements: The project will analyse the policies and practices of key players in the domestic timber industry to determine their commitment to environmental, social and governance requirements, by assessing their adherence to ESG principles, the project will provide insight into the extents to which companies align with investor expectations and qualify as attractive investment opportunities.
- Development of recommendations and policy guidelines : Based on the findings of the project, a set of recommendations and policy guidelines will be developed to facilitate addressing challenges faced by the industry, especially in terms of raw materials supply, workforce and Bumiputera participation. These recommendations also will aim to support the government's efforts in ensuring sustainable production and consumption of timber in domestic markets while addressing investors / importers' requirements and promoting responsible practices in the industry.
- Establishment of Integrated Data Collection platform: Review the existing TLASs and other data collection platforms and refine them further to incorporate new elements including the cut-off date and feedback from the industry. This platform is to ensure ease of data key-in and monitoring of due diligence requirements. This is also to integrate all data from various platforms.
- Feasibility analysis of mandatory timber certification: One of the primary objectives of the project is to assess the feasibility of implementing mandatory timber certification for sustainable forest management. By examining international best practices, industry standards, and the readiness of domestic stakeholders, the project will evaluate the

potential benefits, challenges and implications of such a certification system in both the international and domestic timber markets.

By achieving these outcomes, the project will contribute to the development of a more sustainable and responsible domestic timber supply chain, enhance investor and importer's confidence, and support the government's initiatives to protect natural resources and mitigate the environmental impact of timber production and consumption.

## **PART II: PROJECT RATIONALE AND OBJECTIVES**

### **2.1 Rationale**

#### **2.1.1 Institutional Set-up and Organizational Issues**

##### Overview

Malaysia is a federation consisting of 11 states, which encompass peninsular Malaysia, Sabah and Sarawak. The supreme law of the country is the federal constitution, which outlines the federal-state relations. Article 74 of the constitution specifically delineates the jurisdiction of the federal and state governments. Matters related to resources such as land, mines, agriculture, and forestry fall under the jurisdiction of the state governments. This allocation of jurisdiction is detailed in the Ninth Schedule of the Constitution, which includes the Federal Lists, State List, and Concurrent List.

According to this provision, state legislation can be enacted to govern and manage forestry matters within the state. The federal government's role primarily involves providing articles and technical assistance to the states, as well as the maintenance of rail stations and demonstration stations, and supporting training and research initiatives in the forestry sector.

The federal system of government in Malaysia forms the basis for deliberating on institutions within the country. The government, headed by the Prime Minister, establishes various ministries, agencies, and departments to ensure the implementation of policies and laws. At the ministerial level, the main role is to formulate policies and plans, which are then implemented by the respective agencies and departments under each ministry.

The development of the forestry and wood sector in Malaysia is guided by policy directions, legislations, rules, and procedures. These requirements are fulfilled through the establishment of institutions, commonly referred to as organizations, such as ministries, government departments, and agencies. These institutions are mandated to carry out their roles and functions in accordance with the laws and regulations. Additionally, other stakeholders such as NGOs, associations, and private sectors also have interests in forests and related activities.

The implementation of timber certification in Malaysia encompasses both upstream and downstream activities and involves numerous stakeholders. Upstream activities commence with the approval of a timber license from the state authority, followed by tree marking, timber harvesting, log landing, and royalty assessment and payment at forest checking stations. Downstream activities involve the processing of logs in primary processing mills, primarily sawmills, veneer, and plywood mills, producing sawn timber, veneer, and plywood. These products are either exported or further manufactured into secondary and tertiary timber products before being exported. Throughout this timber supply chain, there are several ministries, government departments, and agencies directly and indirectly involved in the process, from the forest to the export market.

##### The Executing Agency (EA)

The EA of this project is MTCC. MTCC was established in 1998 with a mandate to develop and operate a voluntary national timber certification scheme; the Malaysian Timber Certification Scheme (MTCS) in Malaysia. The vision of MTCC is to be a nation that appreciates and internalises the full value and contribution of the forest towards global

sustainability with a mission to strengthen the MTCS and to realise the full value and contribution of the forest through SFM and chain of custody (CoC).

To execute this project successfully and smoothly, the EA will closely collaborate with:

- Ministry of Plantation and Commodities (MPC) – the policy making body related to timber and timber products
- Malaysian Timber Industry Board (MTIB) – the regulatory, research and development agency
- Malaysian Timber Council (MTC) – the agency that enhances market access and creates trade opportunities

In particular, the EA of the project assumes to maintain close collaboration with:

- Ministry of Natural Resources, Environment and Climate Change (NRECC) – the policy making body related to natural resources and the environment
- Forestry Department of Peninsular Malaysia, Sabah Forestry Department and Forest Department of Sarawak – the body that manages and develops forest resources and optimises their contributions to the national / state socioeconomic development of its respective region
- Forest Research Institute Malaysia (FRIM) – the body that leads the tropical forestry research, development and commercialisation of forest resources
- Timber-related Associations such as the Malaysian Wood Industries Association (MWIA), Sarawak Timber Industry Development Corporation (STIDC), Sabah Timber Industries Association (STIA) etc.
- Wood processing and trading companies etc

### **2.1.2 Stakeholder Analysis**

While the main beneficiaries of the Project are the upstream and downstream timber industry stakeholders, other related stakeholders could also be involved in the project, including relevant associations and trading companies at the national and local levels, formal and non-formal research and training institutions with potential workforce as well as government departments / ministries to amend and newly formulate policies and policy tools to promote sustainable development of plantation forestry and sustainable wood use and production in Malaysia.

Related Stakeholder Group	Characteristics	Problem/Needs/Concerns	Potential Contribution	Participation in Project Implementation
<b>PRIMARY STAKEHOLDERS</b>				
Wood producers	<ul style="list-style-type: none"> <li>Producing wood from state forest to private forest at small or large scale</li> </ul>	<ul style="list-style-type: none"> <li>No premium price for their timber</li> <li>Lack of options to export timber</li> <li>Lack of ability to engage effectively in supply chain</li> </ul>	Engaging in supply chain	Share problems and challenges to be analysed and addressed
Wood processing and trading enterprises specialized in local and/or export market	<ul style="list-style-type: none"> <li>Having factories, wood working equipment, labor force</li> <li>Comply with TLASs</li> <li>Need sustainable supply of legal and higher wood and efficient price</li> <li>Wish to increase local consumption and enlarge the domestic market for wood products</li> </ul>	<ul style="list-style-type: none"> <li>Weak updated information on the consumption of wood products</li> <li>Lack of designing and marketing know-how leading to low efficiency of wood business</li> <li>Weak marketing strategy for wood products</li> <li>Lack of understanding of forest law and regulations and wood trade</li> </ul>	<ul style="list-style-type: none"> <li>Share experiences and challenges to be analysed and addressed</li> <li>Communicate with wood producers and SMEs in wood processing and trading businesses to improve the efficiency of forestry and wood industry</li> <li>B2B business matching / meetings to promote trade ties and improve supply chains</li> </ul>	<ul style="list-style-type: none"> <li>Engaging in supply chains</li> <li>Attending trainings and workshops, trade fairs etc</li> <li>Providing comments/feedback on policies</li> <li>Sharing experience with and encouraging SMEs to engage in project implementation</li> </ul>
Potential consumers with special attention given to urban and young generations	<ul style="list-style-type: none"> <li>Awareness of green / sustainable wood and wood products</li> <li>Getting interest from the young generations to be part of the creative and skilled workforce</li> </ul>	<ul style="list-style-type: none"> <li>Many young generation consumers abuse environments non-friendly and have too much energy consuming interiors (glasses, aluminium, plastic, imported wood etc. instead of traditional and domestic wooden interiors).</li> </ul>	<ul style="list-style-type: none"> <li>Provide feedback on draft policies through interviews/need surveys.</li> <li>Contribution to better utilization of eco-friendly construction materials planted in the country.</li> </ul>	<ul style="list-style-type: none"> <li>Communication on the need to shift to the use of planted wood to replace wood-substitute composite and imported wood.</li> </ul>
<b>SECONDARY STAKEHOLDERS</b>				
Related Ministries, government department and agencies	<ul style="list-style-type: none"> <li>Actively involved in preparing policies for forestry and wood industry development</li> <li>Preparing guidance to establish and</li> </ul>	<ul style="list-style-type: none"> <li>Weak in policy tools to support domestic market development</li> <li>Lack of updated information for market trend analysis</li> <li>Limited access to overseas experience in local consumption facilitation</li> </ul>	<ul style="list-style-type: none"> <li>Sharing experience and networks to improve supply chains</li> <li>Gathering member enterprises to implement project activities.</li> <li>Providing coordination/harmonization amongst projects of the same concern.</li> </ul>	<ul style="list-style-type: none"> <li>Providing a database of information;</li> <li>Providing coordination among stakeholders with the same concerns and interests;</li> <li>Attending G2G meetings;</li> </ul>

	implement new data platforms and relevant legal requirements			<ul style="list-style-type: none"> <li>Follow up on project progress and disseminate project outputs</li> </ul>
Certification bodies	<ul style="list-style-type: none"> <li>Having on the ground producer data and providing feedback on the local forest landscape</li> <li>Providing guidance on the ever-evolving process of third party assurance</li> </ul>	<ul style="list-style-type: none"> <li>Insufficient auditors to carry out the audit process, especially for SFM</li> <li>Wrong interpretation of the standards</li> </ul>	<ul style="list-style-type: none"> <li>Ensuring the compliance of procedures and standards by third party auditing</li> <li>Bridge links between NGB and industry players</li> </ul>	<ul style="list-style-type: none"> <li>Providing first-hand data / information on the ground</li> <li>Attending training and workshops etc</li> <li>Share problems and challenges to be analysed and addressed</li> </ul>
Private sector associations	<ul style="list-style-type: none"> <li>Having a large spectrum of members</li> <li>Maintaining good cooperation with central and local authorities</li> <li>Envision enabling environ for members to expand their business</li> </ul>	<ul style="list-style-type: none"> <li>Insufficient capacity to provide services and advice to members</li> <li>Inadequate capability to connect their members and maintain a strong network</li> <li>Lacking of abilities and experience to access and develop proposals on trade promotion at the provincial level</li> <li>Lacking experience in linking business</li> <li>Lacking of resources to hold training on advanced technology and designing as well as legal requirements</li> </ul>	<ul style="list-style-type: none"> <li>To provide appropriate advisory services and updates on policies, and technologies available for timber industry development</li> <li>Experiences in mastering events on trade promotion and advertising wooden furniture</li> <li>Bridge links between wood enterprise and community timber plantation</li> <li>Develop collaboration links with relevant authorities and related associations</li> </ul>	<ul style="list-style-type: none"> <li>Connecting member companies with the project</li> <li>Leading training, seminars, technology transfer</li> <li>- Partner in the <b><u>Timber Certification Information System</u></b> formation</li> </ul>
<b>TERTIARY STAKEHOLDERS</b>				
Universities, Colleges, vocational training centers etc	Lacking facilities to attract students to study wood product designing and marketing	Lack of updated knowledge on domestic markets and wooden furniture and other wood products	<ul style="list-style-type: none"> <li>Assigning teachers and students to participate in project implementation</li> <li>Having the modality of abundant numbers and a database of project targets (urban and young generations)</li> <li>Enlarge enrolment</li> </ul>	<ul style="list-style-type: none"> <li>Leading training, seminars, and technology transfer.</li> <li>Conduct value chain analysis of woods from plantations in demonstrating provinces</li> <li>Nominating promising students to join training, contests on the best designs, and attend on-job training</li> </ul>



