

# INTERNATIONAL TROPICAL TIMBER ORGANIZATION

## ITTO

### PROJECT PROPOSAL

TITLE	SUSTAINABLE DEVELOPMENT OF THE WOOD-BASED INDUSTRIES IN SOUTH KALIMANTAN
SERIAL NUMBER	PD 397/06 Rev.3 (I)
COMMITTEE	FOREST INDUSTRY
SUBMITTED BY	GOVERNMENT OF INDONESIA
ORIGINAL	ENGLISH

#### SUMMARY

This proposed small project is a follow up recommendation of the ITTO Technical mission 2001 in restructuring forest industry in Indonesia. It has been set up upon determination of the finding and recommendation derived from ITTO Project PD85/01Rev 2(I) (2002-2004), entitled: *Strategies for the Development of Sustainable Wood-based Industries in Indonesia*. This small project will be focused more on how the strategies and actions recommended by the ITTO Project PD 85/01 are adopted at the provincial level through providing master plan as guide for policy direction in wood-based industry, particularly in the context of decentralization era.

South Kalimantan province is featuring the largest scale of wood-based industry in Kalimantan. However, the industry is experiencing over capacity due to uncontrolled permits in the past causing shortage of raw material. The absence of an integrated master plan for sustainable wood based industry among others, has made the industry worse. Thus, it is necessary for this Project to formulate the wood-based industry master plan for South Kalimantan province which could provide guidance and policy direction in developing sustainable wood-based industry in this area.

Outputs and activities has been set up to achieve the objective. The expected outputs are (1) database related to wood based industries available (2) Draft of the master plan analyzed and identified comply with national and regional (Kalimantan) master plan (3) Public consultatio /dialogue are implemented as participative process in developing/adjusting of the master plan (4) a mechanism for implementation of the master plan established.

EXECUTING AGENCY

Forestry Service of South Kalimantan Province (*Dinas Kehutanan Provinsi Kalimantan Selatan*)  
in collaboration with  
Directorate General of Forest Production, Ministry of Forestry (MOF) and Forestry Research and Development Agency (FORDA)

DURATION 18 MONTHS

APPROXIMATE STARTING DATE UPON APPROVAL

PROPOSED BUDGET AND OTHER FUNDING SOURCES	Source	Contribution in US\$
	ITTO	155,196
	Forestry Service of South Kalimantan province	28,500
	<b>TOTAL</b>	<b>183,696</b>

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## PART I : CONTEXT

### 1. Origin

This project proposal is a follow up action of the recommendation made by the ITTO Technical mission to Indonesia in 2001 relating to restructuring of forest based-industries which is remains relevant to present situation.

This mission pointed out that problems and constrains of forest based industries in Indonesia are complicated and multi dimensional in nature and involving various interests of stakeholders. Problems and constraints, in particular, could be divided into two categories. Number one is policy-related issues, such as inappropriate licensing scheme, distornionary impacts of incentives, and lack of financial dicipline. Number two is practice-related issues, such as excess production capacity, unsustainable and uncertain supply of raw material, conflicts with community interest and weakness of finacial managment. The mission recommended measures to be undertaken immediately by the government. These include downsizing the capacity and or restrict creation of new indutry to establish a supply-demand ballance, estimate future sustainable raw material supply potential from any sources, as well as assess the domestic and export market for wood-based products.

The absence of a master plan for wood industry development, caused policies on wood industry is not properly developed in accordance with the availability of raw material. Many reports indicate that the wood processing capacity has far exceeded the sustainable raw material supply from the forest causing a gap between demand and supply. The gap between demand and supply has resulted in illegal logging and the marketing chain of its product, and that has made the level of deforestation in Indonesia natural forest worse. According to the Ministry of Forestry of Indonesia, the rate of deforestation between the period of 1997-2000 has reached approximately 2.5 million ha/year, and even more than that in recent years. With the increased in illegal logging, smuggling of logs, and conversion of forest to other land uses during 2000-2003 period, will result in the increasing rate of deforestation. The illegal logging is not limited to the production forest only, but it also encroached into the conservation and protected areas. The recent natural disasters has been linked to the damaged conserved and protected forests. Based on the said condition, an appropriate strategy is required to support the restructuring of wood industry program.

The ITTO technical mission recomendation has been responded by implementing the ITTO project PD 85/01 Rev 2 (1),entitled Strategies for Development of Sustainable Wood-based Industries in Indonesia, focusing on three major areas (log supply assesment, wood based industry capacity and internationaltrade market analysis. It covers macro level policies involving various difference interest of stakeholders. Result of this project would be an important reference for making macro national plannning of forest industry in Indonesia.

One of the project reccomendation is to focus more on how the strategic action recommended by that project could be adopted at the provincial level, particularly in the context of decentralization era. This small project, therefore, is proposed on the basis of reccomendation made by ITTO project PD 85/01 Rev 2(l) to materialize the wood industry development strategies into actual adoption at provincial level, in the context of decentralization.

South Kalimantan province is selected because of the most large scale wood industries are located in this province. It could be said that South Kalimantan is the centre of wood-based industries for South and Central Kalimantan. However, in fact, most of wood-industry raw material comes from outside of the province, such as Central Kalimantan, East Kalimantan, Irian Jaya, and Maluku provinces. Some are even imported from overseas. This project is formulated mainly based on the identification of key problems found in wood-based industries in this province. The existing condition of wood industry in South Kalimantan faced some problem such as limited resource to fulfill raw material needs. Due to the absence of master plan for wood industry development, policies on wood industry is not properly developed in accordance with the availability of raw material. Macro policies should be formulated which refers to the master plan and which could provide guidance and policy direction in developing sustainable wood-based

industry in this area. The draft for National strategy for wood industry for the next 20 years has been completed by Ministry of Forestry which is referred based to ITTO project PD 85/01 Rev 2 (1) result. Currently, the Directorate General for Forest Utilization, Ministry of Forestry is undertaken the process of making regional (sub national) master plans (Sumatera, Kalimantan, Sulawesi etc). However the wood-based industry in each province in the status of incomplete because of unclear and undefined plan. At present there is no master plan available as guide for policy direction of wood-based industry in South Kalimantan province

## **2. Sectoral Policies**

In the decree of the consultative assembly (*Majelis Permusyawaratan Rakyat*) no. *XVI/MPR/1998* regarding Economic Democracy. It is stated that Indonesia's forestry sector aims at achieving sustainable forest management. Furthermore it is pointed out this has to be undertaken in accordance with the principles of democracy and with due attention to provincial diversity. Moreover the management of local resources should be carried out in efficiently and effectively manner, giving wide opportunities to small and medium enterprises and to cooperatives. Local provincial governments are given the authority and responsibility to manage local resources and to care for the conservation of the environment.

In promoting the development of wood industries, the Government issued Regulation No. 17 of 1986, placing responsibility for licensing the wood processing industries under the authority of Ministry of industry and Trade Indonesia (MITI). The recent reform situation in Indonesia has helped to improve forestry policy, by issuance of Basic Forestry Act No. 41 of 1999 which states that wood processing industries are licensed by the Ministry of Forestry and Estate Crops. And the latest Government regulation No. 25 states that the local government must regulate production forest management. In the Government Regulation No. 25/2000 it is clarified that the administration and management of production forests are devoted to the the Local (District) Government or the Provincial Government. This is in line with one of the ITTO Technical Mission to Indonesia suggested the support of downstream processing for improved value addition and develop resources efficiency for wood processing industries.

Other law underlines the importance of decentralization in forestry sector; Law No. 32 year 2004 concerning Regional Autonomy and Law No. 33 year 2004 concerning the fiscal balance between central and regional government, and law No 25 Year 2004 on Planning System of national Development. These laws have reflected that most of the governing authority of forest land resources has to be in the hand of the District government including the authority for its planning and management.

Indonesia has also confirmed its adherence to international objectives. This includes ITTO target 2000, the objectives and recommendation of the United Nations Conference on the Environment and development held in Rio de Janeiro in 1992, The Convention on the International Trade in Wild Fauna and Flora Species Threatened with Extinction (CITES) and the world heritage. Since Indonesia is a member of ITTO it is a mandatory to support the ITTO objective towards sustainable forest management.

## **3. Programme and Activities**

The Government of Indonesia (Gol) as well as ITTO give priority to the sustainable forest management (SFM). The Gol has five priority programs in support of SFM, which are: (1) Combating Illegal Logging, (2) Rehabilitation and Conservation of the forest resources, (3) Revitalizing of forest industry (4) Enhancement of community forest development and (5) Forest Land use Planning. The implementation of the five-priority programs is to be carried out through 3 (three) strategies of social forestry program: utilization, rehabilitation and conservation.

The new Minister of Forestry, appointed after the election of Indonesia's new President in October 2004 have determined four success target as his new policy in the management of the forest resources of Indonesia. These area 1) the eradication of illegal logging, 2) Rehabilitation of forests

3) Revitalization of forest based industries and 4) the economic enhancement of communities in the vicinities of forests. A fifth succes target was added 5) Forest land Use Stabilization. ITTO on the other hand considers that Reviewing of Timber Value is also a crucial issue in addition to the above five priority program.

There are several programs and activities that should be undertaken in support of sustainable forest industry in Indonesia especially in relation to the imbalance of supply and demand. These are plantation development, rehabilitation of degraded forest, reduced impact logging experiments, forest industry restructuring and investment, efficient use of machinery by improvement of factory product flow engineering processes, and increasing waste utilization .

