



Ministry of Environment and Forestry - ITTO - ISWA

ITTO PD 737/14 Rev. 14 (I)

*Developing Supply Capacity of Wood-based Biomass Energy through Improved Enabling Conditions and Efficient Utilization of Degraded Forest Lands Involving Local Communities in North Sumatera Province of Indonesia*

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**The First Meeting of Project Steering Committee (PSC)**

ITTO PD 737/14 Rev. 2 (I)

*Developing Supply Capacity of Wood-based Biomass Energy through Improved Enabling Conditions and Efficient Utilization of Degraded Forest Lands Involving Local Communities in North Sumatera Province of Indonesia*

Rimbawan III Meeting Room, Mangala Wanabakti, Block I, 2<sup>nd</sup> floor

Jakarta, 20 November 2017

Item 1. Opening of the Meeting

- Mr Istanto, Director of Production Forest Business Management (UHP), on behalf of Chairman of PSC, Director General of Sustainable Management of Production Forest (PHPL), presided the Meeting. He called the Meeting to order at 09.30 a.m., and warmly welcomed PSC members and the participants and thanked for their attendance. Mr Istanto emphasized the importance of the project for Indonesia in general, for forestry sector in particular, considering its potential contribution to energy forest development. The project is initiating development of renewable energy using wood-based biomass produced on non-productive forest lands involving local communities. He informed the Meeting that development of energy forest in Indonesia has been very limited so far due mainly to unclear economic feasibility of such a project. Therefore, implementation of ITTO Project PD 737/14 is timely indeed as it is targeting to improve the poor enabling conditions for building up supply capacity of wood-based biomass energy; he expected that the project would demonstrate a successful development of energy forest using super-fast growing tree species, namely kaliandra (*callyandra spp.*), gamal (*grilicidia sepium*), lamtoro (*melaleuca leucocephala*).
- Mr Makoto Nakamura of Japan Embassy in Jakarta, thanked the Organizer for inviting his Embassy to the Meeting. He informed the Meeting that Japanese government is very pleased to become part of the project as the project is certainly very useful for Indonesia in its effort to develop sources of renewable energy by planting fast

growing tree species on critical lands. He finally expressed best wishes for a fruitful and successful implementation of the project.

- Dr Tetra Yanuariadi, ITTO Representative, thanked Chairman of the PSC for inviting ITTO to attend the Meeting, he informed the Meeting that this project is a concrete follow-up to the recommendation of the Asia Pacific regional workshop on wood biomass energy development held in Jakarta nearly two decades ago. Therefore, this project is the first of the kind in Asia Pacific Region receiving financial support from ITTO thus is expected to serve as model of energy forest development. Dr Yanuariadi conveyed his appreciation to Government of Japan for financing the project.

Dr Yanuariadi further informed the Meeting that, according to the Project Document, the project is establishing energy forest using three fast growing species for purpose of demonstration and training at three different sites. He visited one of the site which is located at Parlilitan Village of Humbang Hasundutan district and had a chance to communicate with Forest Management Unit Officials and Staff as well as villagers. He was very certain, that with strong support of local main stakeholders, like that at Parlilitan, the project will be successfully implemented.

#### Item 2. Presentation of the Participants

Mr Istanto requested the participants to introduce themselves to one another for purpose of getting acquainted. The list of participants appears as Annex 1.

#### Item 3. Review of the project structure and progress in implementation

Dr Hiras Sidabutar on behalf of the Project Coordinator whom was not able to attend the Meeting, presented to the Meeting the project structure which can be summarized as follow:

- The specific objective is to improve enabling conditions for building up capacity to supply wood-based biomass energy in North Sumatera region; its development objective is to increase contribution of the forest sector to renewable energy supply and regional economic development through increased supply of wood-based biomass energy
- The specific objective will be achieved through delivery of 3 outputs and execution of 16 pertinent activities.
- The full text of presentation is exhibited in Annex 2

As regards progress in implementation, Dr Sidabutar informed the Meeting that the progress made is limited to preparatory works which include: appointment of project key personel, procurement of office facilities, opening of bank account, preliminary contact with consultants and contractors, and identification of demo plots site in collaboration

with concerned Forest Management Units. The progress made in pre-operational activities is presented in the appropriate pages of the Inception Report.

