



WFP INDONESIA SPECIAL OPERATION 10498.1

Country:	Republic of Indonesia.
Type of project:	Special Operation SO 10498.1
Title:	WFP LOGISTICS SUPPORT UNIT
Total cost (US\$):	Total: US\$ 7,104,207
Duration:	1 October 2007 – 30 September 2009

ABSTRACT

1. The WFP Logistics Support Unit (LSU) in Indonesia builds upon the work of the current WFP Shipping Service (10498.0) which coordinates the transport of reconstruction materials to Aceh and Nias in the aftermath of the 2004 Indian Ocean Tsunami.
2. Ports in the Aceh and Nias (ANNEX A) regions are now being further developed and the hinterland is opening up to new agricultural projects and trade routes. Efficient, well run ports and harbors, based on acceptable international norms, are critical for the growth of this region. Working in coordination with the local government and partners, the LSU aims to assist the local governments in developing their port and infrastructure capacity through undertaking the following activities:
 - Providing logistics support and consultancy to private sector and humanitarian actors operating in the area;
 - Providing cargo demand forecasting;
 - Assessing, procuring and evaluating a port management and operations training.
3. The project will run over an initial period of 24 months, with an evaluation taking place after 18 months in order to determine the necessity of maintaining the activities for a further 12 months. The World Bank and the Multi Donor Fund (MDF) have confirmed that funds totaling US\$4.6 million remaining from the Shipping Services Special Operation will be made available for this follow-on Special Operation and have agreed that additional required funding will come from a cost-recovery account.

PROJECT BACKGROUND

4. The WFP Shipping Service Special Operation (SO10498.0) was established during the third quarter of 2005 as a way to ensure that recovery materials (primarily building materials) would be efficiently transported by sea to inaccessible areas and ports in Aceh and Nias in the aftermath of the 2004 Indian Ocean Tsunami.
5. At the inception of the Special Operation 10498.0, it was foreseen that the Shipping Service and supporting operational activities would progressively transition to the commercial sector. The cost recovery process, mandated by the MDF, was implemented effective August 1, 2006. The

cost-recovery caused a marked decline in the use of the Shipping Service by Agencies and NGOs resulting in the down-sizing of the shipping operation.

6. The core shipping component of SO 10498.0 was handed over to the commercial sector in January 2007 and the last vessel under charter, was returned to her owners on March 8, 2007. The commercial sector has been able to ensure ocean transportation for the building materials to the ports in the affected areas.
7. Following the handover, the efficiency of commercial shipping operators was impacted by the type of vessels they utilize and the shortage of cargo handling equipment at the ports of discharge. The Shipping Service has continued to assist shippers and ocean carriers by availing the services of port captains, positioning cargo handling equipment at load and discharge ports, cost recovery from the ManitousTM all-terrain cargo handling equipment and supplying duramats¹.
8. In addition to managing and operating shore-handling equipment in the ports and on beach landing sites, the Shipping Service provided advice to the humanitarian community on shipping and related issues including the chartering of vessels, cargo operations and conducting jetty and beach landing assessments.
9. WFP recently announced the closure of Special Operation 10498.0. However, the Director of the Rehabilitation and Reconstruction Agency for Aceh and Nias (BRR) – a Government Agency-requested that WFP continue to provide logistics support to BRR, UN agencies and NGOs engaged in the Aceh and Nias recovery.
10. During a meeting between representatives of the World Bank in Indonesia and the Shipping Service held in April 2007, WFP agreed to manage a Logistics Support Unit (LSU) for a period of two years with an option for a third year.
11. In May 2007, BRR submitted a Concept Note for the LSU to the World Bank and a technical review meeting was held in Jakarta on June 21, 2007. Two representatives of the Shipping Service participated in this meeting. (ANNEX B), with some minor amendments, the Project Concept Note for the LSU was endorsed by The World Bank and MDF.
12. In a letter addressed to WFP dated July 19, 2007, the World Bank MDF requested WFP to manage the Logistics Support Unit in accordance with the revised Concept Note. WFP responded positively in a letter dated July 20, 2007.

PROJECT JUSTIFICATION

13. The 2004 Indian Ocean Tsunami was devastating and caused massive loss of lives and property. Additionally, many years of political disruption and conflict in the region have slowed development. The tsunami, linked with years of political turmoil, has had a massive impact on skilled and educated personnel in all sectors of life including management and development of ports.
14. Ports are the gateways for inward and outward traffic flow allowing for the easy movement of goods and persons. Efficient ports attract vessels that, in turn, have an impact on overall trade

¹ “Duramat” – heavy duty mat that provides a safe anti-skiting surface for wheeled traffic in water soaked, icy or muddy areas.

patterns. The ports earn revenue, create direct and indirect jobs and encourage improvements on related transport infrastructures. Ports trigger urban development in the immediate surrounding areas and contribute to development of the related hinterland.

15. The overall port infrastructure has not significantly changed since the December 2004 tsunami and the March 2005 earthquake. Several ports have new jetties but no shore-handling equipment. Other ports are under construction but are not expected to be operational before mid 2008. All of the ports lack sufficient staff experienced in port management procedures and processes.
16. Fifteen ports (thirteen in Aceh and two in Nias) have been identified by the central and provincial government as requiring construction/rehabilitation. All are considered as being inefficient and out of date. In order to achieve minimum international standards in all of the identified ports, a cooperative and coherent approach to the development process is required. That approach should include comprehensive training of staff, incorporating all aspects of port management and related operations, as well as the continuance of the quay side and cargo handling logistics support that was provided by the WFP Shipping Service. These will constitute the core tasks of the successor arrangement: Logistics Support Unit.

PROJECT OBJECTIVES

17. The objective of this Special Operation is to further enhance the current reconstruction and rehabilitation process in Banda Aceh and Nias in close cooperation with local and central governments, through capacity building and capacity development activities aimed at the setting-up and maintenance of modern, well-managed, and efficient ports.