In the area of the wood industry sector, the following ITTO projects have been completed :

- a) PD 74/01 Rev 1 (M) Development and Implementation of Guidelines to Control Illegal logging for SFM in Indonesia.
- b) PD 80/01. Rev 6 (M) Consolidating sustainable Forest Managment Certification System in Indonesia
- c) PD 85/01 Rev. 2(I) strategies for the Development of Sustainable Wood Based Industries in Indonesia
- d) PD 110/01 Rev 4 (1) Program to facilitate and Promote adoption of RIL in Indonesia and the Asia Pacific Region

The small project is to support the improvement of processing efficiency that would be complementary to on-going ITTO projects in illegal logging, certification and reduced impact logging to develop a flourishing forest industry sector in Indonesia while meeting all the criteria for sustainable forest management.

## **A. PART II: THE PROJECT**

### **1. Project objectives**

#### **1.1. Development objective**

To contribute to the sustainable development of wood-based industries in Indonesia

#### **1.2. Specific objectives**

To develop a comprehensive master plan for wood-based industries in South Kalimantan province

### **2. Justifications**

#### **2.1 Problems to be adressed**

South Kalimantan province covers an area of 37,000 km square with 57% or about 21,000 km square of its forest and mountain range with 1,000 to 1,500 meter altitude above sea level.

Most of large scale wood-based industries in Indonesia are located in South Kalimantan. Most of the wood processing facilities are sawmilling. The wood panel industry in Kalimantan is also concentrated in South Kalimantan province. Therefore South Kalimantan is the center of wood industries for South and Central Kalimantan. South Kalimantan is the smallest among four provinces in Kalimantan. In term of forest cover, South Kalimantan occupies an area of 1.659.040 ha which is divided into five categories, ie : 1) protection area 574,674 ha, 2) Park and reservation area 176,615 ha, 3) limited production forest 212,177 ha, 4) production forest 627,627 ha and 5) Conservation forest 67,902 ha.

The development of wood based industry in South Kalimantan over the last many years has been driven primarily by the economic objective of provincial government i.e (i) to increase the foreign exchange generation through exports (ii) to continue creating jobs and (iii) to increase the added value of production. The implication of the development of wood processing industry is the increasing wood processing capacities and the requirement of supply of raw material, wood. However wood processing facilities has developed without a comprehensive guide and critical review due to the absence of a master plan which is fit for the structure of wood industry in this province. There has been recognized by major stakeholders in South Kalimantan that the lack of any proper master planning for the wood industry has continued among others to the current industry difficulties.

In addition, lack of coordination between the key agencies responsible for providing raw material (MOF) and authority responsible for developing the industrial facilities (MITI) in has contributed effect to the condition of over rampant licensees of which industry causing over capacity of the wood industry and exceeding the available raw material on a sustainable basis.

The South Kalimantan province has limited wood resources to fulfill the raw material needed by wood based industries. The wood supply for wood industries mostly comes from outside provinces such Central Kalimantan, East Kalimantan, Papua, Maluku and even imported from other countries.

In South Kalimantan province the importance of wood for community livelihoods also is very high. Declining of wood supply makes imperative to use the remaining wood resource more carefully. As a figure, Banjarmasin municipality is the centre of wood based industries for South and Central Kalimantan. However, there are no wood resources that fulfill the raw material needed by wood based industries come from Banjarmasin municipality at all. The wood supply for wood based industries in Banjarmasin municipality mostly comes from outside, such as Central Kalimantan and East Kalimantan, Papua, Maluku provinces and even imported from other countries. Raw material supply from this province itself is only 11,2% or 250.000 m<sup>3</sup> of the raw material needed (Statistic of South Kalimantan Province 1999/2000).

Current situation of supply and demand data for raw materials in south Kalimantan province was obtained from letter of wood legality in province (SKKH). However, illegally supply from illegal logging other illegally source is undocumented.

According to the recent data from provincial office showed supply and demand of log for forest concession in South Kalimantan province for 2005-2006

**Tabel 1. supply and demand logs for forest concession in South Kalimantan province**

No	Type of industries	2005 (x 1,000 M3)		2006 (x 1,000 M3)	
		Supply (M3)	Demand (M3)	Supply (M3)	Demand (M3)
1.	Plywood	1.214	3.096	664	3.096
2.	Sawn timber	257	1.588	203	2.729
3.	Venner	315	332	152	332
	Total	1.786	5.017	1.019	6.157

At present the master plan for wood based industry for national level just developed last year. However, having evaluated by the MoF, the master plan need to reviewed. The implication of this situation, the wood industry is developed along an unclear and undefined plan. The Directorate General for Forest Utilization, Ministry of Forestry is undertaken the process of making regional (Sub-national) master plan (Sumatera Regional, Kalimantan regional Kalimantan, Sulawesi etc. (Master plan for Kalimantan regional has been done in the end of 2006). Kalimantan regional (sub-national) consist of 4 provinces: east, west, central and south Kalimantan (south Kalimantan province is included as Kalimantan regional). The regional master plan should be referred to be a macro plan for all the province in Kalimantan. But the situation and condition in term of wood resource and market potency in each province are different. Then the guidance needed to develop wood industry for each province will be different also. And in line with the decentralization spirit in forest sector as mention in Law No. 32 year 2004, each province has authority to develop wood industry by itself

Thus, it is necessary for this ITTO proposed Project to accommodate the proper formulation of this master plan specifically for south Kalimantan province which would be as guide and policy direction in developing sustainable wood industry in this area. The master plan will refer to the National and Regional master Plan in wood industry. This master plan was made to present a scenario and policy direction related to demand and supply of wood as raw material for south Kalimantan province.

It is recognized that problems related to wood industry implies a ramification of complexities which roots can naturally not be solved by one project alone which is now being proposed to ITTO. Therefore this proposal will focus on the specific need of the wood industry as expert panel suggested which would be an important first step to



address many issues of the industry in South Kalimantan. Based on identification to formulate those problems and discussion with stakeholders, the key problem of wood industry in South Kalimantan is : unavailability of a Master plan of the wood-based industries in South Kalimantan and mechanism for implementation of the master

The Master plan of wood-based industries in South Kalimantan Province has not been developed caused mainly by four reasons:

1. Lack of reliable and consistent data and information in wood based industries
2. Inconsistent policy on sustainable wood supply for wood based industries in decentralization era.
3. Framework for stakeholder consultation in developing master plan is not established
4. A mechanism and strategy for implementation of the master plan is not developed

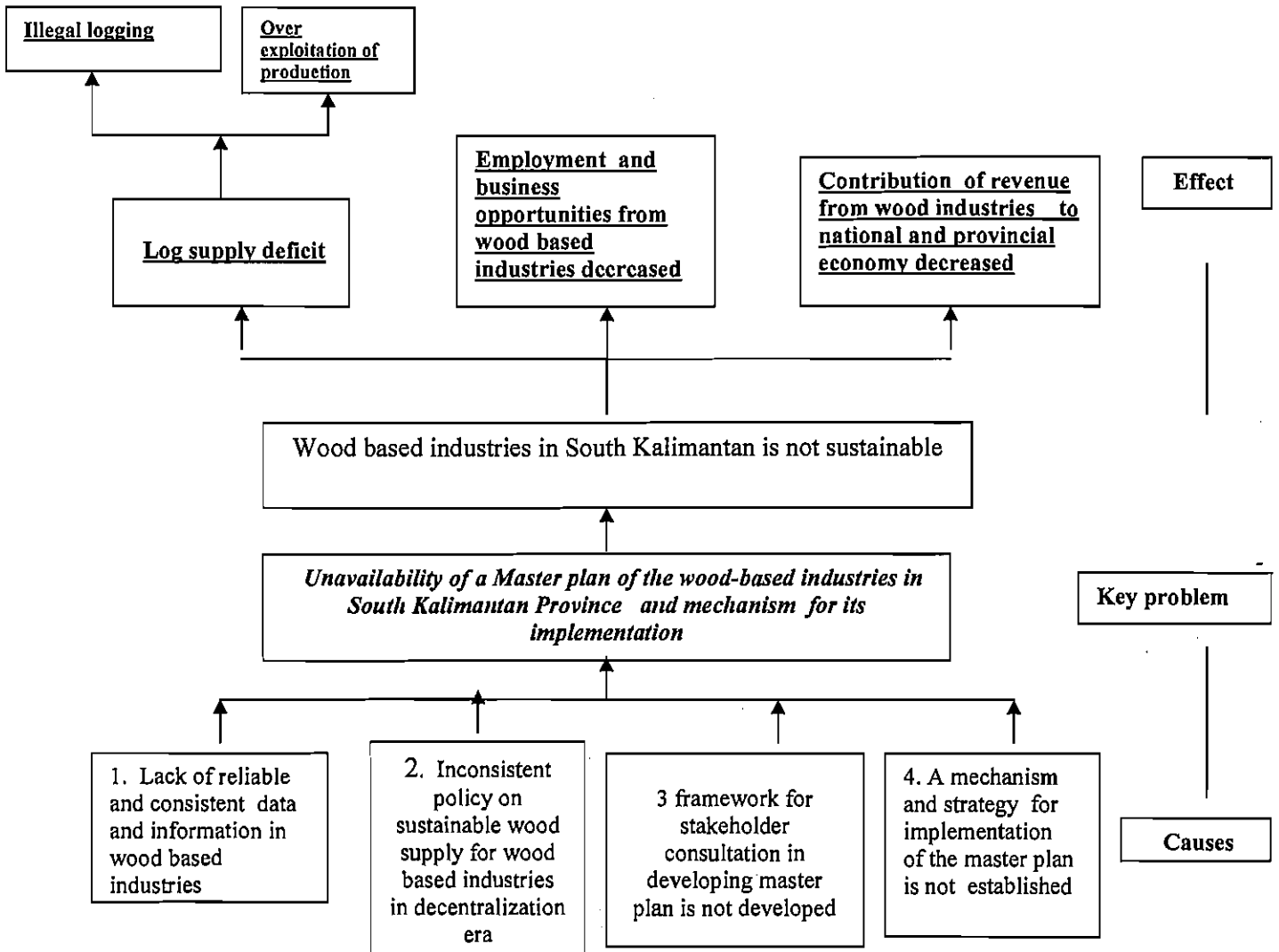
## **2.2. Intended Situation after Project Completion**