Dr Sidabutar also presented to the Meeting the Inception Report including the first Yearly Plan of Operation (YPO 1) covering the period from 1 October 2017 to 30 September 2018. Dr Sidabutar reported that some changes have been made to the original project document which, as appropriate, have been accommodated in YPO 1. The changes made include:

- i. Relocation of demo plots from 3 districts (Kabupaten) to 3 Forest Management Units (KPH)
- ii. Reduction on number of districts for dialogue from 25 to only 13 districts of North Sumatera Province
- iii. Definition of particular activities, namely Activities 1.1; 1.2;1.3;2.1;2.2 and 3.2
- iv. Work plan for execution of Activity 1.3
- v. Budget of Activity 1.3 in the amount of USD 42,000.00,- which is now entirely allocated for Year 1 only
- vi. Adjustment to the Logical Framework to capture the changes made to the original project design.

The Inception Report, including YPO 1, appears as Annex 3.

Item 4.

Review of the project finance and inputs applied

The total project cost amount to USD 589,863.00,- the first disbursement of funds has been received by the PMU on 27 October 2017 in the Amount of USD 100,000.00,- No other inputs have been applied so far.

Item 5.

Highlight of discussion

- Mr Mangatas Tambun of BPHP Region 1 in Medan suggested that location of energy forest demo plots is accommodated in the Long-term Management Plan of KPHs involved. This suggestion had, intact, consulted with concerned KPHs and there is ample room for the respective KPHs to include demo plots and energy forest development in their management plans.
- Mr Syaroni of Center for International Cooperation thanked the Government of Japan and ITTO for financing the project. He supported relocation of demo plot to FMUs as this should improve primary performance indicator (IKU) of the FMUs. Mr Syaroni also informed the Meeting that ministerial decree on formation of PSC will be shortly issued.
- Dr Yanuariadi advised the PMU on several critical matters relating to project implementation: i) strict adherence to ITTO rules and procedure for project implementation ; ii) outreaching materials need to be continuously produced, documented and disseminated, and iii) investment feasibility is strongly advisable for execution in Year 2 or 3 instead of Year 4.

- Mr Istanto commented on the role of market in future faith of the venture. He informed the Meeting that community forest in Java is sustainable because farmers are able to sell their timber at local markets at reasonable price. To be successful therefore, energy forest development in North Sumatera must be linked with market or processing industries.
- Mr Hendro of UHP advised the Meeting that this project has to be supported by stakeholders considering its potential contribution to renewable energy development and poverty alleviation, in line with the on-going national development policy.

#### Item 6. Decisions and recommendations

- i. The PSC Meeting decided to endorse the Inception Report as presented in Annex 3, including the first Yearly Plan of Operation (YPO 1) annexed to it. In effect, the changes made to the original project document as presented in the Inception Report are also endorsed by the Meeting.
- ii. The PSC Meeting endorsed execution of Activity 3.2 “To organize one regional workshop on wood-based energy development “in Pematang Siantar on 4 December 2017, at a max cost USD 9,000.
- iii. The PSC Meeting recommended to organize another workshop on wood-based energy development for which source of funds has to be secured as such provision is not included in the existing project document.
- iv. The PSC Meeting recommended the PMU to:
  - Strictly adhere to the ITTO's rules and procedures for project implementation in general, to ITTO Guidelines for the selection and employment of consultants, procurements and payments of goods and services (GI Series 16 second edition) in particular;
  - Continuously produce and disseminate outreaching materials that demonstrate project field operations; and
  - Move execution of Activity 3.4 “To conduct feasibility study on investment in commercial production of wood-based energy” from Year 4 to Year 2 or 3, as appropriate.

#### Item 7. Other Business

##### Next PSC Meeting

The Meeting agreed to conduct the 2<sup>nd</sup> PSC Meeting by mid 2018; the exact date and venue will be jointly identified by ITTO, Directorate UHP and PMU.

Item 8.

Closing of the Meeting

The Chairperson thanked all the participants for their presence and contribution to the project and adjourned the Meeting at 12.30 p.m.

We the undersigned endorse the Minutes as a record of the PSC Meeting.

Jakarta, 20 November 2017

Ir. Istanto M.Sc.

Director of Production Forest  
Business Management

on behalf of Chairman of the PSC

Dr Tetra Yanuariadi

ITTO Representative

Dr Hiras Sidabutar

Project Management Unit