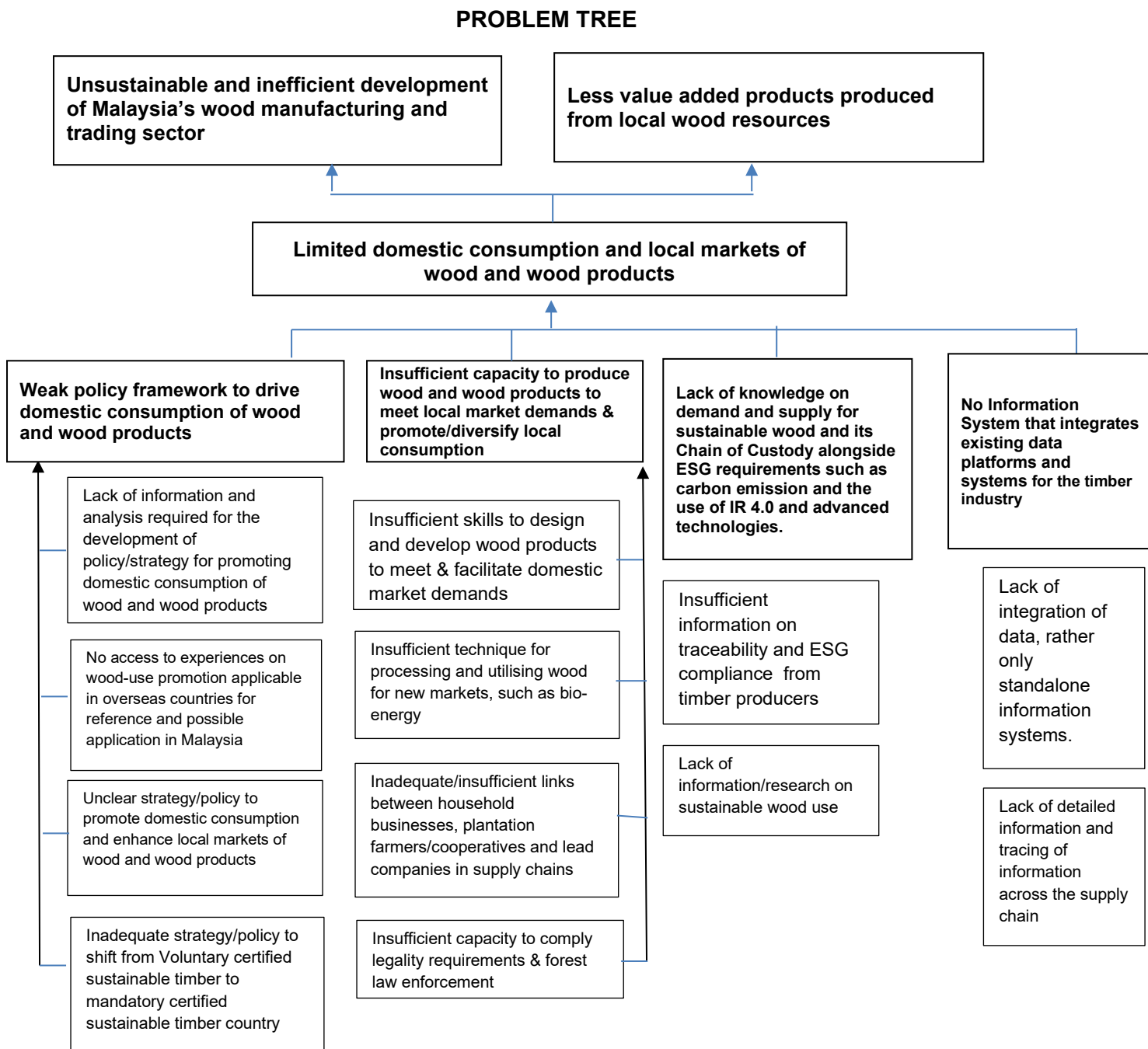
### 2.1.3 Problem Analysis

- In Malaysia, despite being a mature commodity industry, there has been a lack of comprehensive studies assessing the performance and demand for timber/wood in the domestic market, whether certified or not. Currently, there is no precise information available regarding the actual volume of timber/wood consumed by local industries and markets. This lack of information may be attributed to unreported data or data loss along the supply chain, making it difficult to analyze and determine the domestic usage of Malaysian timber/wood.
- Regarding certified timber, there are no requirements in place to record the performance of certified timber and certified timber products consumed within the Malaysian domestic market. As a result, the performance scenario for certified timber remains unknown. Therefore, despite SFM practices being implemented through MTCS certification in Malaysian forests, the level of domestic demand for certified timber products remains uncertain.
- Contrary to the maturity of the industry, Malaysia is still lacking in industrial development policies where there are inadequate or ineffective industrial development policies that can hinder the growth and productivity of the timber sector. Policies that do not support the industry's modernisation, technology adoption, or value-added processes can impede progress and limit the sector's competitiveness. The industry, particularly in certain segments like logging and wood processing, has been slow to adopt advanced technologies and automation. The high reliance on labor for production has limited the industry's ability to achieve productivity gains and reduce costs. The lack of investments in research and development, innovation, and technology upgradation has hindered the sectors 'progress.
- The labor-intensive nature of the timber industry, coupled with a shortage of skilled workers, has limited productivity growth. The sector requires a skilled workforce that possesses knowledge of modern logging practices, wood processing techniques, and machinery operation. The shortage of skilled workers has led to inefficiencies and low productivity levels.
- With a population of about 34 million and a relatively low disposable income of RM 2,023 per household in 2022, the domestic market for timber products is relatively small. As a result, 90% of the timber products that are manufactured in the country are exported, and Malaysia is among the leading exporters of various timber products globally. However, the export destination of Malaysian timber products is still focused on the traditional Organisation for Economic Co-operation and Development (OECD) markets, which are very competitive market places. With strength in commodity-type product manufacturing, Malaysian exporters are finding it difficult to compete in this marketplace and retain their profit margin. The Original Equipment Manufacturing (OEM) strategy, which accounts for 75% of the manufacturing capacity, must be reduced and shifted towards ODM and OBM strategies. This will allow Malaysian timber products to be exported to other non-traditional markets, in which the products are expected to face less competition and be more profitable.
- The Malaysian timber industry is facing increasing pressure to reduce its environmental impact and improve its ESG performance. This is due to a number of factors, including

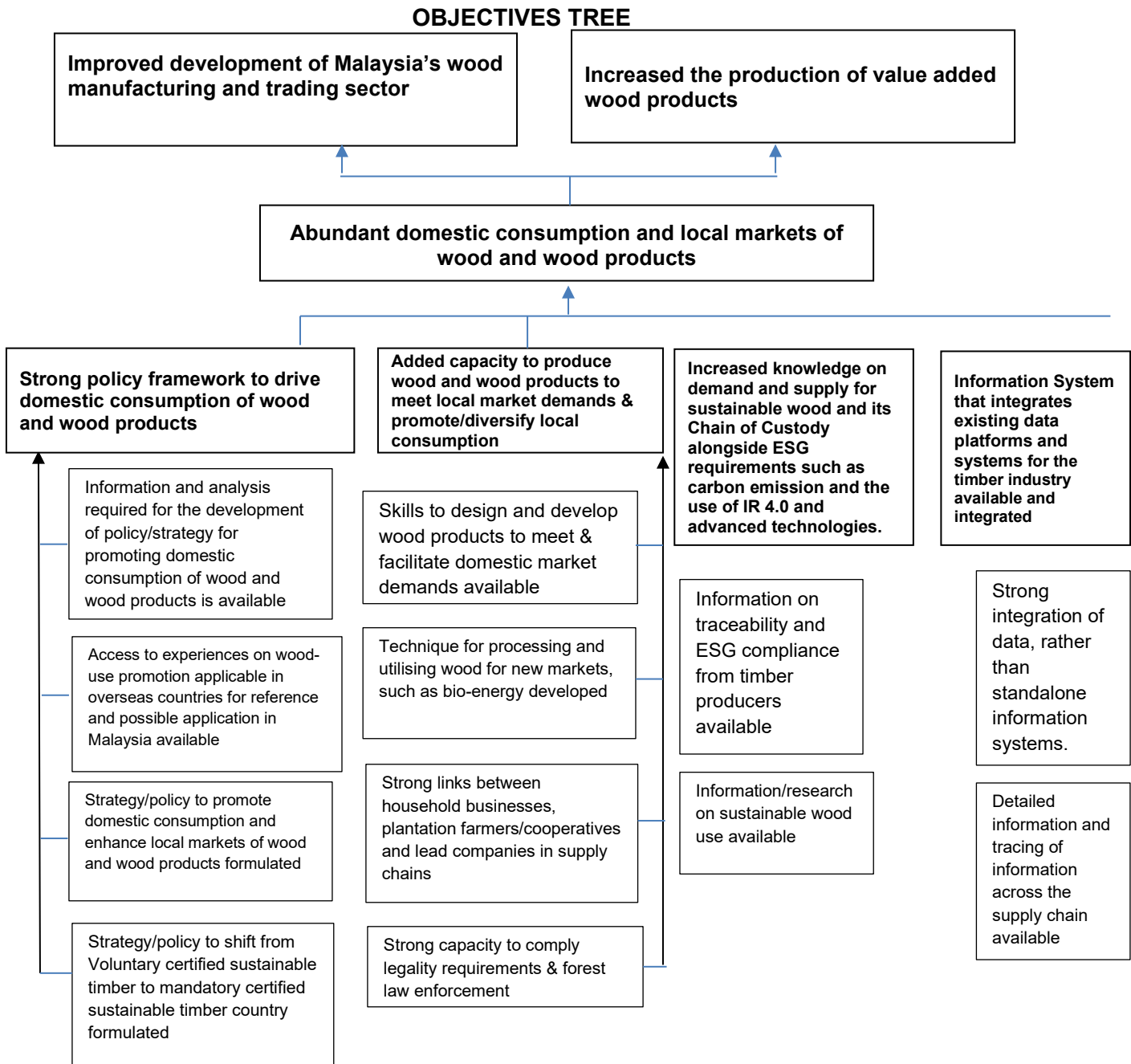
the growing awareness of the climate crisis, the increasing demand for sustainable products, and the growing influence of ESG investors. The industry can meet this challenge by implementing sustainable forestry practices and by working with stakeholders to develop and implement ESG standards.