Upon completion of the project the Master plan of the wood-based industries in South Kalimantan Province is in place. This Master Plan of the South Kalimantan province will refer to master plan of Regional Kalimantan and it is a means to harmonise wood industry development planning in a holistic, integrated and efficient manner, in synergy with other sectors, towards achievement of the national development objective. This Master Plan was developed through a communication and consultation process involving stakeholders in a number of stakeholders in this province, as well as a series of process with Ministry of Forestry and Ministry of Industry

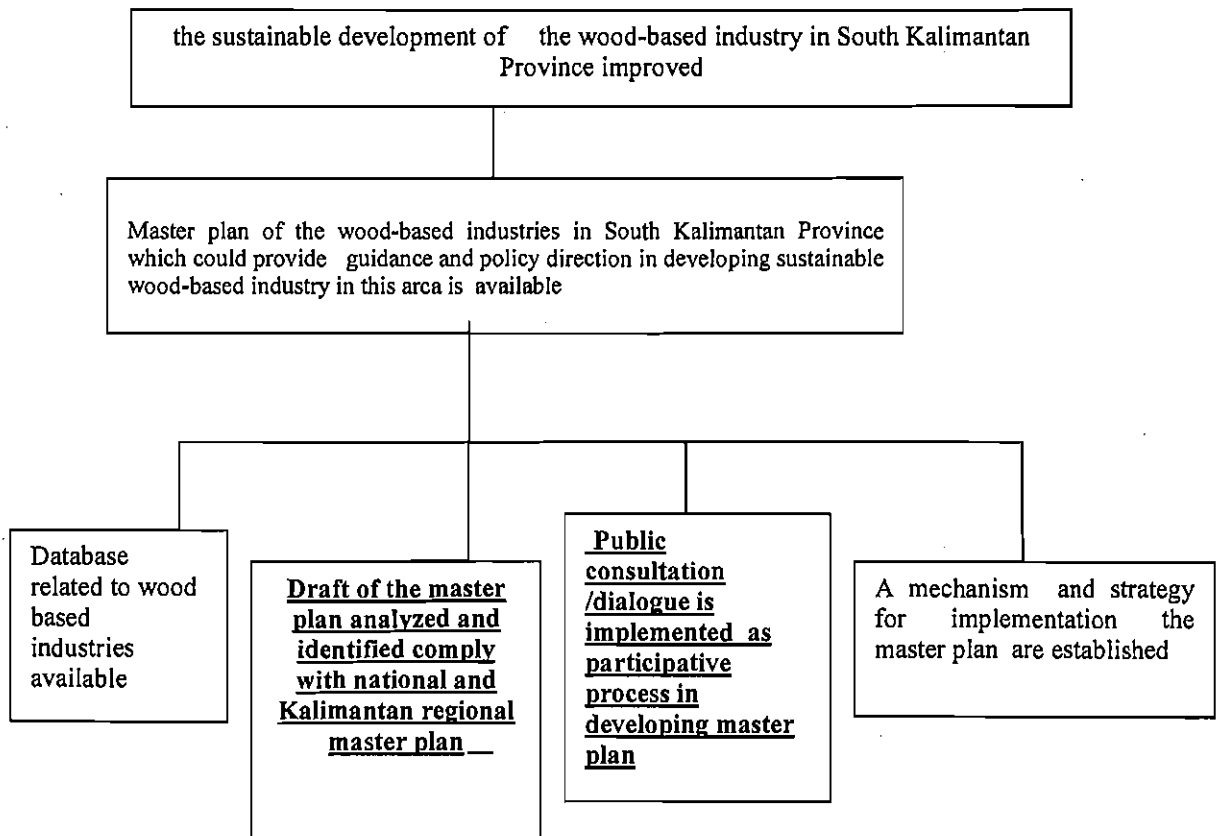
Development of Master plan of the wood-based industries in South Kalimantan Province achieved by:

1. Database on wood based industries available
2. Task force to formulate the master plan established and well operated
3. Public consultation /dialogue to adjust the master plan and comply with national and Kalimantan regional master plan organized
4. A mechanism and strategy for implementation of the master plan are developed

**Problem Tree**



## Objective Tree



## 2.3 Project Strategy

The important strategy to achieve the project objectives as follows:

- a) Providing a reliable reported data on wood supply in South Kalimantan Province include identification flow raw material from other province, also mapping of flow raw material supply for wood industry in this province.
- b) Developing of master plan for South Kalimantan Province
- c) Formulating mechanism and strategy to implement master plan
- d) Developing communication and dialogue to improve understanding of the master plan

The development of this Master Plan will be adopted a participatory, transparent and responsible approach; It refers to the guidelines for development of policy in priority industries 2004-2009 issued by State Ministry of Industry, National Strategic Plan and National Master plan for wood industry which issued by Ministry of Forestry of 2006 and Regional Master Plan for Primary Wood Industry (Regional Kalimantan) of 2006.

In accordance with the principles and mandates in the above policy, this Master Plan will developed through a communication and consultation process involving stakeholders in a number of stakeholders in this province, as well as a series of process with Ministry of Forestry and Ministry of Industry

## 1.4 Target Beneficiaries.

It is expected that upon the completion of the project, a large number of people and relevant agencies involved in forestry will get benefit by obtaining the reliable information of the existing wood industries and information of market and trade products in South Kalimantan province. The ultimate beneficiaries will go to :

- 1) **Wood industries in South Kalimantan**; which have guideline for policy direction in wood based industry development
- 2) **Ministry of Forestry**; who will use the information from the project for policy makers.
- 3) **Forestry services in South Kalimantan**; which could help to formulate an appropriate policy on sustainable wood industry
- 4) **Local communities**; This project would directly and indirectly continue to prosper and bring about economic benefit for local communities. If the wood industry in this province developed and healthy then it will beneficial for local communities in improving income source by planting trees to fulfill raw material supply for industry. In the long term, the continuous supply of wood would benefit to local industry and creating jobs and welfare improvement
- 5) **Private sector, Exporters, industrial owner; technician and supervisor of the wood processing industry** (trainees); The achievement of the project goals through improving private sector involvement in formulating master plan and implementation will support the sustainable wood industry in improving competitiveness for long term.

## 1.5 Scientific and Technical Aspects

### **Background**

The development of wood-based industries has gone through various phases over the last 25 years. The development of wood-based industry in Indonesia, over the last 25 years, had been driven primarily by the economic objectives of the government: (i) To

increase the foreign exchange generation through exports, (ii) to continue creating jobs, and (iii) to increase the added value in the production. These objectives were based on the goal of the national development, which is to continue creating, and maintaining a critical level of economic growth.

The implication of the development of wood processing industry is the ever-increasing wood processing capacity and the requirement of the supply of raw material, wood. It was estimated in 2001 the total wood requirement would have been approximately 63.48 million m<sup>3</sup>. This log requirement was broken down into the following need of the specific industries namely: (i) Sawmill (1,618 units requires 22.09 million m<sup>3</sup> of logs), (ii) Plywood mill (107 units needed 18.87 million m<sup>3</sup> of raw material), (iii) Pulp and paper mill (6 units with raw material requirement of 17.91 million m<sup>3</sup>), and other wood processing facilities (150 units requires 4.61 million m<sup>3</sup> of log) (Supomo, 2001). This figure was even increased from time to time. The log requirement for pulp mills alone, however, was estimated to be 29 million m<sup>3</sup> in 2003 (Setiono, 2003).

One of the reasons for the wood industry capacity to have gone through fast growth was due to the notion that Indonesia has a total forest area of 64 million ha and it was assumed that the forest was able to produce 64 million m<sup>3</sup> per annum (assuming the yield of natural forest is 1 m<sup>3</sup> per ha per year). This figure has been used as a reference by industry and government ministries for many years with little critical review.

In addition to that, wood-processing facilities has developed without a complete guide and critical review due to the absence of a master plan for the structure of the wood industry. The structure of wood industry presently is dominated with plywood industry, which has been losing ground due to low price and product substitution and declining supply of large logs.

At present, the main problems faced by national wood industry are inefficient wood-based industry, and shortage of sustainable wood production and consumption. The mill efficiency with regards to raw material allocation and utilization has not been seriously looked into. For instance, the prime quality logs did not go into higher value added product, instead it went into plywood production. On top of that, the gap consumption and production was due to a poor coordination and integration of policy on wood industry development to create a sustainable forest industry management. It has been estimated there is shortage of 32.88 million m<sup>3</sup> per year, a difference between wood consumption (58.24 million m<sup>3</sup>/year) and average wood production from legal sources (25.36 million m<sup>3</sup>) (Badan Planologi, 2000). This gap between legal wood production and consumption also helped to trigger and create other complex problems such as illegal logging, illegal wood trading, and the malpractice of logging contractors at the concession areas (Supomo, 2001).

To overcome the log shortage problem, the Ministry of Forestry (MoF) continues its forest industry-restructuring program in order to balance the forest tree growth with its utilization capacity. In 2003 MoF decided to reduce the annual allowable cut (AAC) to 6.89 million m<sup>3</sup>, which is half of the previous year AAC. The reason for implementing this policy was for the sustainable environment without neglecting the social and economic aspects (Kompas, 9/01/03).

Forestry sector restructuring is one of five policies priority including: (i) combating of illegal logging, (ii) controlling of forest fires, (iii) restructuring of forestry sector, (iv) rehabilitating and conserving of forest, and (v) implementing of forest decentralization as stated in Ministry of Forestry Decree No. 7501/Kpts-II/2002.

The restructuring of forestry sector aims to: (i) achieve sustainable forest management (for obtaining economic, social, and environmental benefits), (ii) create strong and viable forest industry toward environmental change, (iii) achieve efficient and environmental

friendly wood industry, and (iv) produce high value products and global competitiveness (MoF, 2002).