PROJECT IMPLEMENTATION

▪ Component 1: The provision of quay side and cargo handling logistics support

18. The LSU makes available, on a cost recovery basis, shore-handling equipment and operators to organizations involved in the rehabilitation programmes. To promote the advantages of mechanical equipment in ports and project sites, which normally rely solely on manual labor, this service is being expanded by offering it to the commercial carriers and commercial sectors. Following a gradual phase-out, the equipment will be handed over to the local authorities.
19. The provision of professional advice to the humanitarian community on shipping and port operations will be continued by the LSU.

▪ Component 2: Forecasting demand for shipping services

20. The LSU will maintain the existing database encompassing all traffic flows relevant to the designated ports. This database will be enhanced by linking it to the UNDP- UNORC² database. The database is a strategic tool for port planning, identifying potential traffic flow and port cargo handling and warehouse requirements.
21. In addition to the above, LSU will need to obtain strategic, short and medium term data from the local and central governments and port authorities concerning present policies and procedures/framework to be implemented in the respective ports.

² UNORC – United Nations Office of the Reconstruction Coordinator.

▪ **Component 3: Strengthening the expertise and knowledge of the staff working in the ports through designed training programmes**

22. The main capacity building activity facilitated by this SO is the training of staff in port management skills. This component has five (5) distinct stages;
- Needs analysis, tender and identification of training organizations;
 - Design/selection of existing training programmes based on the needs analysis;
 - Delivery of the training at the designated ports;
 - Evaluation of the training;
 - Validation of the objectives/results identified during the needs analysis.
23. The needs analysis is critical to the success of the training modules. This phase of the training programme will include qualitative and quantitative requirements. It is imperative that the profile/selection criteria of port management staff be based on education, attitude, aptitude and international port standards; the critical operating criteria will need to be adjusted to the different port operational environments. The needs analysis will be performed by WFP staff in consultation with local authorities and port management professionals. The initial assessment phase may take between three and four months to complete. WFP will reserve the right to withdraw from the training component if international standards are not accepted as a norm by all concerned parties.
24. The design/selection phase is expected to be the most time consuming. The initial training requirements have been identified in the Concept Note; the overall training programme will be based on the detailed needs analysis for each position/ function responsible for port management and/or operations. WFP shall coordinate the design phase of the training.
25. The delivery of the training will be staged over a period of 12-18 months. Reading, computer assisted training, as well as, 'on the job training' will be conducted in the different ports on an individual basis. Training in groups (workshops) will be arranged in a centralized location, ideally in a high-volume, multi-facet port operation.
26. LSU will procure off the shelf commercial training packages (for instance on English language and computer skills), customize commercial programs (general management, marketing, safety, etc.) and design specific packages for specialized port management/operation functions/activities. Training materials will be designed in English and then translated into Bahasa Indonesian. A mix of training methodologies will be developed from the needs analysis and will be included in the specifications of the training packages.
27. The evaluation phase will be used to measure the progress of the trainees and adjust the implementation if required. The evaluation tools will be included in the design phase and will be based on the performance criteria set in the needs analysis. The evaluation will be contracted out with the design.
28. The validation phase will be used to ascertain whether the training has in fact met the requirements identified in the needs analysis. Validation will be conducted a few months after the training has been completed to permit trained personnel time to put into practice skills learned during the training.

Handover strategy.

29. The Special Operation will be implemented using the Shipping Services' resources, assets, facilities and unspent funding. No major capital expenditure is envisaged; the project will be managed in consultation with UNORC and BRR with input from representatives of the central and provincial governments who will be responsible for the management and developments of ports.
30. This Special Operation covers an initial period from 1 October 2007 to 30 September 2009. An extension for a third year will be evaluated after eighteen months. (Annexure D)
31. When the ports have the required infrastructure, operational capability and management controls, WFP LSU will hand over the remaining handling equipment to BRR for allocation to the ports. The handing over of equipment will mark the cessation of that segment of the operation.
32. The project manager for this operation will be the head of the LSU. The LSU will report to the Country Director and will receive technical support from ODTL and ODTs. The funds manager will be the Finance officer of WFP Indonesia. The allotment manager will be the WFP Country Director for Indonesia.

PROJECT COST AND BENEFITS

33. The estimated project costs over a two-year period amount to US\$7,104,207. The estimated project costs are detailed in the budget annexed hereto. The funding for the Special Operation will be covered from the balance of the funds remaining from Special Operation 10498.0 totalling approximately US\$4,571,568 as of 30 June 2007, plus other funds to be released by MDF from the ocean freight cost recovery account and future earnings from the rental of cargo handling equipment. (Annexure C)
34. The WFP LSU will obtain funding for this entire amount from the Multi Donor Fund co-chaired by BRR (Annexure C).

MONITORING AND EVALUATION

35. The Special Operation will be evaluated on an ongoing basis by a WFP Compliance officer. The Head of Unit will submit monthly financial reports on the utilization of the cargo handling equipment and details covering the port assessments and eventual training linked to capacity building initiatives. Quarterly reports will be given on the training progress. An evaluation of the project will be undertaken by WFP prior to the end of the Special Operation. This has been factored into the project budget and will be designed to ensure and measure accountability.
36. The overall outputs will be the provision of a professional and effective LSU, providing detailed Port assessments with the correct training modules and facilitators to ensure that persons are trained to effectively manage and operate the identified Ports in Aceh.

The key deliverables include:

1. The successful completion of the port management and operations training vis-à-vis the needs assessment.

-
2. The regular rental of the Manitous™ cargo handling equipment vis-à-vis the planned figures.
 3. The continued provision of port captain consultancies and general logistics support as per the requirements.
 4. The maintenance of an updated traffic movement data base, to facilitate the understanding of shipping and cargo trends.

RECOMMENDATION

This Special Operation, covering the period from 1 October 2007 to 30 September 2009 at a total cost to WFP of US\$7,104,207, is recommended for approval by the Executive Director.

APPROVAL

.....
Josette Sheeran
Executive Director

ANNEXURE A

PORTS

LANGSA, LHOKESEUMAWE, SABANG, MALAHAYATI, TAPAK TUAN, LABUHAN HAJI, MEULABOH, GUNUNGSITOLE, CALANG, SINGKIL, SINABANG, TELUK DALAM, ULEE LHEE, SUSOH, KUALA IDI



ANNEXURE B

List of Abbreviations .