- In light of global concerns on deforestation, the European Union has recently adopted the EUDR for implementation beginning in 2023. Under the EUDR, products from deforested areas beginning in 2020 will not be allowed into the EU. The key aspects of the requirement in the EUDR are:
  - Due diligence
  - Country risk ranking
  - Geolocation

### 2.1.4 Problem Tree



## 2.1.5 Objectives Tree



## 2.1.6. Logical Framework Matrix

Strategy of intervention	Measurable indicators	Means of verification	Key assumptions
<p><u>Development objective</u></p> <p>To provide a contribution to the sustainable and efficient development of Malaysia's wood industry</p>	<p>By the end of 2030 (5 years after project completion):</p> <ul style="list-style-type: none"> <li>- Available data on domestic wood consumption and market segmentation</li> <li>- Share of locally produced larger-size wood for value-added processing</li> <li>- The government policy in promoting domestic consumption of wood and wood products</li> <li>- The government policy in promoting certified sustainable timber and timber products</li> <li>- The government policy of making MTCS mandatory</li> <li>- A traceability platform that can adhere to the international requirement</li> </ul>	<ul style="list-style-type: none"> <li>- Data provided by all data providers</li> <li>- Reports by line ministries</li> <li>- Surveys/interviews of relevant stakeholder groups</li> </ul>	<ul style="list-style-type: none"> <li>- The policy support of the Government seeing the wood industry as a key economic sector and its determination to convert Malaysia into a certified sustainable timber producer with sustainable wood produced</li> <li>- The establishment of the Timber Certification Information System</li> </ul>
<p><u>Specific Objective</u></p> <p>To enhance and diversify domestic consumption and promote local markets of sustainable wood and wood products in Malaysia</p>	<p>By the end of the project:</p> <ul style="list-style-type: none"> <li>- Draft of policy (decision/decreed or other type of legal/binding document) related to domestic consumption of wood and wood products</li> <li>- Capacity to produce wood and wood products to meet local market demands &amp; promote local consumption strengthened</li> </ul>	<ul style="list-style-type: none"> <li>- Reports;</li> <li>- Interview results with local consumers, traders, processors</li> <li>- Number of trainees and participants attending project events</li> </ul>	<ul style="list-style-type: none"> <li>- Task force group established and motivated to work</li> </ul>
<p><u>Output 1</u></p> <p>Improved policy framework to drive domestic consumption of wood and wood products</p>	<ul style="list-style-type: none"> <li>- Current policy framework for promotion of local consumption of wood and wood products revised with recommendations for improvement</li> <li>- Experience and good practice in promoting wood use from selected countries compiled and transferred to relevant Government bodies for reference and possible application</li> <li>- Government decree/decision with policy tools to facilitate local consumption of wood products</li> </ul>	<ul style="list-style-type: none"> <li>- Reports/drafted documents</li> </ul>	<ul style="list-style-type: none"> <li>- The Government places the growth of the timber industry as one of the leading key economic sectors.</li> <li>- The Government is committed to making Malaysia a certified sustainable timber producer, with a robust value-added manufacturing of downstream products both domestically and internationally.</li> </ul>

Strategy of intervention	Measurable indicators	Means of verification	Key assumptions
<p><u>Output 2</u></p> <p>Strengthened capacity to produce wood and wood products to meet local market demands &amp; promote local consumption</p>	<ul style="list-style-type: none"> <li>- At least 40 participants selected from SMEs and lead companies joined trainings on CoC, wood business formalisation and others</li> <li>- At least, 50 urban consumers and 50 rural consumers attended training/communication campaigns on the wood use familiarization programme</li> <li>- 15 young designers and winners of contests on the best designs identified and recommended for further training</li> <li>- At least, 10 companies attended B2B matching meetings</li> <li>- At least, 3 collaborations between timber producers and manufacturers were established for the supply of raw materials.</li> <li>- Increase of wood use for housing and other structures by 10%</li> </ul>	<p>Questionnaires/ interviews</p> <ul style="list-style-type: none"> <li>- Reactions/ acceptance of entrepreneurs</li> <li>- Data on the production and marketing of value added and diversified domestic wood products.</li> </ul>	<ul style="list-style-type: none"> <li>- No major change of VPA/FLEGT</li> <li>- Universities and research institutions willing to support</li> <li>- The government committed to go further with the policy to shift to mandatory certified sustainable timber</li> </ul>
<p><u>Output 3</u></p> <p>Assessed market demands and supply for sustainable wood and its Chain of Custody with higher quality, more diverse products, fulfilling the due-diligence requirements and the commitment to ESG requirements including carbon emission and the use of IR 4.0 and advanced technologies.</p>	<ul style="list-style-type: none"> <li>- Current policy/practices on SFM revised with recommendations for improvement</li> <li>- Inclusion of requirements for due-diligence including ESG and carbon emission reading</li> </ul>	<ul style="list-style-type: none"> <li>- Reports, data , interviews, study</li> <li>- Reports by line ministries;</li> <li>- Surveys/interviews of relevant stakeholder groups</li> </ul>	<ul style="list-style-type: none"> <li>- The policy support of the Government seeing the wood industry as a key economic sector and its determination to convert Malaysia into a certified sustainable timber producer with sustainable wood produced</li> <li>- The establishment of the Timber Certification Information System</li> </ul>
<p><u>Output 4</u></p> <p>Established Timber Certification Information System that integrates existing data platforms and systems</p>	<ul style="list-style-type: none"> <li>- Prototype/system of an IT-based platform to streamline the whole process of forest management certification and CoC</li> </ul>	<ul style="list-style-type: none"> <li>- Reports, data , interviews, study</li> <li>- Reports by line ministries;</li> <li>- Surveys/interviews of relevant stakeholder groups</li> </ul>	<ul style="list-style-type: none"> <li>- The government committed to go further with the policy to shift to mandatory certified sustainable timber</li> </ul>

## 2.2 Objective

### 2.2.1 Development Objective and Impact Indicators

- According to the NTISP, it is to transform the Malaysian timber industry into a high-value, sustainable, and competitive industry. The NTISP sets out five strategic thrusts:
  - Raw Material and Industry Sustainability. This thrust aims to ensure a sustainable supply of timber and timber products, as well as to promote the use of SFM practices.
  - Human Capital and Productivity. This thrust aims to develop a skilled and productive workforce, as well as to promote innovation and technology adoption in the timber industry.
  - Bumiputera Participation. This thrust aims to increase Bumiputera's participation in the timber industry, both in terms of ownership and employment.
  - Market Development. This thrust aims to expand the market for Malaysian timber and timber products, both domestically and internationally.
  - Technology, Innovation, and Industry Support. This thrust aims to promote the use of technology and innovation in the timber industry, as well as to provide support to the industry through various initiatives such as research and development, training, and marketing.

The NTISP is a comprehensive plan that aims to address the challenges and opportunities facing the Malaysian timber industry. The plan is aligned with the government's National Transformation Programme (NTP) and the Shared Prosperity Vision 2030 (SPV 2030). The NTISP is a key initiative in the government's efforts to transform the Malaysian economy into a high-income, knowledge-based economy.

- The National Forestry Policy 2020 (NFP 2020) is a policy document that outlines the Malaysian government's vision for the management and conservation of forests in Malaysia. The NFP 2020 was adopted by the National Land Council in February 2021 and replaces the National Forestry Policy 1978 (Revised 1992). Some key points from the NFP 2020 are:
  - Forests will be managed in a sustainable manner to ensure that they continue to provide a range of benefits, including timber, water, biodiversity, and recreation.
  - The wood-based industry will be developed and expanded to create jobs and generate income.
  - Ecotourism will be promoted to encourage people to visit forests and learn about their importance.
  - The capacity of government agencies and local communities to manage forests will be strengthened.

The development objective of the proposed project is **to contribute to the sustainable and efficient development of Malaysia's wood industry.**

#### **Impact Indicators:**

By the end of 2030, 5 years after project completion:

- Available data on domestic wood consumption and market segmentation
- Share of locally produced larger-size wood for value-added processing
- The government policy in promoting domestic consumption of wood and wood products

- The government policy in promoting certified sustainable timber and timber products
- The government policy of making MTCS mandatory
- A traceability platform that can adhere to the international requirement
- In addition, as a country that has a certification standard for timber i.e. MTCS, it is also envisioned by the government of Malaysia to make the certification mandatory by phased-approached by 2030 towards achieving a legal and sustainable supply chain.