### **Formulation of Master Plan**

Recently the Government has made efforts to solve the forestry sector problems, including through the policies on curbing illegal logging, forest industries restructuring, forest resource rehabilitation and conservation, and decentralisation in the forestry sector. The policies were put in forestry development plans. With reference to Act No. 41 of 1999, Act No. 25 of 2004, Act No. 32 of 2004, Government Regulation No. 20 of 2004 concerning Government Work Plan, Government Regulation No. 44 of 2004 concerning Forestry Planning, and other related regulations, the Strategic Plan of the Ministry of Forestry 2005-2009 was developed to provide directions for forestry development during the period.

This Strategic Plan also takes into account the five forestry development priority policies for 2005-2009, as formalised in Decision of Minister of Forestry No. SK.456/Menhut-VII/2004, which comprise: a) Curbing of illegal logging on state forests and trades in illegal logs; b) Revitalisation of the forestry sector, especially the forest industries; c) Rehabilitation and conservation of forest resources; d) Economic empowerment of forest communities; and e) Stabilisation of forest areas

This Master Plan of the wood industry is a means to harmonise wood industry development planning in a holistic, integrated and efficient manner, in synergy with other sectors, towards achievement of the national development objective.

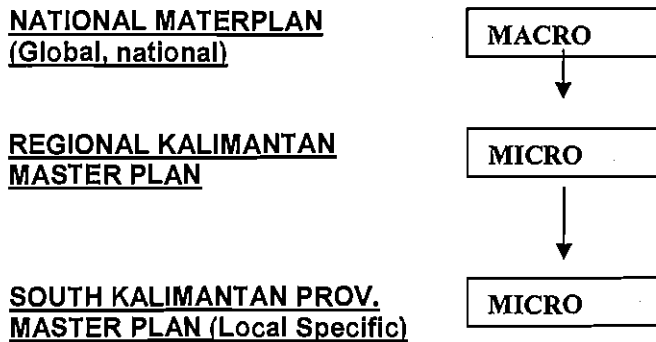
The National and regional Master plan will give directives and strategies of wood based industry development for developing programs and activities. The master plan for wood based industry for national level just developed and finished in the beginning of last year. And Master plan for Kalimantan regional has been done on December 2006.

The time line of formulation national and regional master plan as follow:

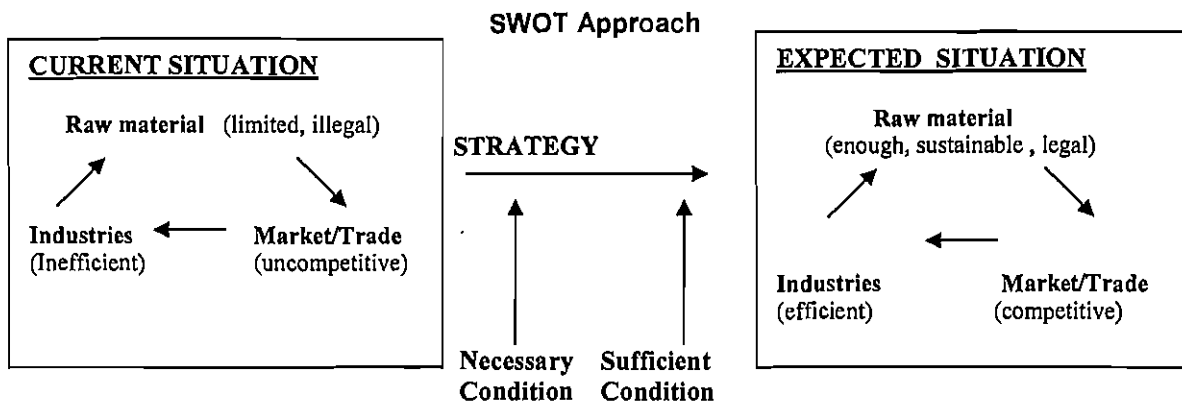
### **Timelines development of national and regional Kalimantan master plan for wood industry**

Activities	2005				2006				2007			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
<b>Development of national master plan</b>												
• Collection and analysis data	■	■										
• Draft master plan		■	■									
• Consultation	■	■	■									
• Public dialogue			■	■								
• Review				■	■	■	■					
<b>Development of sub-national (Kalimantan regional) master plan</b>												
• Collection and analysis data					■	■						
• Focus discussion						■	■					
• Drafting by consultant						■	■					
• Public consultation							■	■	■			
• Endorsement and dissemination								■	■	■		

**Scope of Mater plan South Kalimantan province and its relationship with the national and regional master plans**



**Master plan both for national and regional level was formulated based on three subject matter (three angle; raw material, industries and market/trade) :**



The strategy and steps formulated are appropriate with the vision, mission, objectives, and targets have to be supported by the implementation principles in the field. The principles are the preconditions that have to be met by all the stakeholders before these strategies or actions are implemented. Outlined below are the seven implementation principles that are required so that the strategies and actions that were formulated could be successfully achieved:

1. Forest stewardship: that is, forest management conducted with full responsibility by all government officials both at the central and district levels, as the forest resource owners.
2. Political will: that is, the existence of strong political will be the highest level of government to develop the sustainable forests. The government should have the political will to translate the formulated strategies to every stakeholders. This can be proven by having clear activities with sufficient financial supports.
3. Transparency, openness, and legality: that is, policies, laws, and forest harvesting system have to be formulated via a process which is transparent, open, and has some legal bindings according to systems of law and clear framework.
4. Fiscally sound and competitive market instrument: that is, the future wood industry policy includes the capacity of raw material supply, restructuring of wood industry, and also marketing and trade of wood product has to be done in accordance with healthy fiscal policies, and competitive market mechanism.
5. Dynamic and flexible: that is, the government policy and performance of wood manufacturing industry have to be dynamic and flexible, with consideration on the fast changing conditions of the global economic system.

6. Honesty, integrity, and fairness: that is, principles of honesty, cleanliness, and with high integrity as socio political foundations to develop and increase the investment by shedding off the corruption, collusion, and nepotism practices.
7. Open competition and freedom of economic decision making: that is, principle of open competition with healthy economic policy should be the basis for each policy making process at both the central and district levels.

Without the seven principles above, it can be assured that the efforts to restructure Indonesian wood industry will not be successful. Having passed the requirements of the principles, problems with ownership of the forest and assurance of risk free investment seems to be the next issue to be resolved. Without appropriate policy system and adequate constitution, both problems will be very critical.

### **Master Plan National**

The National Mater Plan is compiled for national level to be used as reference for macro plan of the wood based industries development. It was formulated based on analysis on three different subject matters, i.e. raw material situation (Assessment of country's logs supply capacity based on available forests for the wood industry), market and trade (Analysis on international market segment, trend and trade of wood based products), and the wood-based industry in national level (Analysis on wood industry efficiency, value added, and policies at macro level).

### **Master Plan Regional Kalimantan :**

This master plan was formulated with refers to national master plan in order to provide guidance and micro policy direction at regional Kalimantan. The objective of this master plan is to establish efficient primer industries, to produce wood product with high add value and to support availability of sustainable raw material with consideration on environment, economic and social aspect at regional level.

The Strategy to be used for developing wood based industries in Regional Kalimantan based on three aspects (raw material situation, market and trade and the wood-based industry in regional level), as follows :

- Utilization and development of raw material/resource optimally
- Development of efficient product and improvement of high product added value
- Strengthening adaptive and competitive market

### **Master Plan wood based industries for south Kalimantan province**

The master plan will be formulated with take consideration on specific condition in that province in term of (raw material situation, market and trade and the wood-based industry in provincial level),



**Strategy of wood base industries development based on scope of Master Plan**

<i>Aspects</i> <i>Type of Master plan</i>	<i>Raw material</i>	<i>Industries</i>	<i>Trade and Marketing</i>
<b>National Master Plan</b>	<ul style="list-style-type: none"> <li>• Legal</li> <li>• Sustainable</li> <li>• Enough</li> </ul>	<ul style="list-style-type: none"> <li>• Efficient</li> <li>• High value added Product</li> </ul>	competitive
<b>Regional Master Plan</b>	Utilization and development of raw material source optimally	Efficient and high value added products	Strengthening of adaptive and competitive market
<b>South Kalimantan Province Master Plan</b>	Based on specific situation and condition in term of raw material in this province	Based on specific situation and condition in term of industries in this province	Based on specific situation and condition in term of trade and market in this province

**Current Condition of South Kalimantan Province in term of Raw material, Industries, and Market/trade wood based industries**

In term of raw material supply , South Kalimantan province located in best geographical position compared to other provinces (central, west and east Kalimantan province located). In geographical speaking, rivers have centered in south part of Kalimantan and it is known that that log transportation was conducted through the rivers. That is why transportation access of raw material supply from the source ( in east and central Kalimantan) to the industries is easier .

In term of industries, major wood based industry processing facilities were centered on South Kalimantan compared to other provinces. Wood based industries in this province has important role to support local government income (PAD)

In term of Market/trade access of wood industries in south Kalimantan province has an opportunity to open domestic and international market, caused by availability of better transportation access ( infrastructure etc)

Based on that specific condition the strength, opportunities, constrain and challenge of development of wood based industry in South Kalimantan will be different from other province and strategy to be set up also will be more specific comply with the situation and condition in that province.

The scope of the master plan of South Kalimantan province will be contains:

- Visions and Missions of the south Kalimantan province ;
- Current Forest and forestry conditions ;
- Target conditions of the forests and forestry;
- Identification of problems, their analysis, and the assumptions used;
- Policies and programs for the development wood based industry in this province;.

## The engagement of key stakeholders in the formulation of master plan

Cooperation between relevant key parties involved in the project is an utmost important. It would be impossible to formulate a sound and workable strategic and actions for the development of wood-based industries without their active participation.