BRR	Bedan Rehabilitasi dan Rekonstruksi
MDF	Multi Donor Fund
LSU	Logistics Support Unit
PAD	Project Appraisal Document
PCN	Project Concept Note.
WFP SS	World Food Programme Shipping Services
NGO	Non Government Organizations
GoI	Government of Indonesia
IFRC	International Federation of Red Cross
CRC	Canadian Red Cross
LoGA	Law on Governing Aceh
NAD	Nanggroe Darussalam and Nias
EU	European Union
UK	United Kingdom
ADB	Asian Development Ba

Annexure C

Copy of E mail dated the 19th of July from Christian Rey of Manager of the Multi Donor Fund.

Dear Multi Donor Fund Donors,

I am pleased to announce that no objections were raised for the LSU / Ports Capacity Building PCN by cob July 11, 2007. Therefore, the project which is using the savings of the WFPSS project, is now endorsed by the Steering Committee.

This approval doesn't imply any additional budget requirements from the MDF.

With my best regards, Christian.



(Embedded image moved to file: pic32528.jpg) pic32528.jpg

ANNEXURE D

YEAR	MONTH	DATE Commence	DATE Complete	Action – Narrative.
2007	July		31st July	SO extended to end of July 2008
2007	June	22nd		MDF meetings
2007		July	September	Hand over Hiluxs Communication and furniture to BRR - Ongoing
2007	July	19th	19th July 2008	Confirmation to proceed with LSU for 12 months
2007	June	19th June	25th June	Review staff contracts - extend for 5 months .
2007	July	July	10th September	Commence Port Assessment - on going draft reviews by WFP
2007	August	August	15th September	Commence PAD - Review by WFP .
2007	October	1st October	14th October	Submit PAD to MDF for evaluation and acceptance
2007		September	September	Identify potential international and National Port Companies able to offer training
2007	October	October	October	Draft Specs of Port Training and needs.
2007	October	15th October		MDF pad evaluation
2007	October	15th October	15th November	Release Procurement tender for training
2007		November		Evaluate proposals - Financial - Content - Open Dialogue
2007	December 1 st	1st		Appoint trainers to identified interested parties
2007	December 15th	15th		Commence Port training .
2008	January	January	January	Review performance of LSU with MDF
				and future needs by MDF
2008		January	December	Training - On going
2008		June		Evaluate and update training progress - Consider
				extension into 2009
2008		January	June	Identify possible users to hand over
				WFP SS cargo handling equipment
2008		December		Commence handing over any surplus equipment
2008	December	31st		Target end of Training- subject to June Review
2009	January			End of Project - Training evaluation - or extend for 6 months.
2009		January	June	Port Training Continues
2009		June		Port Training ends
2009		June	July	End OF Project evaluation

MONTHLY REPORTING

Financial Reporting

Update and progress report on Training

Use and cost recovery of equipment

QUARTERLY REPORTS

Special Project Report to MDF and Member

ANNEXURE D

Appendix

**Multi Donor Fund for Aceh and Nias
PCN Technical Review Meeting
BRR Office Jakarta, June 21, 2007
Attendance List**

No.	Name	Organization
1.	Eddy Purwanto	BRR
2.	Christian Rey	MDF
3.	Hagar Ligtoet	Netherlands Embassy
4.	Francesca Spadola	EC
5.	M. Rum Ali	EC
6.	Lanny Jauhari	DfID
7.	David Fournier	CIDA
8.	Diane Zhang	MDF
9.	Nia Sarinastiti	MDF
10.	Lanny Oktavia	MDF
11.	Safriza Sofyan	MDF
12.	M. Faisal Siddik	MDF
13.	Sarosh Khan	JRF
14.	John Brady	BRR
15.	Robert Gillenwoter	WFPSS
16.	Chris Clark	WF

Minutes of Technical Review Meeting

June 21, 2006

Venue: BRR Office
10.00am – 11.30 pm

Topic: Technical Review of the LSU/Ports Capacity Development PCN

Attendees: see Appendix

Introduction by Christian Rey, Manager of the MDF

This project is to use WFPSS's remaining funds to generate a more long-term outcome for the project. It is also complementary to the IRFF which builds ports, while this project will build and strengthen institutions managing that port.

Introduction and Presentation by Pak Eddy Purwanto, Chief Operating Officer of the BRR

While the WFPSS was considered the most effective logistics and shipping service for the reconstruction, the demand for the service declined rapidly after a cost was charged to users of the service. Based on current needs, a logistics service is still required. Also, this project is in an ideal position to provide port management and operations training to enhance the capacity of ports management in Aceh and Nias. Pak Eddy presented the elements of both the LSU (LSU) and the Ports Capacity Building component.

Questions and Answers

After the presentation, the Secretariat presented the independent evaluation, conducted by Jeremy Brown, a maritime and ports specialist who also conducted the shipping assessment for the MDF in November 2006. The members of the Technical Review Committee also asked the project team questions relating to the PCN. The below summarizes the questions and comments from the Secretariat and TR Committee, and where relevant responses from the proponent.

1. *Should this project be classified as low risk? For example, a major risk is continued uncertainty on who has authority over ports management in Aceh, and what type of body the provincial government will establish. When will this body be established? How will it be staffed? Also, will the people who are currently working in the ports be retained after the transfer of authority? Are they the appropriate people to train?*

Authority to manage ports is expected to be transferred to the provincial government in January 2008. The provincial government is currently developing a “kanun” (local law) which gives the legislative framework on this provincial government will be doing this task. The kanun must be agreed to by the local parliament.

Recommendation: during appraisal, a comprehensive risk assessment is conducted to consider all possible risks of the project. The PAD should contain strategies to mitigate the identified risks.

The appraisal process should also clarify whether the staff to be trained will be retained following any change of authority from central to provincial government to ensure that the right people are being trained.

During appraisal, the team should also get legal commitment from the relevant government agencies to conduct this program.

2. *What will be the implementation arrangement for the ports capacity building component? The normal practice is that the project would attract international consultancy companies working with local consultants to provide skills assessment, training needs analysis and delivery of training in line with international standards under a Technical Assistance project. How will it work for this project?*

The exact details of how partners will be procured will be determined during appraisal.