### **2.2.2 Specific Objective and Outcome Indicators**

To enhance and diversify domestic consumption and promote local markets of sustainable wood and wood products in Malaysia.

Outcome Indicators:

- Implementation of timber legality assurance system for wood based products for both the domestic and export markets by 2030;
- encourage the use of up to 50 percent timber harvested from forest plantations in the production of furniture products;
- Exports of value added timber products of up to 70 percent by 2030;
- Annual competition focusing on new and innovative designs for timber products and reduced use of timber; and
- Annual technology transfer Seminars aimed at enhancing productivity and cost reduction.

## **PART III: DESCRIPTION OF PROJECT INTERVENTIONS**

### **3.1 Outputs and Activities**

#### **3.1.1 Outputs**

##### **Output 1: Improved policy framework to drive domestic consumption of wood and wood products**

###### **Indicators:**

- Current policy framework for promotion of local consumption of wood and wood products revised with recommendations for improvement
- Experience and good practice in promoting wood use from selected countries compiled and transferred to relevant Government bodies for reference and possible application
- Government decree/decision with policy tools to facilitate local consumption of wood products

##### **Output 2: Strengthened capacity to produce wood and wood products to meet local market demands & promote local consumption**

###### **Indicators:**

- At least 40 participants selected from SMEs and lead companies joined trainings on CoC, wood business formalisation and others
- At least, 50 urban consumers and 50 rural consumers attended training/communication campaigns on the wood use familiarization programme
- 15 young designers and winners of contests on the best designs identified and recommended for further training
- At least, 10 companies attended B2B matching meetings
- At least, 3 collaborations between timber producers and manufacturers were established for the supply of raw materials
- Increase of wood use for housing and other structures by 10%

##### **Output 3: Assessed the market demands and supply for sustainable wood and its Chain of Custody with higher quality, more diverse products, fulfilling the due-diligence requirements and the commitment to ESG requirements including carbon emission and the use of IR 4.0 and advanced technologies**

###### **Indicators:**

- Current policy/practices on SFM revised with recommendations for improvement
- Inclusion of requirements for due-diligence including ESG and carbon emission reading

##### **Output 4: Established Timber Certification Information System (TCIS) that integrates existing data platforms and systems**

- Prototype/system of an IT-based platform to streamline the whole process of forest management certification and CoC



### 3.1.2 Activities

#### **Output 1: Improved policy framework to drive domestic consumption of wood and wood products**

- Activity 1.1 Overview of policies on promoting the domestic market of wood and wood products (desk studies and surveys of selected provinces and arrange workshops to collect feedback) to produce policy recommendations
- Activity 1.2 Prepare papers to discuss and promote domestic consumption of wood and wood products and consult with relevant stakeholder groups to get feedback.
- Activity 1.3 Develop strategy/policy to shift from voluntary certified sustainable timber to mandatory certified sustainable timber by phased-approach

#### **Output 2: Strengthened capacity to produce wood and wood products to meet local market demands & promote local consumption**

- Activity 2.1 Improve awareness among the consumers and youth generation on sustainable wood use and certified sustainable wood production in Malaysia by organizing a forest tour, & woodworking workshops
- Activity 2.2 Improve awareness among the industry players on sustainable and certified sustainable wood production in Malaysia by conducting presentations on the importance of certification systems, and opportunities for consumers to meet forest-related entrepreneurs and landowners. Besides that, we can produce brochures, and info-graphics materials that can be disseminated during the programs and through social media
- Activity 2.3 Promote partnerships between plantation-farmer co-ops and lead companies (processors and traders) to consolidate supply chains and incentivize larger-size wood production
- Activity 2.4 Upgrade the capacity of stakeholders to comply with legality requirements & forest law enforcement

#### **Output 3: Assessed market demands and supply for sustainable wood and its Chain of Custody with higher quality, more diverse products, fulfilling the due-diligence requirements and the commitment to ESG requirements including carbon emission and the use of IR 4.0 and advanced technologies**

- Activity 3.1 Overview of market demand and supply through its market access, market requirements and market trends
- Activity 3.2 Analyse the policies and practices of the key players / stakeholders in complying with market demands and usage of IR4.0 and advanced technologies

## **Output 4: Established Timber Certification Information System (TCIS) that integrates existing data platforms and systems**

- Activity 4.1 Facilitate stakeholder engagements with data providers
- Activity 4.2 Developing measurable indicators for the TCIS
- Activity 4.3 Establishment of appropriate TCIS

### **3.2 Implementation Approaches and Methods**

To promote sustainable wood and wood products in the domestic market of Malaysia, the project will deal with wider stakeholder groups, such as: policy makers/administrative bodies; researchers; academia; producers/suppliers; and consumers, with special attention to urban consumers. While dealing with these groups, gender inclusion will be practised by giving priority to women as the most targeted beneficiaries. To facilitate stakeholder groups to work toward achieving the project objective, the following approaches/strategies will be applied:

- Participatory approach with intensive consultations to engage relevant parties: In particular, consultations and in-depth interviews, either offline or online, will be held to review the current situation of domestic consumption and the policies currently applied so that the policy/institution, as well as capacity gaps, could be properly investigated and discovered. In this way, the results of reviewing Malaysian policies and experiences available from selected countries will be widely circulated for reference and feedback. The participatory approach is also very important for the formulation of a decree/decision on promoting domestic consumption. Whenever appropriate, the project will facilitate dialogues/debates between policy makers and practitioners to verify project findings/recommendations and translate them into policies/policy tools.
- Integration of ongoing initiatives/processes toward sustainable development of Malaysia's timber industry as this sector is at a very dynamic stage of development and there are many ongoing initiatives/processes toward sustainable development of the sector. In this regard, the project will utilize every national event/forum on similar topics to inform project objectives and activities and update project progress.
- With the capacity building component, the project will play the role of a facilitator using existing platforms and networks of MTCC. In particular, the project will facilitate cross visits of plantation farmer co-ops/MSMEs to lead companies and vice versa, B2B matching meetings, producer/supplier and consumer dialogues, partnerships/contracts between acacia growing farmers and manufacturers for extended cutting cycle etc. Efforts will also be made by the project to link universities/research institutions and member companies in activities related to capacity building programs and the development of TCIS.
- Maximum use of mass media means raising awareness on sustainable domestic consumption of wood and wood products.
- Gender inclusion will be practised by equal priority of project interventions to women to join the project activities. All aspects of the Gender Equality and the Empowerment of Women (GEEW) and Environmental and Social Management (ESM) Guidelines will be prioritized in the course of the project execution and policy preparation.

### 3.3. Work Plan

Outputs/Activities	Responsible agencies	Y 1	Y2				Y 3
		Q4	Q1	Q2	Q3	Q4	Q1
<b>Output 1:</b> <b>Improved policy framework to drive domestic consumption of wood and wood products</b>							
Activity 1.1: Overview of policies on promoting the domestic market of wood and wood products (desk studies and surveys of selected provinces and arrange workshops to collect feedback) to produce policy recommendations	MTCC, MPC	x					
Activity 1.2: Prepare papers to discuss and promote domestic consumption of wood and wood products and consultations with relevant stakeholder groups to get feedback	MTCC, MPC and local consultants		X	x	x	X	
Activity 1.3: Develop a strategy/policy to shift from voluntary certified sustainable timber to mandatory certified sustainable timber by phased- approach	MTCC, MPC and local consultants		X	X	X	X	
<b>Output 2: Strengthened capacity to produce wood and wood products to meet local market demands &amp; promote local consumption</b>							
Activity 2.1: Improve awareness among the consumers and youth generation on sustainable wood use and certified sustainable wood production in Malaysia by organizing a forest tour, & woodworking workshops	MTCC, MTC, MTIB and local associations		x	x	x		
Activity 2.2: Improve awareness among the industry players on sustainable and certified sustainable wood production in Malaysia by conducting presentations on the importance of certification systems, and opportunities for consumers to meet forest-related entrepreneurs and landowners. Besides that, we can produce brochures, info-graphics materials that can be disseminated during the programs and through social media	MTCC, MTC, MTIB and local associations		x	x	x		
Activity 2.3: Promote partnerships between plantation-farmer co-ops and lead companies (processors and traders) to consolidate supply chains and incentivize larger-size wood production	MTCC, MTC, MTIB and local associations	x		x	x	x	
Activity 2.4: Upgrade the capacity of stakeholders to comply with legality requirements & forest law enforcement	MTCC and local consultants		x	x		x	

Outputs/Activities	Responsible agencies	Y 1	Y2				Y 3
		Q4	Q1	Q2	Q3	Q4	Q1
<b>Output 3: Assessed market demands and supply for sustainable wood and its Chain of Custody with higher quality, more diverse products, fulfilling the due-diligence requirements and the commitment to ESG requirements including carbon emission and the use of IR 4.0 and advanced technologies</b>							
Activity 3.1: Overview of market demand and supply through its market access, market requirements and market trends	MTCC, MTC, MTIB and local consultants	X	X				
Activity 3.2: Analyse the policies and practices of the key players / stakeholders in complying with market demands and usage of IR4.0 and advanced technologies	MTCC local consultants		X	X	X		
<b>Output 4: Establishment of TCIS that integrates existing data platforms and systems</b>							
Activities 4.1: Facilitate stakeholder engagements with data providers	MTCC, MPC and local consultants	X	X				
Activities 4.2: Developing measurable indicators of user requirements for the TCIS	MTCC, MPC and local consultants				X	X	
Activities 4.3: Establishment of appropriate TCIS	MTCC, MPC and local consultants				X	X	X