Full participation of key stakeholders and confirmed institutional commitments in project implementation will likely ensure the success of the project.

To reflect as much involvement and participation as possible of key stakeholders, all of the workshops and consultations will be organized jointly with private sector as well as local NGO, universities and communities. Opportunities will be given to private sector, local authorities, and academicians to express their views and thoughts by inviting them as speakers or reviewers on the issue. In addition, the organization of the workshops and consultations will be undertaken jointly with other institutions and private sector, reflecting our common problem in wood-based related issues. The involvement of key stakeholders in the formulation of provincial master plan was explained in matrix as follow:

<i>Key stakeholders</i>		<i>Three matters/aspect in wood based industries in South Kalimantan province</i>		
<i>group</i>	<i>type</i>	<i>Raw material supply</i>	<i>Wood based industries</i>	<i>Market and trade</i>
Government	<ul style="list-style-type: none"> <li>• Provincial government</li> <li>• Districts government</li> <li>• Ministry of Forestry</li> <li>• Ministry of Industry</li> <li>• Ministry of Trade</li> </ul>	*	*	*
Private sectors	<ul style="list-style-type: none"> <li>• Industries</li> <li>• Association (APKINDO, ISA, APHI, ASMINDO, BRIK)</li> </ul>	*	*	*
Civil society	<ul style="list-style-type: none"> <li>• Communities</li> <li>• National Forest Council</li> <li>• Academics</li> </ul>	*	*	*

### 1.6 Economic Aspect

This project will be of benefit to the economy by developing proper wood industry planning which is synergy with other sector will toward to the achievement of sustainable local government source income from wood based industries. The plan will be used to ensure further industrial development and to improve of market information for trade forest products which contribute a large share of revenue to national and regional economy.

### 1.7 Environmental aspect

The project will be of benefit to the environment by highlighting the wood industries demand for timber and the sustained yield of forest resources. The master plan will provide guidance to optimize utilization and development of raw material based industries which will affect in reducing environmental degradation which is caused by illegal harvesting activity.

### 1.8 Social Aspect

This project will provide benefit from a social point of view as a macro plan that provides direction in developing sustainable wood-based industry to ensure the wood industries sustainably which is affected to open a broader and fair employment and business opportunities as well as empower local poor communities then improve the people welfare in general. The findings and strategic recommendations made by the project would be taken into account by forest planners, decision makers, as well as private sector in developing the wood-based industry in the near future.

### 1.9 Risk

Although the project is designed to complement the national program in restructuring sustainable wood industry in Indonesia which should receive full commitment from the related stakeholders from both national and provincial/district level, but still have some risk that have the potential to hamper to achieve the project goals. The risk and mitigation in implementing the activities in this project are as shown in table below

Internal Risk		
1.	<b>Risk:</b>	Low Commitment of key target groups
	<b>Mitigation:</b>	Improve dialogue and communication between key target group including local community and they will be invited to join as a member in Project Steering Committee
2.	<b>Risk:</b>	Political will to implement the master plan as a guide and policy direction may poor
	<b>Mitigation:</b>	support target group to improve commitment/ willingness in gaining understanding of the master plan to ensure the success of this project

## 3. Outputs

### 3.1. Specific Objective 1 :

To develop a comprehensive master plan for the wood-based industries in South Kalimantan province

#### Output 1.1.

Database related to wood based industries available

#### Output 1.2.

Draft of the master plan analyzed and identified comply with national and regional (Kalimantan) master plan

#### Output 1.3

Public consultations /dialogue are implemented as participative process in developing/adjusting of the master plan

Output 1.4.

A mechanism and strategies for implementation the master plan established

**4. Activities.**

**4.1. Output 1.1.**

Database related to wood based industries available

- a) Identification constraints and opportunities in sustainable sources of timber for the wood based industry in South Kalimantan
- b) Identification the flow data of raw material from other district and other provinces
- c) Development Map of flow of raw material supplying the wood industry

Output 1.2

Draft of the master plan analyzed and identified comply with national and regional (Kalimantan) master plan

- a) Establishment of Task force
- b) Formulation and analyzing of the master plan

Output 1.3

Public consultations /dialogue are implemented as participative process in developing/adjusting of the master plan

- a) Development of public dialogue
- b) Reviewing/analyzing of public consultation/dialogue result

Output 1.4

A mechanism and strategies for implementation the master plan established

- a) Analyzing the mechanism of the implementation Development of implementation mechanism
- b) Discussion regarding the implementation mechanism
- c) Development of implementation mechanism

## 5. Logical Framework

<i>Project Elements</i>	<i>Objective Verifiable Indicator</i>	<i>Means of Verification</i>	<i>Important Assumption</i>
<p><b>Development Objective:</b> To contribute to the sustainable development of the wood-based industries in South Kalimantan Province</p> <p><b>Specific Objective 1</b> To develop a comprehensive master plan for the wood-based industries in South Kalimantan province</p>	<ul style="list-style-type: none"> <li>- one package a comprehensive master plan for the wood-based industries in South Kalimantan province as guide and policy direction in wood industry set up by 2009</li> <li>• Master plan has been in place and used as the main references</li> <li>• one package database of wood-based industry available</li> <li>• A mechanism for master plan implementation established</li> </ul>	<p>Documented report of restructuring wood industries in South Kalimantan</p> <p>Field visit Reports</p> <p>Study reports</p> <p>Workshop reports</p> <p>Industrial layout report</p> <p>Technical report</p> <p>Technical report</p> <p>Field visit</p> <p>Training report</p>	<p>Commitment of industrial company to cooperate.</p> <p>Open access of information from government and private companies.</p> <p>Available information</p> <p>Open access of information</p> <p>Good cooperation with the private companies</p> <p>Coordination between sectors and stakeholders established.</p> <p>Commitment of investor</p>
<p><b>Output 1.1.</b> Database on wood based industries available</p>	<ul style="list-style-type: none"> <li>- 1 package map of wood supply is developed</li> <li>- Annually reliable forecast of wood supply-demand in balance is developed</li> <li>- 75 % Small scale forest based operation is promoted</li> <li>- Database system operated</li> </ul>	<p>Report</p> <p>Field visit</p>	<p>Good cooperation with suppliers, and other related institutions</p>

<i>Project Elements</i>	<i>Objective Verifiable Indicator</i>	<i>Means of Verification</i>	<i>Important Assumption</i>
<b>Output 1.2.</b> Draft of the master plan analyzed and identified comply with national and regional (Kalimantan) master plan	<ul style="list-style-type: none"> <li>- TOR task force</li> <li>- One package of work program</li> <li>- One Draft master plan</li> <li>- Master plan analyzed</li> </ul>	Technical report Decree for Task force	
<b>Output 1.3.</b> Public consultations /dialogue are implemented as participative process in developing/adjusting of the master plan	<ul style="list-style-type: none"> <li>- The master plan is adjusted based on input from relevant stakeholders</li> </ul>	Proceeding Documentation List of participant/stakeholders	
<b>Output 1.4</b> A mechanism and strategy for implementation the Master plan analyzed and formulated	<ul style="list-style-type: none"> <li>- One package of mechanism and strategy formulated</li> <li>- List of participant in discussions forum</li> </ul>	Technical report Minute of meeting	Good cooperation between wood industries and relevant government agencies

6. Work plan

Output/Activities	Responsibility Party	SCHEDULE (In quarter /3 Months)					
		I	II	III	IV	V	VI
<b>OUTPUT 1.1.</b>							
Database on wood based industries available							
Activities							
a) Identification constraints and opportunities in sustainable sources of timber for the wood based industry in South Kalimantan	National and Expert, Forestry service						
b) Identification the flow data of raw material from other district and other provinces	National Expert, Forestry service						
c) Development Map of flow of raw material supplying the wood industry	National Expert, Forestry service						
<b>OUTPUT 1.2</b>							
Draft of the master plan analyzed and identified comply with national and regional (Kalimantan) master plan							
a) Establishment of Task force	Industry association, Forestry Service and relevant stakeholders						
b) Formulation and analyzing of master plan	Task Force						
<b>OUTPUT 1.3</b>							
Public consultations/dialogue implemented as participative process in developing/adjusting of the master plan							
a) Development of public dialogue	Forestry service						

Output/Activities	Responsibility Party	SCHEDULE (In quarter /3 Months)					
		I	II	III	IV	V	VI
b) Reviewing/analyzing of public consultation/dialogue result	Industry association, Forestry Service						
<b>OUTPUT 1.4</b>							
A mechanism for implementation of Master plan analysed and formulated							
a) Analyzing the mechanism for implementation	National Consultant, Industry association, Forestry Service						
b) Discussion regarding mechanism for implementation of master plan	National Consultant, Industry association, Forestry Service						
c) Development mechanism and strategy for implementation							
REPORT WRITING AND DISCUSSIONS	Forestry Service						



## 7. Budget

### 7.1. Overall Project Budget by Activity (US\$)

OUTPUT/ACTIVITIES	BUDGET COMPONENT									
	Project Personnel	Sub Contract	Duty Travel	Capital Item	Consumable Item	Miscellaneous	Quarter / Year	Total ITTO	FSBJ	TOTAL
	10	20	30	40	50	60				
Output 1.1. Database on wood based industries available										
Activity 1.1.1. Identification constraints and opportunities in sustainable source of timber for the wood based industry in South Kalimantan	1.500		8.000	5.000	500	500	Q1, Y1	15.500		15.500
			1.500	8.000	500	150			10.150	10.150
Activity 1.1.2. Identification the flow data of raw material from other district and other provinces	1.500		4.700	-	500	500	Q1, Y1	7.200		7.200
			1.500		500	150			2.150	2.150
Activity 1.1.3. Development Map of flow of raw material supplying the wood industry	15.000		5.500	-	500	500	Q1, Y1	21.500		21.500
			1.500		500	150			2.150	2.150
Sub-Total	18.000		22.700	13.000	3.000	1.950		44.200	14.450	58.650
Output 1.2. Draft of the master plan analyzed and identified comply with national and regional (Kalimantan) master plan										
Activity 1.2.1. Establishment of task force	1.500		5.250	-	500	-	Q1,Q2, Y1	7.250		7.250
			1.500		500	150			2.150	2.150
Activity 1.2.2. Formulate of Master Plan	-		5.000	-	1.000	2.000	Q2,Q3, Y1	8.000		8.000
			1.250		500	250			2.000	2.000
Sub-Total	1.500		13.000		2.500	2.400		15.250	4.150	19.400