Recommendation: The PAD should clearly explain how the ports capacity building component will be implemented. In particular, procurement procedures should be detailed, Special Operation that the process is transparent. During appraisal process, WFP should consider how other programs of this type have been implemented in other countries, including cost, procurement method, implementation modality etc.

3. *Why is Sabang included in the ports to be trained? Isn't the private sector (Dublin Ports) handling this?*

Of the 11 ports in Aceh and 4 in Nias, Sabang is the only one that expected to be profitable – in 8-10 years time. The Sabang government has signed a joint venture agreement with Dublin Ports but to date, they have not finalized the number of shares. However, there are already many business opportunities now which see a need for strong ports management, such as cruise ships and tourism and functioning as a “parking lot”.

Recommendation: during appraisal, further clarify how the joint venture between Dublin Ports and Sabang are going to determine whether it is appropriate for this project to conduct training there.

4. *Please explain how the two components fit together? Particularly regarding timeframe*

The LSU is a short-term measure running for approximately one year (subject to a review of demand after six months). During this period, the LSU will provide logistics support to actors engaged in the reconstruction and draw up a comprehensive asset transfer strategy so that the assets acquired by WFPSS can be transferred to relevant government agencies, provide them with training on use and maintenance. The ports capacity building component will run for approximately three years. This will allow time for appraisal, design, deliver training, monitor progress and provide follow-up training with the aim of achieving long-term impact on the ports management practices in Aceh and Nias. Training will include budgeting for maintenance and operations of the equipment from WFPSS.

Recommendation: the PAD should contain a GANTT chart showing the timeline for all activities in the LSU and the ports capacity building component.

5. *When is it appropriate for capacity building/training to start? Is it appropriate to start training before 2008 when the ports authority is expected to change?*

During appraisal, WFP will work with local governments to determine 1) who the staff will be after ports management is transferred to provincial government; 2) when the transfer is likely to happen; 3) determine what type of legal relationships may need to happen before the project should start implementation (e.g. MOUs). During appraisal, the team will assess when the most appropriate time to start training is.

Recommendation: this will have to be clarified during appraisal.

6. *When will the equipment be transferred to the local government? How will maintenance of the equipment be managed?*

WFP are currently talking with various local government bodies about transferring the assets they acquired. There are two issues associated with this transfer: 1) training to use and maintain equipment; 2) understanding the costs involved in operation and maintaining equipment. WFP needs to provide the relevant training to address both issues if sustainability of the equipment is to be maximized. The LSU will be working on an overall strategy including timing. This may include transferring assets to the ports that will receive training. Also, this training will be relevant not only for WFPSS assets, but for new assets that BRR is planning on purchasing.

Recommendation: the equipment will clearly have to be transferred to local governments' entities managing ports who have received training for maintenance. Project appraisal should emphasize this, and propose an action plan linking port sites, port business (export, ferry, regional...etc...), needs in equipment and staff training.

7. *One of the key success factors to this project is having an established entity in Aceh to coordinate the ports. As mentioned above, a major risk for the project is that it provides training to many people in the absence of an institutional body. This may mean staffing is changed and may severely diminish the impact of the program.*

Recommendation: during appraisal, WFP should also consider how this project can assist the provincial government in establishing this body, so that there is institutional certainty for its training activities.

8. *How will monitoring and evaluation be conducted for this project?*

There are five main steps to this program: 1) Needs analysis; 2) Designing of the training package; 3) Training; 4) Independent evaluation; and 5) Validation. WFP will be contracting different bodies to conduct the independent evaluation and validation processes. This will measure performance and evaluate impact of the training.

Recommendation: that the PAD clearly considers key indicators to measure the performance and impact of the project (input, output, outcome and impact); how the project will measure those indicators.

9. *Is it appropriate for WFP to be both Partner Agency and Implementing Agency?*

According to World Bank rules, WFP will be both Implementing Agency and Partner Agency. This is because WFP will be doing the procurement. However, the design, implementation and monitoring and evaluation of the training will be conducted by companies contracted by WFP. Since WFP will only have two international staff working in Aceh, they will not be doing any of the “implementation” work. WFP will be limited to supervising to ensure the project is on track – the normal responsibilities of a Partner Agency.

Recommendation: during appraisal, WFP clearly define what their expected role in this capacity building component will be.

Recommendation: The PCN be forwarded to the Steering Committee so that the following can be endorsed:

Budget for the first year of operations for the LSU

Appraisal budget for the ports capacity building project

This means that WFP would be able to go continue the logistics support service they are already providing and be given additional budget to do the assessment/appraisal required to produce the PAD.

It was agreed that the PCN can be endorsed virtually.

1. **Project Title:** Port Capacity Development and BRR Logistics Support

2. **Proponent Information:**

Egan Rahmat Dirgentara
BRR Logistics Manager
Jl. Ir. Mohamed Thaher 20
Lueng Bata, Banda Aceh
0651-636666
08126073257
eganrd@gmail.com

John P. Brady
BRR Logistics Advisor
Jl. Ir. Mohamed Thaher 20
Lueng Bata, Banda Aceh
+1 209 9663472
08126991098
mariposa.john@gmail.com

The partner agency is proposed to be the United Nations World Food Program.

3. **Goal and Objective of the Project:** This project is intended to:

Provide continued logistics support to BRR, UN agencies, and non-governmental organizations engaged in the Aceh and Nias recovery program when the World Food Program Shipping Service concludes its present SPECIAL OPERATION in this regard on June 30, 2007.

Build the capacity of ports management in Aceh and Nias by providing a comprehensive training program which will enable the relevant authorities to operate in a modern, effective, and efficient manner.

4. **Relevance of the project concept:**

Need for short-term logistics support:

Logistics, particularly by sea continue to be a challenge facing reconstruction agencies in Aceh and Nias. Most of the ports in Aceh and Nias were destroyed or severely damaged after the tsunami. At the time, logistics infrastructure such as commercial shipping firms, vessels of all kinds, government staff and shipping sector workers were depleted. In response, the WFPSS was established in October 2005 to assist with the logistics and sea transportation of reconstruction materials, in an efficient and effect manner, to the west coast of Aceh, Nias and Simeulue. The WFPSS was considered a temporary measure and even at its founding, it was recognized that the WFPSS would need to transition to commercial shipping operation in the future and this was achieved in January 2007.