### 3.4 Budget

#### 3.4.1 Master Budget

Outputs/ Activities	Description	Budget Component	Quantity			Units	Unit cost in US\$	Total cost in US\$	ITTO			MTCC		
			Year 1 (Q4)	Year 2	Year 3 (Q1)				Year 1 (Q4)	Year 2	Year 3 (Q1)	Year 1 (Q4)	Year 2	Year 3 (Q1)
	<b>Common Expenses of Project</b>													
	Project Coordinator	<b>11</b>	3	12	3	Person-month	800	14,400	2,400	9,600	2,400			
	Secretary	<b>12</b>	3	12	3	Person-month	400	7,200	1,200	4,800	1,200			
	Accountant	<b>13</b>	3	12	3	Person-month	500	9,000	1,500	6,000	1,500			
	Auditing expense	65	1	1	1	Unit	3,000	9,000	3,000	3,000	3,000			
	International travel costs	33		1		Unit	5,000	5000		5,000				
	Computer equipment	41	1	1	0	Unit	500	1,000	500	500	-			
	<b>Online meeting platform</b>	<b>54</b>	3	12	3	Unit	<b>77</b>	<b>1,386</b>				<b>231</b>	<b>924</b>	<b>231</b>
	Conclusion workshop	62	0	0	1	Unit	2,000	2,000			2,000			
	Maintenance and repairing and printing, etc	42	3	12	3	Person-month	100	1,800	300	1,200	300			
	<b>EA focal point</b>	<b>14</b>	<b>3</b>	<b>12</b>	<b>3</b>	<b>Person-month</b>	<b>1,471</b>	<b>26,478</b>				<b>4,413</b>	<b>17,652</b>	<b>4,413</b>
	<b>Desk officer</b>	<b>15</b>	<b>3</b>	<b>12</b>	<b>3</b>	<b>Person-month</b>	<b>1,025</b>	<b>18,450</b>				<b>3,075</b>	<b>12,300</b>	<b>3,075</b>
	<b>Accountant II</b>	<b>16</b>	<b>3</b>	<b>12</b>	<b>3</b>	<b>Person-month</b>	<b>1,753</b>	<b>31,554</b>				<b>5,259</b>	<b>21,036</b>	<b>5,259</b>
	<b>Office in the main city</b>	<b>43</b>	<b>3</b>	<b>12</b>	<b>3</b>	<b>Unit</b>	<b>20</b>	<b>360</b>				<b>60</b>	<b>240</b>	<b>60</b>
	<b>Rented office space</b>	<b>44</b>	<b>3</b>	<b>12</b>	<b>3</b>	<b>Unit</b>	<b>84</b>	<b>1,512</b>				<b>252</b>	<b>1,008</b>	<b>252</b>
<b>Output 1</b>	<b>Improved policy framework to drive domestic consumption of wood and wood products</b>													
A1.1	<i>Overview of policies on promoting the domestic market of wood and wood products (desk studies and surveys of selected provinces and arranging workshops to collect feedback) to produce policy recommendations</i>													
	Local consultant study of Malaysia's wood use policy	<b>17</b>	30	-	-	Participant-day	100	3,000	3,000	-	-	-	-	-
	<b>Printing</b>	<b>53</b>	0	0	1	Unit	<b>188</b>	<b>188</b>	-	-	-	-	-	<b>188</b>

Outputs/ Activities	Description	Budget Component	Quantity			Units	Unit cost in US\$	Total cost in US\$	ITTO			MTCC		
			Year 1 (Q4)	Year 2	Year 3 (Q1)				Year 1 (Q4)	Year 2	Year 3 (Q1)	Year 1 (Q4)	Year 2	Year 3 (Q1)
A1.2	<i>Prepare papers to discuss and promote domestic consumption of wood and wood products and consultations with relevant stakeholder groups to get feedback</i>													
	Consultations with local staff and associations	21	5	10	-	Participant	100	1,500	500	1,000	-	-	-	-
	Local transport & accommodation costs	32	<u>3</u>	4	<u>3</u>	Participant-day	500	<u>5,000</u>	-	-	-	<u>1,500</u>	<u>2,000</u>	<u>1,500</u>
	DSA National experts/ consultants	31.1	10	5	-	Participant	100	1,500	1,000	500	-	-	-	-
A1.3	<i>Develop a strategy/policy to shift from voluntary certified sustainable timber to mandatory certified sustainable timber by a phased- approach</i>													
	Consultations with universities and institutions	22	5	5	-	Participant	100	1,000	500	500	-	-	-	-
	Local transport & accommodation costs	32	<u>4</u>	<u>4</u>	-	Participant-day	500	<u>4,000</u>	-	-	-	<u>2,000</u>	<u>2,000</u>	-
	DSA National experts/ consultants	31.1	10	15	-	Participant	100	2,700	1,150	1,550	-	-	-	-
	Training	61	-	1	-	Workshop	1,000	1,000	-	1,000	-	-	-	-
<b>Output 2</b>	<b>Strengthened capacity to produce wood and wood products to meet local market demands &amp; promote local consumption</b>													
A2.1	Improve awareness among the consumers and youth generation on sustainable wood use and certified sustainable wood production in Malaysia by organizing a forest tour, & woodworking workshops													
	Consultations with universities and institutions	22	5	5	5	Participant	100	1,500	500	500	500	-	-	-
	Training	61	1	1	-	Workshop	1,000	2,000	1,000	1,000	-	-	-	-
	Contest	63	-	1	1	Unit	2,500	5,000	-	2,500	2,500	-	-	-
	Demonstration of wooden houses	52	-	-	1	Unit	5,000	5,000	-	-	5,000	-	-	-
	Local transport <b>&amp; accommodation</b> costs	32	1	2	1	Participant	500	2,000	500	1,000	500	-	-	-
	<b>Printing</b>	<u>53</u>	1	1	1	Unit	1,500	<u>3,142</u>	450	500	500	<u>188</u>	<u>1,128</u>	<u>376</u>
	Information, media, publications and project meetings	64	-	2	2	Unit	500	<u>2,000</u>	-	1,000	1,000	-	-	-
A2.2	Improve awareness among the industry players on the sustainable and certified sustainable wood production in Malaysia by conducting presentations on the importance of certification systems, and opportunities for consumers to meet forest-related entrepreneurs and landowners. Besides that, we can produce brochures, info-graphics materials that can be disseminated during the programs and through social media													

Outputs/ Activities	Description	Budget Component	Quantity			Units	Unit cost in US\$	Total cost in US\$	ITTO			MTCC		
			Year 1 (Q4)	Year 2	Year 3 (Q1)				Year 1 (Q4)	Year 2	Year 3 (Q1)	Year 1 (Q4)	Year 2	Year 3 (Q1)
	Consultations with universities and institutions	22	5	5	-	Participant-day	100	1,000	500	500	-	-	-	-
	Local transport <b>&amp; accommodation</b> costs	32	2	3	-	Participant-day	500	2,500	1,000	1,500	-	-	-	-
	<b>Printing</b>	<b>53</b>	1	1	-	Unit	1,500	<b>2,504</b>	500	500	-	<b>376</b>	<b>1,128</b>	-
	Information, media, publications and project meetings	64	3	3	3	Unit	500	4,500	1,500	1,500	1,500	-	-	-
A 2.3	Promote partnerships between plantation-farmer co-ops and lead companies (processors and traders) to consolidate supply chains and incentivize larger-size wood production													
	Training	61	-	1	-	Workshop	1,000	1,000	-	1,000	-	-	-	-
	Consultations with local staff and associations	21	-	15	5	Participant-day	100	2,000	-	1,500	500	-	-	-
	DSA National experts/ consultants	31.1	-	10	5	Day	100	1,500	-	1,000	500	-	-	-
	Local transport <b>and accommodation cost</b>	32	-	3	2	Participant-day	500	2,500	-	1,500	1,000	-	-	-
	Information, media, publications and project meetings	64	-	5	2	Unit	500	<b>2,500</b>	-	1,500	1,000	-	-	-
A 2.4	<i>Upgrade the capacity of stakeholders to comply with legality requirements &amp; forest law enforcement</i>													
	Training	61	-	2	1	Workshop	1,000	3,000	-	2,000	1,000	-	-	-
	Materials	51	-	1	1	Unit	500	1,000	-	500	500	-	-	-
	Local transport and accommodation cost	32	-	10	5	Participant-day	500	7,500	-	5,000	2,500	-	-	-
<b>Output 3</b>	<b>Assessed market demands and supply for sustainable wood and its Chain of Custody with higher quality, more diverse products, fulfilling the due-diligence requirements and the commitment to ESG requirements including carbon emission and the use of IR 4.0 and advanced technologies</b>													
A3.1	Overview of market demand and supply through its market access, market requirements and market trends													
	Study/Survey on the demand for Certified Wood Products, ESG Compliance & Investors' expectations for Timber Companies.	25	30	10	-	Participant-day	100	4,000	3,000	1,000	-	-	-	-
	Materials	51	-	1	-	Report	3,500	3,500	-	3,500	-	-	-	-

Outputs/ Activities	Description	Budget Component	Quantity			Units	Unit cost in US\$	Total cost in US\$	ITTO			MTCC		
			Year 1 (Q4)	Year 2	Year 3 (Q1)				Year 1 (Q4)	Year 2	Year 3 (Q1)	Year 1 (Q4)	Year 2	Year 3 (Q1)
	Information, media, publications and project meetings	64	-	2	2	Unit	500	2,000	-	1,000	1,000	-	-	-
A 3.2	Analyse the policies and practices of the key players / stakeholders in complying with market demands and usage of IR4.0 and advanced technologies													
	Consultations with local players and associations	23	-	10	-	Participant-day	100	1,000	-	1,000	-	-	-	-
	Materials	51	-	-	1	Unit	3,500	3,500	-	-	3,500	-	-	-
	Local transport & accommodation costs	32	-	10	5	Participant-day	500	7,500	-	5,000	2,500	-	-	-
	Information, media, publications and project meetings	64		10	5	Participation day	500	7,500	-	5,000	2,500	-	-	-
<b>Output 4</b>	<b>Establishment of TCIS that integrates existing data platforms and systems</b>													
A4.1	Facilitate stakeholder engagements with data providers													
	Consultations with relevant government bodies & agencies	24	15	15	-	Participant-day	100	3,000	1,500	1,500	-	-	-	-
	Materials	51	0	1	-	Unit	3,000	3,000	-	3,000	-	-	-	-
	Local transport & accommodation costs	32	2	2	-	Unit	500	2,000	1,000	1,000	-	-	-	-
A4.2	Developing measurable indicators of user requirements for the TCIS													
	Consultations with relevant government bodies & agencies	24	10	10	-	Participant-day	100	2,000	1,000	1,000	-	-	-	-
	Consultations with local staff and associations	21	10	10	-	Participant-day	100	2,000	1,000	1,000	-	-	-	-
	Local transport & accommodation costs	32	4	4	-	Participant-day	500	4,000	2,000	2,000	-	-	-	-
	DSA National experts/ consultants	31.1	10	10	-	Participant-day	100	2,000	1,000	1,000	-	-	-	-