Output 1.3. Public consultations/dialogue implemented as participative process in developing/adjusting of the master plan										
Activity 1.3.1. Development of Public dialogue	1.500		5.500	-	500	1.000	Q3, Y1 Q1-Q2 Y2	8.500		8.500
			1.250		500	250			2.000	2.000
Activity 1.3.2. Analyzing of public consultation result	1.500		3.550	-	500	1.000	Q3, Y1 Q1-Q2 Y2	6.550		6.550
			1.250		500	250			2.000	2.000
Sub Total	3.000		11.550		2.000	2.500		15.050	4.000	19.050
Output 1.4. Mechanism for implementation of master plan analyzed and formulated										
Activity 1.4.1. Analyzing the mechanism for implementation	1.500		3.250	-	500	-	Q3, Y1	5.250		5.250
			1.250		500	200			1.950	1.950
Activity 1.4.2. Discussion regarding mechanism for implementation of master plan	1.500		3.600	-	500	500	Q4, Y1	6.100		6.100
			1.250		500	250			2.000	2.000
Activity 1.4.3. Development mechanism and strategy for implementation	-		4.350	-	500	-	Q4, Y1	4.850		4.850
			1.250		500	200			1.950	1.950
Sub Total	3.000		14.950		3.000	1.150		16.200	5.900	22.100
<b>Management Operational Cost</b>										
1. Team Leader								24.000		24.000
2. Secretary								6.000		6.000
3. Project Staff								6.000		6.000
4. Project preparation/reproduction								5.000		5.000

Sub-Total								41.000		41.000
Total Project	25.500		62.200	13.000	10.500	8.000		131.700	28.500	160.200
<b>ITTO Administration</b>										
1. Monitoring and Evaluation								12.000		12.000
3. Programme Support Costs (8%)								11.496		11.496
Sub-Total								23.496		23.496
Grand-Total								155.196		183.696

**Notes:**

FSBJ = Forestry Service of Banjar District

### 7.2. Yearly Project Budget by Source – ITTO and GOI

Budget Component	Total	Quarter	
		Quarter 1-2	Quarter 3-6
10. Project Personnel	61.500	37.500	24.000
20. Sub-contracts	-	-	-
30. Duty Travel	48.700	23.450	25.250
40. Capital Items	5.000	5.000	-
50. Consumable Items	5.500	2.000	3.500
60. Miscellaneous	6.000	1.500	4.500
70. Project Preparation/production	5.000	5.000	-
<b>Sub-Total 1</b>	<b>131.700</b>	<b>69.450</b>	<b>57.250</b>
<b>80. ITTO Administration</b>			
81. Monitoring and Evaluation	12.000		
83. Programme Support Costs (8%)	11.496		
<b>Sub-Total 2</b>	<b>23.496</b>		
<b>TOTAL</b>	<b>155.196</b>		

### 7.3. Yearly Project Budget by source - Forestry Service of South Kalimantan Province

Budget Component	Total	Quarter	
		Quarter 1-2	Quarter 3-6
10. Project Personnel	-		
20. Sub-contracts	-		
30. Duty Travel	3.500	6.000	7.500
40. Capital Items	8.000	8.000	-
50. Consumable Items	5.000	2.000	3.000
60. Miscellaneous	2.000	600	1.400
<b>TOTAL</b>	<b>28.500</b>	<b>16.600</b>	<b>11.900</b>

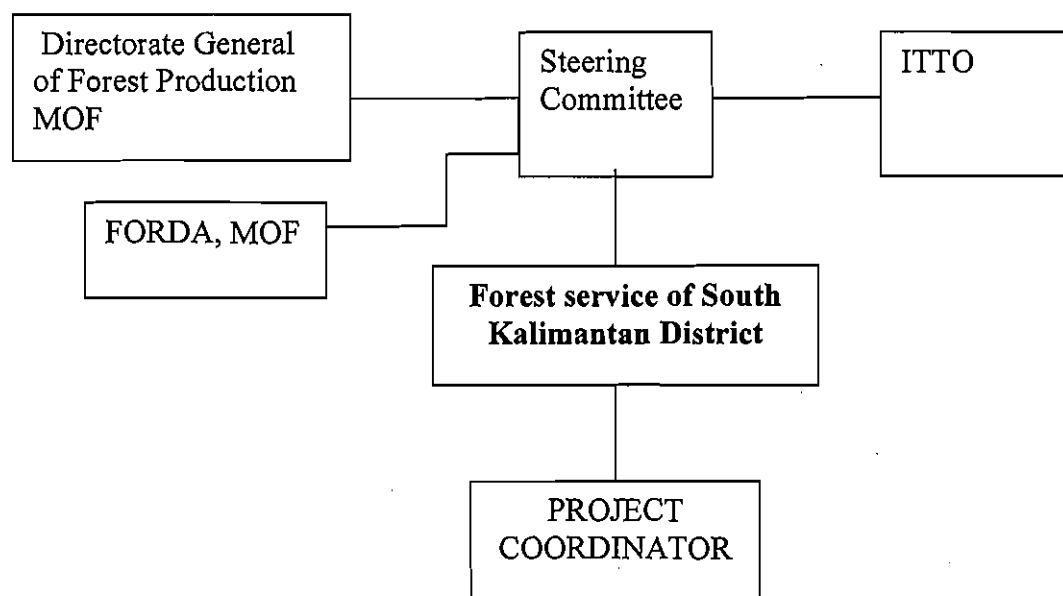
#### 7.4. Consolidated Yearly Project Budget ITTO

No	Budget Components/Source	Total	Quarter	
			Quarter1-2	Quarter 3-6
10	Project Personnel	-		
	11 International Expert	-	-	-
	12. National Expert	25.500,00	19.500,00	6.000,00
	13 Project Coordinator	24.000,00	12.000,00	12.000,00
	14. Secretary	6.000,00	3.000,00	3.000,00
	15. Project Staff	6.000,00	3.000,00	3.000,00
	<b>19. Sub total</b>	<b>61:500,00</b>	<b>37:500,00</b>	<b>24:000,00</b>
20	Sub-Contract			
	21. Sub-contract	-		
	<b>29. Sub Total</b>			
30	Duty Travel			
	31. Daily Subsistence Allowance	21.500,00	11.250,00	10.250,00
	32. International Ticket	-	-	-
	32. Domestic Travel	17.800,00	8.400,00	9.400,00
	33. Local Transport	9.400,00	3.800,00	5.600,00
	<b>39. Sub Total</b>	<b>48:700,00</b>	<b>23:450,00</b>	<b>25:250,00</b>
40	Capital Item			
	41. Procurement One set Personal Computer	5.000,00	5.000,00	-
	<b>49. Sub Total</b>	<b>5:000,00</b>	<b>5:000,00</b>	
50	Consumable Item			
	52. Office supplies	5.500,00	2.000,00	3.500,00
	<b>59. Sub Total</b>	<b>5:500,00</b>	<b>2:000,00</b>	<b>3:500,00</b>
60	Miscellaneous			
	61. Meeting/workshop	4.500,00	500,00	4.000,00
	6. Miscel.	1.500,00	1.000,00	500,00
	<b>69. Sub Total</b>	<b>6:000,00</b>	<b>1:500,00</b>	<b>4:500,00</b>
70	Project Preparation/production	5.000,00	5.000,00	
	<b>79. Sub Total</b>	<b>5:000,00</b>	<b>5:000,00</b>	
	<b>Total Project</b>	<b>131.700,00</b>	<b>74.450,00</b>	<b>57:250,00</b>
80	<b>ITTO Administration</b>			
	81. Monitoring and Evaluation	12.000,00		
	83. Program Support Cost (8%)	11.496,00		
	<b>89. Sub Total</b>	<b>23:496,00</b>		
<b>80</b>	<b>GRAND TOTAL</b>	<b>155.196,00</b>		

## PART III : OPERATIONAL ARRANGEMENT

### 1. Management Structure

The executing and implementing agency of this project will be carried forestry Service of South Kalimantan Province collaboration with the Directorate General of Production Forest Development, Ministry of Forestry. Other agencies such as Ministry of Industry, Private and state Enterprise will also be involved under the supervision of the Project Steeing Committee (PSC).



The main task of project coordinator was to carry out the project administrative and substantive-related matters, including working closely with national and international consultants (if available). It is also important to note that the project coordinator is responsible for keeping in touch and maintain good relationships with different key stakeholders, including government officials, private sector organizations or associations, individual company, donor agencies, NGOs, and academicians both in the central and provincial offices. In addition, he or she has to represent the project in any project-related meetings and discussions.

#### 1. Monitoring, Reporting and Evaluation.

##### 2.1 Project Progress Report.

The first project progress report will be given to ITTO 6 months after project start-up or at least 4 months before the date of the monitoring visits (or Steering Committee meetings) and 2 months before every Council Sessions (in May and November).

##### 2.2. Project Completion Report

This will be submitted within three months after Project Completion.