While commercial shipping is working well, there is a continued need for logistics services for the reconstruction. That is, even though commercial operators can transport goods from port to port, there is a shortage of capacity to transport the goods from the port to the intended destinations. The ports of Malahayati and Meulaboh have new jetties but no cargo handling equipment. Calang and Sinabang have new LCT ramps but the new port construction will not be completed until mid 2008. Gunung Sitoli has a small new wharf with no mooring points - emergency repairs have been completed on the existing wharf but new construction there will not be completed until late 2008. Similarly, Sinabang will wait until mid 2008 for a new port. The only cargo handling equipment in Aceh and Nias is owned by WFPSS (less two forklifts each in Lhokseumawe and Sabang and one mobile crane in Sabang). On the positive side, a list of equipment and resources required for all ports has been included in the 2007 GoI budget, but it is presently uncertain when exactly that equipment will be procured and placed into operation. Thus, it may be concluded that infrastructure remains severely impacted since the disasters occurred. There is nothing resembling a modern and efficient port in all of Aceh and Nias. Thus, there is still a vital need for an entity to provide logistics coordination and support.

In 2007 and 2008, significant infrastructure and housing programs are taking place. While there is no longer a need for shipping services, there is a continued need to provide logistics support to reconstruction agencies, in particular the BRR, during this period. To date, much of this logistics support has been provided by the WFPSS – renting out its cargo handling equipment, referring agencies to commercial shipping operators, assisting with packaging and deciding on how to best to transport goods from one place to another. While, the number of customers at this stage has been modest, this service is currently not provided by anyone else and continues to be important.

Need for Sustainable Ports Management:

Some of the logistics services envisaged above are often performed by ports management authorities. For example, stevedoring services at ports, storage etc are generally provided by ports. The current state of port management in Aceh is however very poor. Cargo handling equipment is very limited, stevedores have only rudimentary skills,

storage facilities are limited to non-existent, no one has practical experience or knowledge of modern cargo handling techniques, operational safety is an unknown quantity, security is inadequate, and concern for the environment is not a consideration. Administrative requirements are burdensome and time consuming and appear to contribute little to achieving results. Ship in and out clearance procedures are very time consuming and contribute significantly to vessel operating costs. Customs procedures should be reviewed and streamlined to improve efficiency but still meet statutory requirements.

With the completion of new ports in Malahayati and Meulaboh and the ports that are currently under construction in Calang, Sinabang, Gunung Sitoli, Teluk Dalam, and Ulee Lheue. This presents an enormous opportunity to not only improve the physical infrastructure but also the institutional capacity to manage that infrastructure. Therefore, a ports management program to build capacity of ports management in Aceh and Nias would not only enhance skills of the relevant government authorities, it would complement very well with the other infrastructure projects.

During the last 18 months, WFPSS has been providing much of the logistics services at ports and have a strong understanding of the ports issues facing Aceh and Nias. The service provided by WFPSS has been universally acknowledged as being of an excellent standard. In an excellent study commissioned by the Multi-Donor Fund, the author, Jeremy Brown of Meyrick and Associates, pointed out that “the key issue is to provide a reasonable continuation of the high level of logistic services provided by WFPSS”. He goes on later to say that “the current service offered by WFPSS is well beyond that offered by most shipping companies”. This is elaborated further with the statement “although with a phased withdrawal of WFP, a critical aspect will be the sustained provision of logistics services through any transition period to full commercial services”. Therefore, WFP is most appropriate to facilitate the process of strengthening the ports management capacity.

It is logical for the UN World Food Program to continue as the implementing partner for this overall effort as they are the UN lead agency for logistics, meet World Bank requirements for a partner agency, and have successfully managed the program since its inception in 2005, and are the BRR preferred agency.

Exit Strategy for the WFPSS:

The above two components also represents an excellent transition and exit strategy for the WFPSS in terms of:

Short term support to the reconstruction through provision of logistics services. This also allows some of the equipment to be used before they are transferred to the relevant authorities.

Medium term support to build the capacity of ports so that they can 1) operate and maintain the equipment from WFPSS; 2) operate and maintain the ports assets that have been constructed or currently under construction.

Long term outcome of strong ports operations in Aceh and Nias using the equipment provided by WFPSS, by the government and the infrastructure built by the different reconstruction agencies.

Transfer of assets to the appropriate government agencies is particularly important. Currently WFPSS holds a lot of equipment e.g. forklifts that are expensive and need training to operate. Therefore, to ensure sustainability, it is important that the assets are not handed over without a proper training on operation, maintenance and need for maintenance budget.

5. BRR's Rationale: The logistics support portion of this proposal has been funded by the MDF and this would simply be a continuation of using those funds already allocated under WFPSS Phase I of the present project. BRR is very grateful for this funding which has worked very well and sees no reason to change. Alternative funding sources are not available. This was not included in the GoI 2007 budget due to resource limitations and as it was seen as a temporary recovery project and appropriately within the funding parameters for MDF.

As to the port capacity development portion, this proposal complements the approved IREP/IRFF program which includes much of the port infrastructure development aforementioned. There is little point in building ports without ensuring there is sufficient capable staff to efficiently operate them. This proposal fulfills that requirement. There is technical advisor funding with IREP/IRFF in the amount of U.S. \$15,000,000. However, these funds are programmed entirely for quality assurance purposes. There is no other funding available for this purpose.

6. Project Description:

This project will provide two services:

- Logistics support
- Ports training
- Project management

COMPONENT 1: LOGISTICS SUPPORT

a. This component is the continuation of the WFPSS without the shipping component. Essentially, the project will provide logistical support to respond to the needs/demands of humanitarian and reconstruction aid agencies, UN agencies, BRR contractors and others engaged in recovery activities, make optimum use of available transportation resources, and advise on providing an integrated transport strategy. The WFPSS operation ends on 30 June and from 1 July 2007 will become the “BRR LSU” (LSU).