Outputs/ Activities	Description	Budget Component	Quantity			Units	Unit cost in US\$	Total cost in US\$	ITTO			MTCC		
			Year 1 (Q4)	Year 2	Year 3 (Q1)				Year 1 (Q4)	Year 2	Year 3 (Q1)	Year 1 (Q4)	Year 2	Year 3 (Q1)
A4.3	Establishment of appropriate TCIS													
	Development of TCIS Backend	66	30	100	-	Participant-day	50	6,500	1,500	5,000	-	-	-	-
	Development of TCIS Front end	67	-	100	-	Participant-day	50	5,000	-	5,000	-	-	-	-
	Integration & User Acceptance Testing	68	-	15	5	Participant-day	50	1,000	-	750	250	-	-	-
	Training of TCIS System	61	-	-	1	Workshop	3,000	3,000	-	-	3,000	-	-	-

### 3.4.2 Consolidated Budget

Category	Description	Total	Year 1 (Q4)	Year 2	Year 3 (Q1)
<b>10.</b>	<b>Project Personnel</b>				
	<b>11.</b> Project Coordinator	14,400	2,400	9,600	2,400
	<b>12.</b> Secretary	7,200	1,200	4,800	1,200
	<b>13.</b> Accountant I	9,000	1,500	6,000	1,500
	<b>14.</b> <b>EA focal point</b>	<b>26,478</b>	<b>4,413</b>	<b>17,652</b>	<b>4,413</b>
	<b>15.</b> <b>Desk officer</b>	<b>18,450</b>	<b>3,075</b>	<b>12,300</b>	<b>3,075</b>
	<b>16.</b> <b>Accountant II</b>	<b>31,554</b>	<b>5,259</b>	<b>21,036</b>	<b>5,259</b>
	<b>17.</b> Local consultant study of Malaysia's wood use policy	3,000	3,000	-	-
	<b>19.</b> <b>Sub total</b>	<b>110,082</b>	<b>20,847</b>	<b>71,388</b>	<b>17,847</b>
<b>20.</b>	<b>Sub contracts</b>				
	21. Consultations with local staff and associations	5,500	1,500	3,500	500
	22. Consultations with universities and institutions	3,500	1,500	1,500	500
	23. Consultations with local players and association	1,000	-	1,000	-
	24. Consultations with relevant government bodies and agencies	5,000	2,500	2,500	-
	25. Study/Survey on the demand for Certified Wood Products, ESG Compliance & Investors' expectations for Timber Companies.	4,000	3,000	1,000	-
	<b>29.</b> <b>Sub total</b>	<b>19,000</b>	<b>8,500</b>	<b>9,500</b>	<b>1,000</b>
<b>30.</b>	<b>Duty travel</b>				
	31. Daily subsistence allowance				
	31.1 DSA National experts/consultants	7,700	3,150	4,050	500
	32. Local transport and accommodation costs	<b>37,000</b>	<b>8,000</b>	<b>21,000</b>	<b>8,000</b>
	33. International travel costs	5,000		5,000	
	<b>39.</b> <b>Sub total</b>	<b>49,700</b>	<b>11,150</b>	<b>30,050</b>	<b>8,500</b>
<b>40.</b>	<b>Capital items</b>				
	41. Computer equipment	1,000	500	500	-
	42. Maintenance and repairing and printing, etc	1,800	300	1,200	300
	43. Office in the main city	360	60	240	60
	<b>44.</b> <b>Rented office space</b>	<b>1,512</b>	<b>252</b>	<b>1,008</b>	<b>252</b>
	<b>49.</b> <b>Sub total</b>	<b>4,672</b>	<b>1,112</b>	<b>2,948</b>	<b>612</b>
<b>50.</b>	<b>Consumable items</b>				
	51. Materials	<b>13,450</b>	<b>950</b>	<b>8,000</b>	<b>4,500</b>
	52. Demonstration of wooden houses	5,000	-	-	5,000
	53. <b>Printing</b>	<b>3,384</b>	<b>564</b>	<b>2,256</b>	<b>564</b>
	<b>54.</b> <b>Online meeting platform</b>	<b>1,386</b>	<b>231</b>	<b>924</b>	<b>231</b>
	<b>59.</b> <b>Sub total</b>	<b>23,220</b>	<b>1,745</b>	<b>11,180</b>	<b>10,295</b>

<b>60.</b>	<b>Miscellaneous</b>					
	61.	Training	10,000	1,000	5,000	4,000
	62.	Conclusion workshop	2,000	-	-	2,000
	63.	Contest	5,000	-	2,500	2,500
	64.	Information, media, publications and project meetings	<b>18,500</b>	1,500	<b>10,000</b>	<b>7,000</b>
	65.	Auditing expense	9,000	3,000	3,000	3,000
	66.	Development of TCIS Backend	6,500	1,500	5,000	-
	67.	Development of TCIS Frontend	5,000	-	5,000	
	68.	Integration & User Acceptance Testing	1,000	-	750	250
	<b>69.</b>	<b>Sub total</b>	<b>57,000</b>	<b>7,000</b>	<b>31,250</b>	<b>18,750</b>
<b>70.</b>		<b>Total Project</b>	<b>263,674</b>	<b>50,354</b>	<b>156,316</b>	<b>57,004</b>
<b>80.</b>	<b>Project monitoring and administration</b>					
	81.	ITTO monitoring & review	<b>17,814</b>			
	82.	ITTO mid-term evaluation	0			
	83.	ITTO ex-post evaluation	0			
	84.	ITTO program support costs (70+81+82) *12%	<b>22,724</b>			
	<b>89.</b>	<b>Subtotal</b>	<b>40,538</b>			
<b>100.</b>	<b>GRAND TOTAL</b>		<b>304,212</b>			

### 3.4.3 ITTO Budget by Component

Category	Description	Total	Year 1 (Q4)	Year 2	Year 3 (Q1)	
<b>10.</b>	<b>Project Personnel</b>					
	<b>11.</b>	Project Coordinator	14,400	2,400	9,600	2,400
	<b>12.</b>	Secretary	7,200	1,200	4,800	1,200
	<b>13.</b>	Accountant	9,000	1,500	6,000	1,500
	<b>17.</b>	Local consultant study of Malaysia's wood use policy	3,000	3,000	-	-
	<b>19.</b>	<b>Sub total</b>	<b>33,600</b>	<b>8,100</b>	<b>20,400</b>	<b>5,100</b>
<b>20.</b>	<b>Sub contracts</b>					
	21.	Consultations with local staff and associations	5,500	1,500	3,500	500
	22.	Consultations with universities and institutions	3,500	1,500	1,500	500
	23.	Consultations with local players and association	1,000	-	1,000	-
	24.	Consultations with relevant government bodies and agencies	5,000	2,500	2,500	-
	25.	Study/Survey on the demand for Certified Wood Products, ESG Compliance & Investors' expectations for Timber Companies.	4,000	3,000	1,000	-
	<b>29.</b>	<b>Sub total</b>	<b>19,000</b>	<b>8,500</b>	<b>9,500</b>	<b>1,000</b>

Category	Description		Total	Year 1 (Q4)	Year 2	Year 3 (Q1)
<b>30.</b>	<b>Duty travel</b>					
	31.	Daily subsistence allowance				
		31.1 DSA National experts/ consultants	7,700	3,150	4,050	500
	32.	Local transport and accommodation costs	28,000	4,500	17,000	6,500
	33.	International travel costs	5000		5,000	
	<b>39.</b>	<b>Sub total</b>	<b>40,700</b>	<b>7,650</b>	<b>26,050</b>	<b>7,000</b>
<b>40.</b>	<b>Capital items</b>					
	41.	Computer equipment	1,000	500	500	-
	42.	Maintenance and repairing and printing, etc	1,800	300	1,200	300
	<b>49.</b>	<b>Sub total</b>	<b>2,800</b>	<b>800</b>	<b>1,700</b>	<b>300</b>
<b>50.</b>	<b>Consumable items</b>					
	51.	Materials	13,450	950	8,000	4,500
	52.	Demonstration of wooden houses	5,000	-	-	5,000
	<b>59.</b>	<b>Sub total</b>	<b>18,450</b>	<b>950</b>	<b>8,000</b>	<b>9,500</b>
<b>60.</b>	<b>Miscellaneous</b>					
	61.	Training	10,000	1,000	5,000	4,000
	62.	Conclusion workshop	2,000	-	-	2,000
	63.	Contest	5,000	-	2,500	2,500
	64.	Information, media, publications and project meetings	18,500	1,500	10,000	7,000
	65.	Auditing expense	9,000	3,000	3,000	3,000
	66.	Development of TCIS Backend	6,500	1,500	5,000	-
	67.	Development of TCIS Frontend	5,000	-	5,000	
	68.	Integration & User Acceptance Testing	1,000	-	750	250
	<b>69.</b>	<b>Sub total</b>	<b>57,000</b>	<b>7,000</b>	<b>31,250</b>	<b>18,750</b>
<b>70.</b>		<b>Total Project</b>	<b>171,550</b>	<b>33,000</b>	<b>96,900</b>	<b>41,650</b>
<b>80.</b>	<b>Project monitoring and administration</b>					
	81.	ITTO monitoring & review	<u>17,814</u>			
	82.	ITTO ex-post evaluation	0			
	83.	ITTO program support costs (70+81+82) *12%	<u>22,724</u>			
	<b>89.</b>	<b>Subtotal</b>	<u><b>40,538</b></u>			
<b>100.</b>	<b>GRAND TOTAL</b>		<u><b>212,088</b></u>			