##### 2.3. Project Technical Reports.

Project Technical Reports will be prepared for activities where technical results are expected, i.e. the achievements of the Project Outputs. Those are Report on Analysis and recommendation to optimize efficiency of wood processing industries (output 1.1), and Information on new machines and appropriate technology for secondary processing industries (output 1.2.)

##### 2.4. Monitoring, Review and Steering Committee's Visits.

A Steering Committee will be established, to be appointed by the Minister of Forestry upon proposal from the executing agency. The committee will consist of representative from MoF (Directorate General of Production Forest Development [BPK]), Bureau of Foreign Cooperation and Investment, relevant industry association, Ministry of Industry, local government (Bappeda, Provincial Forestry office), and ITTO. The Steering Committee meeting will be held annually or as necessary. ITTO monitoring visits, if considered still necessary, will be arranged after the achievement of the respective outputs according to the Workplan.

## 2.5.Evaluation

Evaluation will be conducted during the last quarter before completion of the Project.

## **2. Future Operation and Maintenance.**

The Project is mainly using existing assets (computer hardware) owned by the respective institutions and production unit. Additional facilities, if necessary (including hardware and software) or accessories will be procured using Project funds (capital items and consumable).

The output of the project shall be maintained by the respective institutions on their own account.

Master plan will be used as guidance and policy direction of wood industry development in South Kalimantan province.

## PART IV : THE TROPICAL TIMBER FRAMEWORK.

### 1. Compliance with ITTA 1994 objectives.

The Project complies with the ITTO objectives laid down in Article 1 of the 1994 International Timber Agreement (ITTA), in particular mentioned in point i : to promote increased and further processing of tropical timber from sustainable sources in producing member countries with a view to promoting their industrialization and thereby increasing their employment opportunities and export earnings;

The development objective of this Project is to improve efficiency of secondary processing of Ebony wood in central Sulawesi, with specific objectives: a) to find appropriate and improved technology that could increase the efficiency of secondary processing industry; and b) to improve the skill of workers and operators in the secondary processing industry by giving them training and technology transfer. As those objectives achieved by this project, it will contribute to the ITTA 1994 objectives Article 1 point i mentioned above.

### 2. Compliance with the ITTO Action Plan.

Various outputs of the Project comply with the ITTO Yokohama Action Plan 2002-2006, among others :

#### 2.1. Cross Cutting Actions

- (a) Encourage and assist producing member countries to identify and address constraints in their implementation of sustainable forest management and the sustainable development of the forest industry to enhance the contribution of the forest sector to national objectives;

The activities of project to achieve output 1.1 consists of :

- a) Conducting analysis on problem causing inefficiency in secondary processing industry ;
- b) Identification way of optimizing efficiency of secondary processing industries
- c) conducting sectoral review on linkage of raw material development,

- 2.2. Promote increased and further processing of tropical timber from sustainable sources (Goal 1) of The Committee on Forest Industry).

Action Plan of the Project :

- a) Organize workshops/seminars on the use of new and/or improved techniques and technology, including increased further processing;
- b) Undertake sector-wide training needs analyses; development of training strategies, training facilities and course curricula; preparation of training manuals and delivery of training courses;

- 2.3. Improve industry's efficiency of processing and utilization of tropical timber from sustainable sources (Goal 2).

The action plan is : Facilitate and encourage industrial demonstration projects addressing increased production and utilization efficiency, and the competitiveness of the tropical timber industry.



## ANNEXES

### A. Profile of the Executing Agency.

The executing agency will be the Forestry Service of South Kalimantan province. It is the the technical agency of local government and is responsible for coordinating and supervising of forest management and enforcing forest development policies in South Kalimantan.

#### Forestry Service of South Kalimantan Province

The executing agency will be the Forestry Service of South Kalimantan Province. This Forestry Service is responsible for setting up policy, monitoring of timber and non timber forest product management as well as for coordinating and supervising of forest management and enforcing forest development policies in provincial level. This Forestry service has enough experiences in establishment of collaboration with national and international agencies

#### Infrastructure of the Executing Agency

The South Kalimantan Forestry service has 3 Division: Forest Production utilization, Land Use Planning and Administration. It also has forest district offices across South Kalimantan

#### Budget

The budget of South Kalimantan Province is as follows:

<u>Activities</u>	<u>2003 (USD)</u>	<u>2004 (USD)</u>	<u>2005 (USD)</u>
Personnel	14,920	16,670	8,870
Duty travel	86,770	89,160	95,870
Capital	402,030	19,900	14,050
Consumable items	129,400	229,670	220,200
Miscellaneous	3,840	5,450	49,900

#### Personnel

Staff members of South Kalimantan Provincial Forest Service consist of personnel, university degrees in various fields (59 persons), high school graduated and others (221 persons).

The Forest Service will work together with the Directorate General of Production, industries, university and research institution in Banjarmasin South Kalimantan.

### B. Curriculum Vitae of the Key Staff

Name : Ir. Soni Partono

Position : Head of Forest Service of South Kalimantan Province

Education: Magister Management from Gajahmada Univeristy

### C. Term of Reference for Project Coordinator

Position: Project coordinator; one project coordinator will be hired to run the project and to coordinate operational activities.

Duration: 18 months

Responsibility: Project coordinator will be responsible on coordinating and supervising all activities and ensuring that the overall objectives are achieved. Under the coordination with the steering committee and it close cooperation with the other members of the project staff. He or she will work closely with all parties and personnel involved in the project, and be responsible for the day to day management of the project. He or she will integrate all activities of the project manage and be responsible of the funds applied to the project and for the preparation of the all project report.

Qualification, experience and payment: hold at least Master degree in forestry. Good understanding in English both oral and written. He or she must have good understanding on the overall objectives, output to be achieved and activities to be carried out of the project. He or she must have sufficient experiences in working with international organization and have high communication and language ability. Rate of payment is 2,500 USD per month. The Project coordinator will be required to travel to the field. He or she will receive Daily Subsistence Allowance during duty the travels.

#### **D. Project Financial/Secretary**

Duration : 18 months

Responsibility:Project Financial/Secretary helps the Team Leader on financial and administration matters

#### **E. Terms of Reference of the Three Main National Expert/Consultant**

1. **Position** : consultant for identification of supply and development of map the wood based industry in South Kalimantan (output 1.1)

**Qualification and experience:**

The consultant must be post graduated degree in wood industry with 5 years work experience. Having work experience in industrial at south Kalimantan province is very usefull

**Responsibilities :**

**Expert/consultant will be responsible (1) to search and collect data wood-based industry in South Kalimantan (2) Identifying suply and mapping sources of timber for the wood based industry in South Kalimantan (3) Analyzing and reviewing(4) preapring report is within the periode of asisgment. The technical report and documentation must be presented in the project meeting**

*Duration of employment : 1 -3 months*

*Location : South Kalimantan*

2. **Position** : consultant for drafting master plan (output 1.2)

**Qualification and experience:**

The consultant must be graduated/post graduated degree in wood industry with 5 years work experience. Having work experience in industrial at south Kalimantan province and development of master plan in wood industry are very usefull

**Responsibilities :**

- Development of task force of master plan in South Kalimantan provinces
- Analyzing and reviewing
- Preparing progress report.

Duration of employment : 1 -3 months

Location : South Kalimantan

3. consultant for development strategy and mechanism for master plan implementation (output 1.4)

**Qualification and experience:**

The consultant must be post graduated degree in wood industry with 5 years work experience. Having work experience in industrial at south Kalimantan province is very usefull

**Responsibilities :**

- Developing strategy and mechanism for master plan implementation
- Analyzing and reviewing
- Preparing progress report.

Duration of employment : 1 - 3 months

Location : South Kalimantan

## F. Curriculum vitae of Project Formulator

1. Name : Yani Septiani  
Nationality : Indonesian  
Address : Apartement Permata Eksekutif Tower 2 Floor 10-1  
Jl. Pos Pengumben Raya Jakarta 11550  
Mail address : c/o SMCP Manggala Wanabakti building Block VII  
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2. Name : Dodi Sukardi  
Nationality : Indonesian  
Address : Komplek Dolog,  
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Mail address : c/o FORDA Manggala Wanabakti building Block I  
floor 11 Jl. Gatot Subroto Senayan Jakarta  
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## G.SUMMARY OF ITTO RECOMMENDATIONS at the 34<sup>th</sup> Expert Panel

ITTO Recommendation	Compliance	Page
(1) Improve the problem tree in order to include the key problems, their underlying causes and effects;	Problem tree has been improved	10
(2) Further describe the economics, environmental and social aspects of the project;	Has been further described	18-19
(3) Provide more details on the scope of the proposed master plan and clarify its relationship with the national and regional master plans;	Has been clarified. See the technical aspect	15-17
(4) Refine the formulation of a master plan as a concrete output of the project rather than an activity;	Has been refined See Output and Activities	19-20
(5) More elaborate the engagement of key stakeholders in the formulation of a master plan	Has been elaborated See Technical aspect	18
(6) Review the project duration in a more realistic way to consider extending it from one year to one and half year to ensure the successful achievement of the project objectives; and	Has been revised See Workplan Project duration was added to be 1 year and half year to ensure the successful of consultation process	23-24
(7) Provide an annex showing in a tabular form, how comments and recommendations of the Panel were addressed. Modification should be highlighted (bold and underlined) in the text	Has been done	36