1.1 Functions of the LSU

The LSU will be the successor service to the WFPSS which has been providing shipping services to organizations engaged in the rehabilitation and reconstruction of Aceh and Nias. The LSU would remain under the management oversight of the World Food Program in its role as the logistics manager for the United Nations. Its primary functions would include:

- (1) Coordinate available transport options.
- (2) Work with agencies engaged in recovery activities to prioritize shipment of building materials through multi-modal transportation.
- (3) Advise on import/export procedures including customs and clearance of resources.
- (4) Facilitate cargo booking requests for sea transport with Indonesian ocean carriers.
- (5) Advise on primary movement and also on unitizing cargo according to client requirements and transport efficiency.
- (6) Advise on secondary movement to construction sites in accordance with building program and schedules.
- (7) Manage and provide material handling equipment and operators on a cost recovery basis for vessel loading and discharge as necessary.
- (8) Disseminate logistics information to humanitarian collaborators via reporting products and website publications.
- (9) Facilitate the economic development of Aceh and Nias by advising and assisting potential exporters of products from Aceh and Nias with ocean shipping requirements.

The output will be a professional and cost effective common logistics service provided to the BRR and all organizations engaged in the recovery process.

The LSU is not expected to engage in any ship chartering. All clients would book directly with an established Indonesian ocean carrier. The client is responsible for making shipping arrangements, often with the assistance and advice of WFPSS, and payment for the service is made directly to the carrier. This organization would take on a new role in that of encouraging and referring commercial shipments to Indonesian ocean carriers in an effort to stimulate the economic growth of Aceh. A key concern with this arrangement is that the ocean carriers are accustomed to providing only “wharf to wharf” service. Loading of the vessels, particularly in Aceh and Nias ports, can be a problem and discharge usually is under this type arrangement. For large shipments from a major manufacturer, the loading is normally arranged by the shipper and this is seldom an issue. It is the smaller shipments and those that are consolidated that are the problem.

The LSU would be principally comprised of an operations section that would work with clients to inform and educate them on best shipping practices and to assist them in the planning and scheduling of their shipments. This is an absolutely vital function that has been a consistent need since the recovery phase started. NGOs do not have qualified logistics staff and they do have significant turnover. We have found training and education to be a constant need.

The operations section would also control all the WFPSS forklifts and other material handling equipment to include the *dura-mats* used for logistics over the shore operations. The forklifts are essential for loading unitized cargo and also for discharging the cargo at destination. For the foreseeable future, all ports lack material handling equipment which severely impacts the efficiency of vessel discharge. In crowded and congested ports, it is vital that vessels be unloaded as rapidly as possible to increase the port through-put capacity. This is exceptionally important for the port of Gunung Sitoli in Nias which will have a very great cargo through-put requirement in 2007.

The operations section would be managed by a port captain assisted by a national shipping officer who would advise clients on the loading and stowage of vessels. It is planned that there would be small sub-offices under this

section in Belawan, Nias, and Simeulue. The Belawan office would assist clients in the Medan area with planning and actual shipments. The offices on the islands would be to assist in discharge and port clearance. Without an effective port clearance function, cargo rapidly backs up and creates a bottleneck. A Sabang presence is not presently planned as there is no current requirement for recovery cargo.

There would also be an administrative, finance, HR, and ICT staff that would do the human resource function, limited procurement for consumable items, and recovery of rental fees that would be charged for the use of the forklifts. The entire operation would be managed by a senior manager assisted by a deputy who would be international WFP staff. It is envisioned that all other staff would be Indonesian nationals. WFPSS has accomplished much training of local staff and it is felt that they are now ready to operate on their own with minimal supervision and limited further training.

1.2 Demand for Logistics Service

TYPE OF SERVICE	JAN 2007	FEB 2007	MAR 2007	APR 2007	MAY 2007
NGO Assistance	4	3	12	3	8
Commercial Firm Assistance		2	7	1	3
UN Agency Assistance		1	1	3	1
BRR (GoI) Assistance			3		3
Forklifts rented (hours)	145	0	17	6	34

The above table is a compilation of actual assistance and rental of forklifts provided by WFPSS during the period December 2006 through April 2007. Telephone calls and casual walk-ins such as persons with questions have not been counted. The workload is light but the essential point here is that if WFPSS is not available to recovery agencies, *there is no other alternative*, thus normal cost-benefit analysis is not applicable. BRR does not have resident staff who are capable in this area, the USAID ATARP program which has funded a logistics advisor has concluded in May 2007, and funding from other sources has not been forthcoming. Without WFPSS, BRR will have no operating logistics capability.

There are two NGOs that are expanding operations and that have requested WFPSS/LSU assistance and also are scheduling forklifts. IFRC for transport of housing materials to Simeulue during the period May – July 2007 and Canadian Red Cross for northern Nias commencing in July 2007 and running into 2008. Among the NGO users of the service in recent months have been IFRC, Zero to One Foundation, Netherlands Red Cross, MAP, CWS, CARE, HELP ev, Canadian Red Cross, Concern, International Aid, AMURT, THW, and Uplink. Assistance has also been provided to UN Habitat, UNDP, UNICEF, and the ILO. GoI specific beneficiaries of the service were the Coordinating Ministry for Peoples Welfare, TNI for recovery shipments to Pulo Aceh, and BRR.

In addition, the other main purpose of this logistics support function is to serve as an interim measure to ensure equipment is used and maintained before a longer-term solution for the transfer of equipment is concluded between the WFP, BRR and relevant local government authorities.

1.3 Review of demand and exit

It is expected that the demand for this service will no longer be required by mid-2008 when the housing program is expected to be finished. A review of the demand for the service will be conducted after 6 months to determine whether the current usage merits the existence of this service. Should the project find that demand for services has declined further, staff can be reduced accordingly. For example, upon completion of the IFRC and CRC programs, if there is no other business, then the logistics support function should be terminated after consideration of any other factors that may apply at that point in time. It is proposed that a review be conducted not later than January 2008 to evaluate the demand for LSU services. Should it be considered that demand is not sufficient to merit continued expending of resources, then the service can easily be discontinued. It is anticipated that by that time, the training program will be well underway for all and indeed may have been completed for the larger, already functioning ports.