#### 3.4.4 EA Budget by Component - Contribution in Kind (GoM)

Category	Description	Total (USD)	Year 1 (Q4)	Year 2	Year 3 (Q1)
<b>10</b>	<b>Personnel</b>				
	<u>14</u> EA focal point	<u>26,478</u>	<u>4,413</u>	<u>17,652</u>	<u>4,413</u>
	<u>15</u> Desk officer	<u>18,450</u>	<u>3,075</u>	<u>12,300</u>	<u>3,075</u>
	<u>16</u> Accountant II	<u>31,554</u>	<u>5,259</u>	<u>21,036</u>	<u>5,259</u>
	<u>19</u> <b>Subtotal</b>	<u><b>76,482</b></u>	<u><b>12,747</b></u>	<u><b>50,988</b></u>	<u><b>12,747</b></u>

<b>30.</b>	<b><i>Duty travel</i></b>				
<u>32</u>	<u>Local transport &amp; accommodation costs</u>	<u>9,000</u>	<u>3,500</u>	<u>4,000</u>	<u>1,500</u>
<b>39</b>	<b>Subtotal</b>	<b>9,000</b>	<b>3,500</b>	<b>4,000</b>	<b>1,500</b>
<b>40.</b>	<b><i>Capital items</i></b>				
<u>43</u>	<u>Office in the main city</u>	<u>360</u>	<u>60</u>	<u>240</u>	<u>60</u>
<u>44</u>	<u>Rented office space</u>	<u>1,512</u>	<u>252</u>	<u>1,008</u>	<u>252</u>
<b>49</b>	<b>Subtotal</b>	<b>1,872</b>	<b>312</b>	<b>1,248</b>	<b>312</b>
<b>50.</b>	<b><i>Consumable items</i></b>				
<u>53</u>	<u>Printing</u>	<u>3,384</u>	<u>564</u>	<u>2,256</u>	<u>564</u>
<u>54</u>	<u>Online meeting platform</u>	<u>1,386</u>	<u>231</u>	<u>924</u>	<u>231</u>
<b>59</b>	<b>Subtotal</b>	<b>4,770</b>	<b>795</b>	<b>3,180</b>	<b>795</b>
<b>GRAND TOTAL</b>		<b>92,124</b>			

### 3.5 Assumptions, Risks, Sustainability

#### 3.5.1 Assumptions and Risks

The success of the project will depend on influencing factors during the implementation of the project's activities. The most important assumption is that the COVID-19 pandemic is under control so that all planned activities can be started in time without significant disturbances. In case the pandemic continues, most of the project activities that are related to office review of existing policies on the promotion of wood use and local market of wood and wood products, setting up policy task force/national committees as well as serious start-up meetings and consultations will be done virtually using online tools. Except for limited demonstrations/pilots to test the potential diversification of wood used in local markets, many events surrounding capacity building will be done online.

Other assumptions to ensure the project's success are the commitments and motivations of relevant stakeholder groups to participate in the project implementation. MTCC will activate its network and linkage with administrative bodies at both national and local levels, research and training institutions, local consultants, wood villages and plantation cooperatives as well as member companies to proceed smoothly with all intended activities.

Given the strong desire of both the Government and the entrepreneurs to improve the efficiency and sustainability of Malaysia's wood industry and enhance domestic consumption of wood and wood products, the project is confident to receive all necessary support to arrive at the expected outputs.

As Malaysia is at a crossroads of innovative ideas and mechanisms towards wood legality assurance and responsible development of its plantation forestry and wood industry, under this project, MTCC will integrate every effort to reach the specific development objectives of the project. Along with direct interventions, whenever possible, the project will catalyze/facilitate initiatives and processes aimed at sustainable development of domestic consumption of wood and wood products in Malaysia.

#### 3.5.2 Sustainability

The sustainability of this project is much dependent on the acceptance of relevant Government agencies to improve and transform the existing national forest policy and long-term MTCC strategy to action for promoting sustainable local consumption of wood and wood products.

As one of the major revenue contributors to the country's economy, Malaysia's timber industry sector will be given priority by the Government to be further developed and strengthened. It is ranked the country's top three gross domestic product (GDP) contributors in the commodity sector after palm oil and rubber. Malaysia possesses a well developed timber industry supply chain for the export market. Such a supply chain has facilitated the development and implementation of the Malaysian Timber Certification Scheme (MTCS), providing the needed platform for Malaysia to supply certified sustainable timber and timber products to the international market.

All lessons learnt and knowledge gained by the project will be widely communicated, disseminated and shared locally and internationally to promote sustainable consumption of wood and wood products. With the engagement of ITTO as a collaboration partner, ITTO will disseminate all outputs to member countries and interested individuals worldwide through ITTO's activities, social media and dissemination of promotional materials. Furthermore, the project will facilitate MTCC and timber industry associations to strengthen trade ties between Malaysia and Japanese companies and contribute to the bilateral cooperation between the two countries.

## **PART IV: IMPLEMENTATION ARRANGEMENTS**

### **4.1. Executing Agency and Organizational Structure**

#### **4.1.1 Executing Agency and Partners**

The Executing Agency (EA) of the project is MTCC. MTCC was established in 1998 with a mandate to develop and operate a voluntary national timber certification scheme; the Malaysian Timber Certification Scheme (MTCS) in Malaysia. The vision of MTCC is to be a nation that appreciates and internalises the full value and contribution of the forest towards global sustainability with a mission to strengthen the MTCS and to realise the full value and contribution of the forest through SFM and chain of custody (CoC).

The EA will identify partners in implementing the project which will include consultants, local government agencies, industry players and stakeholders, associations, NGOs, universities and other professionals. These partners include MTIB, MTC, MWIA, STIDC, STIA etc (to name a few).

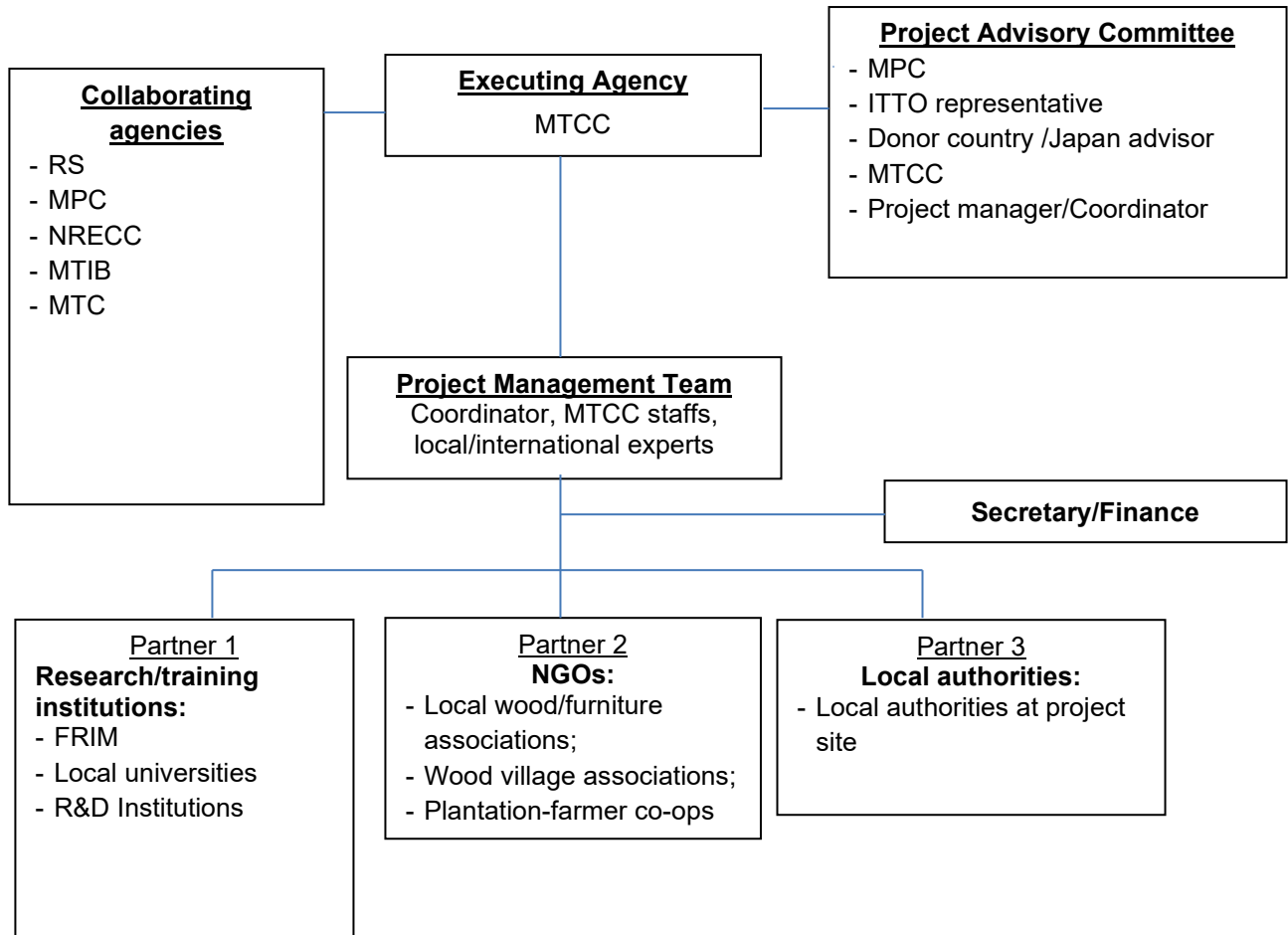
Of great importance is the involvement of MPC, as a forest/wood industry policy making body, in project implementation. MPC will play a very important role in reviewing policy framework and formulation of decree/decision on promoting local consumption of wood and wood products. A senior official of MPC will be assigned to chair the Project Steering Committee.

#### **4.1.2 Project Management Team**

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

The curricula vitae of the professional to be appointed by the EA can be found in Annex 2 while their respective terms of reference are outlined in Annex 3. The project's organizational structure is as depicted below.

Figure 1: 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 the project logical matrix and give immediate instructions on necessary revisions and adjustments. Membership of PAC is:

- Chairperson: Senior official of MPC to be assigned by MPC;
- Representative of ITTO;
- Representative of donor country;
- Representatives of EA and CA;
- 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 local communities, R&D institutions, NGOs, private companies, plantation co-ops, wood villagers, 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 policymakers.

