

Strengthening the Capacity to Promote Efficient Wood Processing Technologies in Indonesia

Final report summary

PD 286/04 Rev.1 (I)

I. Introduction

This project aimed at increasing the contribution of the wood processing sector to the national economy through the application of appropriate processing technologies, based on the findings and recommendations of pre-project PPD 57/02 Rev.1 (I) "Improvement of Processing Efficiency of Tropical Timber from Sustainable Sources in Indonesia" as well as the recommendations of the ITTO Technical Mission (2001), which concluded that concrete action should be taken to enhance production efficiency of mills through retooling, diversification, improved technology, and human resource development; and to promote downstream value-added production to obtain increased value from the wood processing sector. The project was financed by Japan, Switzerland, Korea, with Indonesia's own contribution. It started in August 2005 and lasted 33 months (planned duration: 12 months).

II. Implementation of the project

The Project was implemented by the Indonesian Sawmill and Woodworking Association (ISWA) in collaboration with the Ministry of Forestry Indonesia (MOFI) with a total budget of US \$ 969,280 comprising contribution of ITTO and GOI/ISWA in the amount of US \$ 765,140 and US \$ 204,140, respectively. The project addressed the key problem facing the national wood industry which was inefficiency of wood processing and the generally poor product quality. Its specific objective, therefore, was to improve national skills and capabilities in wood processing efficiency and in product quality management to ensure the efficient and diversified use of tropical timber in Indonesia. Its development objective was to increase the contribution of the wood industry sector to the national economy through application of appropriate processing technologies.

Following consultation with beneficiaries, it was necessary to modify the initial project implementation strategy and to adapt it to the prevailing circumstances in order to increase its feasibility and operational practicality in achieving its planned objectives. Therefore, Output 1 was modified and related activities adjusted with the approval of Project Steering Committee (PSC). The Logical Framework Matrix (LFM) was also revised in order to conform with the newly defined outputs and activities. The project has positive impacts on individual mills and on the wood industry as a whole in many ways including:

- Improved understanding of owners, executives, managers, supervisors and operators on the critical role processing efficiency and product quality play in determining production cost and profitability and in shaping competitiveness of a company;
- Increased wood recovery and reduced wood wastes;
- Reduced lumber defects during kiln-drying process;
- Better management of inventory, both raw material and wood products;
- Shortened product flow time indicating higher productivity and less inputs;
- Improved working environment through enhanced communication between owners, executives, and employees, better cleanliness of mill floor, improved lightning system, etc.;
- Enhanced human resource management through internal training, dialogues and meetings;
- Heightened discipline of employees in performing jobs; and
- Willingness of owners to improve processing efficiency and product quality by making the necessary investment proposed by executives, managers or operators.

It was evident during the second national workshop that participants of the in-house training benefited from the project. They had applied and would continue to apply the technical recipes provided by the project for improving efficiency of processing and quality of products. Other ISWA member companies also indicated their strong interest in adopting the project results in their operations. Sustainability of impact would be very much dependent on i) commitment of the 50 mills that hosted the in-house training to continue practicing the technical advices provided by the project; ii) interest of other companies in adopting the results of the in-house training; iii) extent to which the MOFI will follow up its expressed interest in conducting in-house training using state funds; and iv) commitment of owners and executives to making efficiency and product quality as the heart of wood processing operations.

III. Completion of the project

The completion, technical and financial audit reports for the project have been submitted to the ITTO Secretariat. In its 43rd Session of November 2009, the Committee on Forest Industry declared the project completed.