An organization chart (Appendix 1) is attached. Staffing has been significantly reduced to accommodate the changed workload. There are two international staff to meet WFP administrative and financial requirements. All other staff are very well qualified Indonesian nationals who have been trained by WFPSS since its inception. A proposed budget (Appendix 1) is also attached. Additional funding is not required.

1.4 Time frame

The budget requested for the logistics support function is for one year (see budget)

1.5 Environmental and social considerations

Environmental and social considerations remain as in the current Program Appraisal Document. Similarly, the status of prioritizing vulnerable groups and community participation are unchanged.

COMPONENT 2: PORTS MANAGEMENT CAPACITY PROGRAM

The port capacity development program is intended to educate and train staff to operate all significant Aceh and Nias ports including the reconstructed ones. The entire province of Aceh was badly impacted by the natural disasters of 2004/5 as well as thirty years of civil conflict that was only resolved in August 2005 and has just made the full transition to a normal governmental process this year with the election of a new governor and other local officials. Planning and development of ports has been neglected and ports in the region have not kept pace with other ports worldwide in operational expertise and technology. There is a great requirement for education and training of staff in all areas of port operations to bring in best practices and to properly develop staff in each port to optimize efficiency and to enable each port to participate in the economic recovery of Aceh and Nias.

It is proposed that an international commercial port operator with extensive experience in both port operations and training of port staff be selected to administer this program, in accordance with the procurement regulations of WFP. All aspects and modules of a port training programs can be tailored to suit individual needs of ports.

Based on preliminary discussions with ports authorities, agencies involved in ports construction, transport agencies, the following ports have been identified as possible beneficiaries of the ports management capacity program. During appraisal, this will have to be further defined and clarified through formal stakeholder forums and reviews.

2.1 Location of Ports

Based on preliminary investigations, the following ports can be part of the ports management capacity program.

RECOVERY OF ACEH AND NIAS PORTS
--

Status	Port	Estimated Completion	Pier Size in M ²	Staff
Rehab/Reconst Complete	Langsa	Not Damaged	2750	12
	Lhokseumawe	Not Damaged	6700	37
	Sabang	Completed	5300	142
	Malahayati	Completed	5990	33
	Tepaktuan	Completed	1500	6
	Labuhan Haji	Completed	Ferry	5
Additional Work Pending	Meulaboh	Late 2008	2300	13
	Gunung Sitoli	Mid 2008	3400	19
New Construction	Calang	Mid 2008	4109	4
	Sinabang	Mid 2008	1824	3
	Singkil	Late 2008	800	4
	Teluk Dalam	Late 2007	1260	12
	Ulee Lheue	Early 2008	Ferry	20*

*Estimate

2.2 Trainees

RESPONSIBILITY FOR PORT OPERATIONS		
PORT	CURRENT	2008
Langsa	Dinas Perhubungan ¹	Provinsi NAD ² , Local Govt
Lhokseumawe	Pelindo	Provinsi NAD, Pelindo
Sabang	BPKS ³	BPKS
Malahayati	Pelindo ⁴	Provinsi NAD, Pelindo
Tepaktuan	Dinas Perhubungan	Provinsi NAD, Local Govt
Labuhan Haji	Dinas Perhubungan	Provinsi NAD, Local Govt
Meulaboh	Dinas Perhubungan	Provinsi NAD, Local Govt
Gunung Sitoli	Dinas Perhubungan	Provinsi NAD, Local Govt
Calang	Dinas Perhubungan	Provinsi NAD, Local Govt
Sinabang	Dinas Perhubungan	Provinsi NAD, Local Govt
Singkil	Dinas Perhubungan	Provinsi NAD, Local Govt
Teluk Dalam	Dinas Perhubungan	Provinsi NAD, Local Govt
Ulee Lheue	Kota Banda Aceh ⁵	Provinsi NAD, Kota Banda Aceh
Gunung Sitoli	Pelindo	Pelindo
Teluk Dalam	Dinas Perhubungan	Dinas Perhubungan

¹ The national Ministry of Transport in Jakarta. A meeting was held with the Director General for Sea Transport by senior BRR management on May 24 to clarify procedures and obtain their approval and support.

² The Provincial Transport staff in NAD which reports to the NAD Governor. A meeting was held with the chief of the Transport staff by senior BRR management on May 11 to clarify procedures and obtain their approval and support.

³ The port operating authority on Sabang. Reports to BPKS which in turn reports to the Governor of NAD. Addressed at May 11 meeting and included in approval for other Aceh ports.

⁴ The state owned port operating company. Informed by Ministry of Transport at May 24 meeting that Pelindo will cooperate.

⁵ The city of Banda Aceh has their own Transport Department but is under the supervision on the NAD transport staff. They will participate and have a keen interest in ferry and RORO training.

Under the provisions of the Law on Governing Aceh (LoGA), the control of all seaports with Aceh will be under the control of the Governor of NAD effective January 1, 2008 which will provide for comprehensive port coordination at the provincial level and we see this as very beneficial. We have obtained the verbal approval of both the national government authorities and the provincial government authorities for NAD to initiate this training in 2007 and continue into 2010 as necessary. We have coordinated with local authorities on Nias for the training and will in the near future address this for formality purposes with the Dinas Perhubungan for the province of North Sumatra. While this is being initiated as a BRR project, transition will be made to provincial/regional governments as may be worked out by BRR as the transition program progresses. The overall transition program from BRR to local government is largely still in the conceptual stage and details are not presently known.

The two Nias ports of Gunung Sitoli and Teluk Dalam will retain their current operating status. However, BRR Nias has a keen interest in these ports and will provide close oversight and support for their programs.

Coordination meetings have been held with both the Dinas Perhubungan Provinsi staff in Aceh and also with the Dinas Perhubungan in Jakarta. Both organizations are very positive about the training and do not anticipate any difficulties. The staff that is presently in place in Aceh will not change and they will continue in their present jobs. A professional working relationship with the Dinas Perhubungan in Jakarta will continue in much the same manner that it presently exists. The main change is that the Governor of Aceh will have increased control over the ports and will not have to go through the Dinas Perhubungan in Jakarta for all matters. The LoGA specifies that this is to be done not later than the commencement of FY 2008. Administrative and legal procedures are still being worked out, but no one foresees any major hurdles.