## **4.2. Reporting, Review, Monitoring and Evaluation**

### **4.2.1 Reporting**

In accordance with the 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 the signing of the Agreement between ITTO, the Executing Agency and the Government of Malaysia. 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 the 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 the 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 the 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 the 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 a 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, and lessons learned from the implementation of the project.



## 4.2.2 Monitoring

An internal monitoring system will be led by the PC within the PMT 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 the 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 (eg. 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 Websites, seminars, publications, brochures, and so on.
- **National Workshop**  
The national workshop will be organized to disseminate information on the project's goal and objective to gain support from stakeholders.
- **Completion Report**  
Will be distributed to interested nationwide and ITTO member countries and other relevant institutions.
- **Magazine, website and TV**  
Project effects will be posted through articles in magazines/newspapers and websites and integrated into TV talk shows interviews and **short videos and use of Instagram and YouTube channels.**

#### **4.3.2. Mainstreaming of the Project Learning**

Malaysia has become a globally important manufacturer and exporter/importer of wood and wooden products. This Project will provide an opportunity for Malaysia 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 recommendations on how to overcome constraints and step up toward sustainable consumption. The experience and lessons learnt with the promotion of sustainable wood consumption in the context of Malaysia's dynamic development are expected to be meaningful for other countries.

Seminars/webinars will be arranged for knowledge sharing of the output of the project. 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 plantation farmers, wood villagers, urban and rural consumers etc. Furthermore, offline and online meetings will be held regularly to review and monitor project activities, update project progress as well and share lessons learnt.

## ANNEXES

### ANNEX 1: Information on Implementing Agency

#### 1. Malaysian Timber Certification Council (MTCC)

Headquarter location:

**Malaysian Timber Certification Council**

Unit C-8-5, Block C, Megan Avenue 2

No. 12, Jalan Yap Kwan Seng

50450 Kuala Lumpur

Tel : +603-2161 2298

Fax : +603-2161 2293

E-mail : [info@mtcc.com.my](mailto:info@mtcc.com.my)

Website : <http://www.mtcc.com.my>

Logo of MTCC



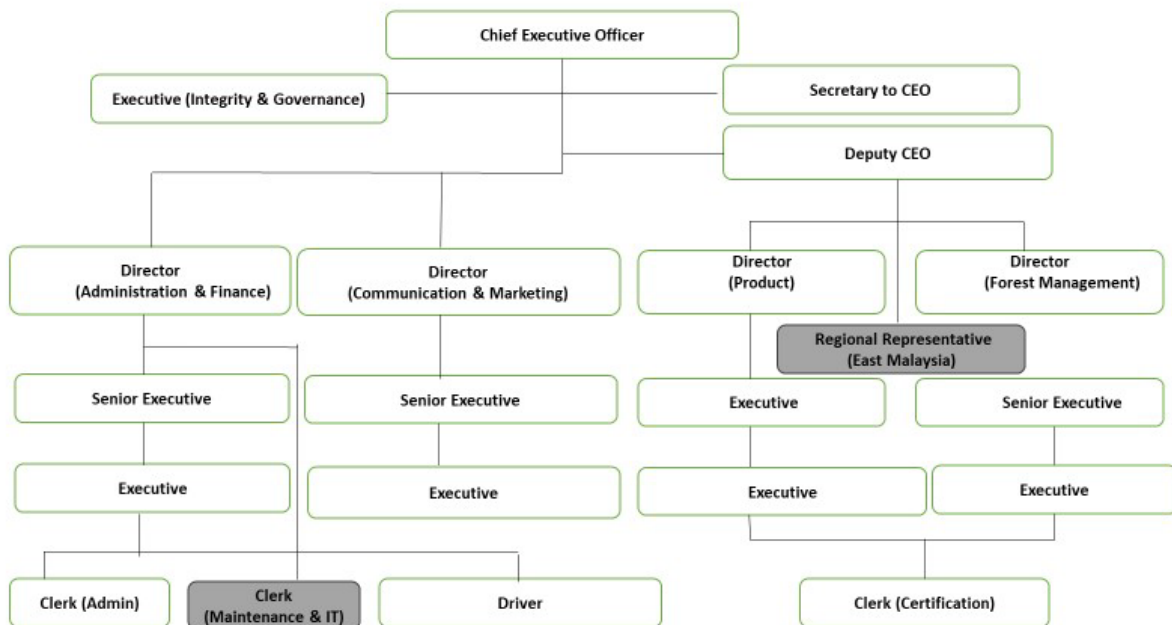
Date of establishment: Established in October 1998 following the decision of the 13<sup>th</sup> Meeting of the National Forestry Council (1997)

#### 1.1 *Functions and duties:*

- An independent and non-profit organisation to develop and implement a voluntary national timber certification scheme
- Vision: A nation that appreciates and internalises the full value and contribution of forests towards global sustainability
- Mission: MTCC is committed to strengthen the MTCS to realise the full value and contribution of forest through sustainable forest management and chain of custody certification
- The main roles and responsibilities of MTCC are:
  - Be the national governing body (NGB) which has overall responsibility for the MTCS
  - Support the standard-setting process by serving as the secretariat to the appropriate standard setting body in formulating standards related to timber certification and keeping them under review periodically

- Process applications for MTCS notification of Certification Bodies (CBs) operating forest management system and/or chain of custody certification and issuance of logo usage licenses to Certificate Holders
- Implement a procedure for the investigation and resolution of disputes, complaints and appeals related to its role as the NGB
- Liaise closely with the national accreditation body and other certification organisations in matters related to timber certification
- Coordinate with national, regional, and international bodies related to timber certification to facilitate cooperation and mutual recognition arrangements
- Conduct programmes to promote and publicise the MTCS, both locally and internationally

1.2 *Infrastructure (Organisation Chart):*



## ANNEX 2: Tasks and Responsibilities of Key Experts Provided by the Collaborative 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 a postgraduate qualification in forestry policy, natural resource management or project related subjects, and at least 5 years of 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 of 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 the project to participate in
- Guide and supervise project staff and recruit experts to conduct their assignments
- Prepare all reports described in the Reporting Section and submit them to PAC and ITTO.

Duration: 18 months.

Location: Malaysia

#### Brief Curricula Vitae

<b>Project Coordinator 1</b>	Expert consultants will be identified and hired under the project
Name	
Date of birth	
Gender	
Professional education	
Field of specialization	

<b>Project Coordinator 2</b>	Expert consultants that will be identified and hired under the project
Name	
Date of birth	
Gender	
Professional education	

Position	
Field of specialization	
Experience relevant to the project	

## 2. Project Secretary

### - General information:

Full name	Expert consultants will be identified and hired under the project
Place and Date of birth	
Address	
Telephone	
Email	
Nationality	

### - Education:

Place of training	City - Country	Year of graduation	Degree	Major

### - Job:


## 3. Project Accountant:

### - General information:

Full name	Expert consultants will be identified and hired under the project
Place and Date of birth	
Address	
Telephone	
Email	
Nationality	

### - Education:

Place of training	City - Country	Year of graduation	Degree	Majority

### - Job:

Year	Working records	Job title
		i.

### - Experience:

<b>Year</b>	<b>Working experience</b>	<b>Field</b>

## **ANNEX 3: Terms of Reference for Experts (Sub-contract)**

### **1- ToR of the Country Reports on Wood Use Promotion Initiatives**

➤ **Theme:**

Review of the policies and initiatives for sustainable wood use promotion in wood consuming countries

➤ **Objective:**

This study aims to investigate the policies and initiatives for sustainable wood use promotions by public/private sectors in wood consuming countries, focusing on the consumer side (e.g. construction and buildings (residential/non-residential), civil engineering, daily necessities, energy use, promotional activities for consumers), for the proposal of possible policies and initiatives in wood producing countries.

➤ **Target countries**

Malaysia

#### **Activities**

1. Survey on the wood demand/supply in the target country
  - Country profile (e.g. population, urban population, GDP growth, land area)
  - Situation of forests (forest area (by ownership/forest type), annual harvested/ planted area)
  - Trend of wood supply and demand (production, consumption, imports, and exports of wood products by category (e.g. industrial RW, sawn wood, plywood, wood chips))
2. Study of policies/initiatives for the promotion of sustainable wood use
  - Policies by the public sector (e.g. policies, rules and laws, regulations)
  - Initiatives by the private sector (e.g. promotional activities by industrial organizations, “check-off” system)
  - Best practices of sustainable wood use promotions  
(※Each item should include the amount of expenditure.)
3. Analysis of the effectiveness of each policy/initiative (including the incremental volume of wood used by the policy/initiative, versus the amount of the expenditure)
4. Proposal of possible policies/initiatives for the introduction to wood producing countries
5. Development of final report in English (at least 8,000 words)  
(※All reference materials should be attached)



#### ANNEX 4: Main Human Resource and Technical Experts Funded by ITTO

Job title	Main jobs
<b>I. Main human resources of the project</b>	
Project Coordinator	<ul style="list-style-type: none"> <li>- To maintain the daily operation of the project</li> <li>- To prepare project action plans</li> <li>- Coordinate all project activities</li> <li>- To prepare ToRs and supervise recruited experts</li> <li>- Prepare agendas and contents for PAC meetings.</li> <li>- To prepare or supervise the preparation of all project reports</li> </ul>
Project Secretary	<ul style="list-style-type: none"> <li>- To deal with tasks assigned by the project coordinator</li> <li>- To support the project coordinator in project management</li> <li>- Management of project office and keeping records</li> <li>- To organize meetings and field visits, support technical experts</li> <li>- Support project coordinator to prepare reports</li> </ul>
Project Accountant	<ul style="list-style-type: none"> <li>- Manage project account</li> <li>- Update project disbursement and prepare reports to be submitted to ITTO and relevant Malaysia organisations;</li> <li>- Manage income and expenditure of the project, finance arrangement of the project;</li> <li>- Prepare finance reports; work with auditors to conduct auditing;</li> <li>- Prepare funding to implement the operation plan/s of the project.</li> <li>- Arrange financial formalities (taxation, tax report, personal income tax, etc)</li> </ul>