## H. INPUT BUDGET

### Detail Budget by Activity including Unit Cost

Output and Activities	Input	No	Unit Cost	Semester	B/L	Total
<b>Specific Objective 1</b>						
<b>Output 1.1. Database on wood based industries available</b>						
<b>Activity 1.1.1. Identification constraints and opportunities in</b>						
sustainable sources of timber for the wood based industry in South Kalimantan	Project Coordinator		1.500	Q1, Y1	-	
	Secretary		350	Q1, Y1	-	
	Projects Staff		600	Q1, Y1	-	
	International Expert	-	10.000	Q1, Y1	-	
	National Expert	1,0	1.500	Q1, Y1		1.500
	Computer	1,0	5.000	Q1, Y1		5.000
	Motor cycle		2.000	Q1, Y1		-
	DSA	100,0	50	Q1, Y1		5.000
	International Travel	-	500	Q1, Y1		-
	National Travel	10,0	200	Q1, Y1		2.000
	Local Transport	10,0	100	Q1, Y1		1.000
	Office Supplies	0,5	1.000	Q1, Y1		500
	meeting	0,5	1.000	Q1, Y1		500
	Meeting (PSC)		1.500	Q1, Y1		-
		<b>Sub Total</b>				
<b>Activity 1.1.2. Identification the flow data of raw material from other district and other provinces</b>						
	Project Coordinator		1.500	Q1, Y1	-	
	Secretary		350	Q1, Y1	-	
	Projects Staff		600	Q1, Y1	-	
	International Expert		10.000	Q1, Y1	-	
	National Consultant	1,0	1.500	Q1, Y1		1.500
	Computer		5.000	Q1, Y1		-
	Motor cycle		2.000	Q1, Y1		-
	DSA	50,0	50	Q1, Y1		2.500
	International Travel		500	Q1, Y1		-
	National Travel	7,0	200	Q1, Y1		1.400
	Local Transport	8,0	100	Q1, Y1		800
	Office Supplies	0,5	1.000	Q1, Y1		500
	Miscl.	0,5	1.000	Q1, Y1		500
	Meeting (PSC)		1.500	Q1, Y1		-
		<b>Sub Total</b>				
<b>Activity 1.1.3. Development Map of flow of raw material supplying the wood industry</b>						
	Project Coordinator		1.500	Q1, Y1	-	
	Secretary		350	Q1, Y1	-	
	Projects Staff		600	Q1, Y1	-	

International Expert		10.000	Q1, Y1	-
National Expert	10,0	1.500	Q1, Y1	15.000
Capital Equipment		5.000	Q1, Y1	-
Motor cycle		2.000	Q1, Y1	-
DSA	50,0	50	Q1, Y1	2.500
International Travel		500	Q1, Y1	-
National Travel	10,0	200	Q1, Y1	2.000
Local Transport	10,0	100	Q1, Y1	1.000
Office Supplies	0,5	1.000	Q1, Y1	500
meeting	0,5	1.000	Q1, Y1	500
Meeting (PSC)		1.500	Q1, Y1	-
<b>Sub Total</b>				<b>21.500</b>
<b>Total Output 1.1.</b>				<b>44.200</b>

**Output 1.2. Draft of the master plan analyzed and identified comply with national and regional (Kalimantan) master plan**

Activity 1.2.1. Establishment of task force	Project Coordinator		1.500	Q1,Q2, Y1	-
	Secretary		350	Q1,Q2, Y1	-
	Projects Staff		600	Q1,Q2, Y1	-
	International Expert		10.000	Q1,Q2, Y1	-
	National Expert	1,0	1.500	Q1,Q2, Y1	1.500
	Computer		5.000	Q1,Q2, Y1	-
	Motor cycle		2.000	Q1,Q2, Y1	-
	DSA	25,0	50	Q1,Q2, Y1	1.250
	International Travel		500	Q1,Q2, Y1	-
	National Travel	15,0	200	Q1,Q2, Y1	3.000
	Local Transport	10,0	100	Q1,Q2, Y1	1.000
	Office Supplies	0,5	1.000	Q1,Q2, Y1	500
	meeting		1.000	Q1,Q2, Y1	-
	Meeting (PSC)		1.500	Q1,Q2, Y1	-
	<b>Sub Total</b>				<b>7.250</b>
	Activity 1.2.2. Formulation of master plan	Project Coordinator		1.500	Q2,Q3, Y1
Secretary			350	Q2,Q3, Y1	-
Projects Staff			600	Q2,Q3, Y1	-
International Expert			10.000	Q2,Q3, Y1	-
National Expert			1.500	Q2,Q3, Y1	-
Meeting House			5.000	Q2,Q3, Y1	-

Motor cycle		2.000	Q2,Q3, Y1	-
DSA	40,0	50	Q2,Q3, Y1	2.000
International Travel		500	Q2,Q3, Y1	-
National Travel	10,0	200	Q2,Q3, Y1	2.000
Local Transport	10,0	100	Q2,Q3, Y1	1.000
Office Supplies	1,0	1.000	Q2,Q3, Y1	1.000
meeting	2,0	1.000	Q2,Q3, Y1	2.000
Meeting (PSC)		1.500	Q2,Q3, Y1	-
<b>Sub Total</b>				<b>8.000</b>

**Total Output 1.2.** 15.250

**Output 1.3. Public consultations/dialogues to adjust the master plan**

Activity 1.3.1. Establishment of public dialogues	Project Coordinator		1.500	Q3, Y1	-
	Secretary		350	Q3, Y1	-
	Projects Staff		600	Q3, Y1	-
	International Expert		10.000	Q3, Y1	-
	National Expert	1,0	1.500	Q3, Y1	1.500
	Computer		5.000	Q3, Y1	-
	Motor cycle		2.000	Q3, Y1	-
	DSA	50,0	50	Q3, Y1	2.500
	International Travel		500	Q3, Y1	-
	National Travel	10,0	200	Q3, Y1	2.000
	Local Transport	10,0	100	Q3, Y1	1.000
	Office Supplies	0,5	1.000	Q3, Y1	500
	meeting	1,0	1.000	Q3, Y1	1.000
	Meeting (PSC)		1.500	Q3, Y1	-

**Sub Total** 8.500

Activity 1.3.2. Analyzing of public consultation/dialogue	Project Coordinator		1.500	Q3, Y1	-
	Secretary		350	Q3, Y1	-
	Projects Staff		600	Q3, Y1	-
	International Expert		10.000	Q3, Y1	-
	National Expert	1,0	1.500	Q3, Y1	1.500
	Meeting House		5.000	Q3, Y1	-
	Motor cycle		2.000	Q3, Y1	-
	DSA	35,0	50	Q3, Y1	1.750
	International Travel		500	Q3, Y1	-
	National Travel	6,0		Q3, Y1	

		200		1.200
Local Transport	6,0	100	Q3, Y1	600
Office Supplies	0,5	1.000	Q3, Y1	500
meeting	1,0	1.000	Q3, Y1	1.000
Meeting (PSC)		1.500	Q3, Y1	-
<b>Sub Total</b>				<b>6.550</b>
<b>Total Output 1.3.</b>				<b>15.050</b>

**Output 1.4. Mechanism to implement the master plan analyzed and formulated**

**Activity 1.4.1. Analyzing the mechanism of the implementation**

Project Coordinator		1.500	Q3, Y1	-
Secretary		350	Q3, Y1	-
Projects Staff		600	Q3, Y1	-
International Expert		10.000	Q3, Y1	-
National Expert	1,0	1.500	Q3, Y1	1.500
Computer		5.000	Q3, Y1	-
Motor cycle		2.000	Q3, Y1	-
DSA	25,0	50	Q3, Y1	1.250
International Travel		500	Q3, Y1	-
National Travel	5,0	200	Q3, Y1	1.000
Local Transport	10,0	100	Q3, Y1	1.000
Office Supplies	0,5	1.000	Q3, Y1	500
meeting		1.000	Q3, Y1	-
Meeting (PSC)		1.500	Q3, Y1	-
<b>Sub Total</b>				<b>5.250</b>

**Activity 1.4.2. Discussion regarding the implementation mechanism**

Project Coordinator		1.500	Q4, Y1	-
Secretary		350	Q4, Y1	-
Projects Staff		600	Q4, Y1	-
International Expert		10.000	Q4, Y1	-
National Expert	1,0	1.500	Q4, Y1	1.500
Computer		5.000	Q4, Y1	-
Motor cycle		2.000	Q4, Y1	-
DSA	20,0	50	Q4, Y1	1.000
International Travel		500	Q4, Y1	-
National Travel	8,0	200	Q4, Y1	1.600
Local Transport	10,0	100	Q4, Y1	1.000
Office Supplies	0,5	1.000	Q4, Y1	500



	meeting	0,5	1.000	Q4, Y1	500
	Meeting (PSC)		1.500	Q4, Y1	-
	<b>Sub Total</b>				<b>6.100</b>
<b>Activity 1.4.3. Development of implementation mechanism</b>	Project Coordinator		1.500	Q4, Y1	-
	Secretary		350	Q4, Y1	-
	Projects Staff		600	Q4, Y1	-
	International Expert		10.000	Q4, Y1	-
	National Expert		1.500	Q4, Y1	-
	Computer		5.000	Q4, Y1	-
	Motor cycle		2.000	Q4, Y1	-
	DSA	35,0	50	Q4, Y1	1.750
	International Travel		500	Q4, Y1	-
	National Travel	8,0	200	Q4, Y1	1.600
	Local Transport	10,0	100	Q4, Y1	1.000
	Office Supplies	0,5	1.000	Q4, Y1	500
	meeting		1.000	Q4, Y1	-
	Meeting (PSC)		1.500	Q4, Y1	-
	<b>Sub Total</b>				<b>4.850</b>
	<b>Total Output 1.4.</b>				<b>16.200</b>
	<b>Total Output 1</b>				<b>90.700</b>
<b><u>Management Cost</u></b>					
	Project Coordinator				24.000
	Secretary				6.000
	Project Staff				6.000
	Project Preparation/reproduction				5.000
	<b>Sub total</b>				<b>41.000</b>
	<b>Total Project</b>				<b>131.700</b>
<b><u>ITTO Administration</u></b>					
	1. Monitoring and Evaluation				12.000
	3. ITTO Programme suport cost (8%)				11.496
	<b>Sub Total</b>				<b>23.496</b>
	<b>Total</b>				<b>155.196</b>