2.3 Description of training program

Based on BRR's present assessment of training needs, possible training areas include:

- Port administration including the development of an appropriate organizational model for the ports involved.
- Port operations to include all aspects of cargo handling and stevedoring, ship scheduling, documentation, etc.
- Staff education and training. This can start at a very basic level and proceed to advanced stages. An important aspect of this will be change management, i.e., progressing from outmoded manual systems to automated ones. This includes not only information technology but also cargo

handling methods. In general, in Aceh/Nias ports, cargo is presently handled, for the most part, one sack or one piece at a time. The personnel involved in this area of training should have extensive experience of successfully resolving significant industrial relations issues and resistance to change.

- d. Training staff should have detailed knowledge and experience in sourcing and project managing the implementation of standard information system for ports. These systems will facilitate cargo handling and tracking and also provide information to the provincial government for economic development reasons.
- e. Navigation in ports can be addressed also. While this may not be a major issue for all ports in the region it is one that could be significant for some.
- f. Training and advice in the area of environmental management and protection in ports is a vital matter for consideration. This is an item that is strictly regulated and enforced in most ports.
- g. The whole process of facilitating the speedy and efficient movement of ships and goods in and out as well as clearance and customs formalities is vital. The existing process is urgently in need of improvement and the present system is slow, tedious, and expensive to ship operators and susceptible to corruption.
- h. Berthing and mooring processes would be reviewed in all ports with a view to recommending appropriate changes in accordance with best practice and state of the art developments.
- i. Detailed instruction would be provided in The International Maritime Dangerous Goods Code (IMDG) which pertains to shipment of hazardous cargo.

However, the exact detail of the content of the training and the level of training needed depends on the size of the port, the expected activity in the port (e.g. number of boats/ships calls). An in-depth assessment of the capacity of the ports (based on systematic criteria) will form basis for determining training needs. The below section provides an outline how the project is expected to evolve and be managed.

2.4 Appraisal phase

The appraisal of this project will be very important, and should compose of the following elements:

Conduct stakeholder forums with the provincial government, relevant ports authorities and other relevant stakeholders to gain a clear understanding of the views and needs of the stakeholders including 1) legislative framework; 2) budgetary and financial management framework; 3) HR policies; 4) other relevant issues that needs to be included in the project. The purpose is so that all relevant parties understand the mutual obligations of this project and the government. This can also assess whether more formal relationships with the relevant government authorities should be established. With the uncertainty on when the transfer of ports management function to the provincial government, it will be important to fully understand the implications of this change and how this project can support the process.

Assess the capacity of each port in its management and operations according to a systematic criteria/framework. This assessment will also act as a baseline to compare against subsequent assessments to measure outcome and impact.

Conduct an assessment of the expected economic activity of the port. E.g. estimate the amount of cargo, number of boats etc that are expected to load and unload cargo/people. Many of the ports already have economic feasibility studies conducted before they were built – these assessments will be very useful in the evaluation process.

Based on capacity and the level of activity (current and future) at the port, and through interviews with ports management and staff, provide a training needs analysis for each port.

The training needs analysis report should be used to 1) estimate the cost of the ports capacity development component; 2) provide an essential foundation upon which training course materials will be built and developed. Upon completion of the appraisal, the results will be captured in the Project Appraisal Document which will be submitted to the MDF Steering Committee. Appraisal is expected to take three months from the date of approval by the Steering Committee.

2.5 Implementation Phase

During implementation, WFP will procure, in accordance with its procurement rules, an external company to design a training program based on the needs analysis and deliver this program. It is expected that delivery of the program will be conducted on a phased basis using one or two ports as a pilot phase.

The first step is to identify local trainers to be trained on delivering the course materials. One port will be used as a pilot to deliver, test and refine core foundation course material with a view to rolling out the training to all ports over the rest of the time period. It is envisaged that training will consist of two components:

-
1. Formal training: training to ports personnel in a classroom setting on a variety of topics related to port management and operations.
 2. On-the-job training: practical training using procedures and practices provided in the formal classroom setting. Feedback from the learners is an important element of this phase. Reinforcement of the learned skills can take place in real operating situations.

The entire program will be delivered to participants in a classroom and on-site locations environment over a period of up to 36 months. The total number of man-days needed is dependent on the number of training sessions required. This in turn depends on the number of candidates to be trained and their geographic spread. Precise calculations of total man-days required can only be accurately defined following production of the training needs analysis report which will comprise a skills audit and contain a detailed analysis of the number of candidates as well as their current skills and abilities compared to the level that they need to be at having completed basic training. Accordingly, budgetary data cannot be definitely ascertained at this point in time. A tentative budget for this component is in appendix 1.

The goals of the project are to ensure that participants develop:

1. Good general port business knowledge and practical skills including human resource development and capacity building
2. A capacity to support their own organisations more effectively and efficiently to include forecasting cargo, modern cargo handling operations, administration, maintenance of equipment, etc.
3. Planning and budgeting for resources needed for proper management of ports and how to apply for those resources. E.g. applying for funding from local and provincial governments for operations and maintenance to ensure long term sustainability. This is particularly important as ports will be receiving U.S. \$11.7 million of new equipment from the GoI budget this fiscal year and will in the coming months start to receive excess WFPSS cargo handling equipment. It is vital that proper operator training be conducted and manufacturer specified maintenance programs be implemented to ensure that the equipment life cycle is attained and is safe to operate.
4. A general understanding of the port industry and its interface with associated maritime sectors
5. An appreciation of basic ship and port management structures
6. An understanding of the interdependency of shipping, ports and international trade.
7. An understanding of evolving trends and developments in maritime sector.
8. A deep appreciation of the primacy of environmental factors pertaining to the marine environment which sustains many livelihoods
9. A keen awareness of the importance of community involvement and the role of corporate and social responsibility in modern port management
10. Practical knowledge of the new technologies being deployed in modern ports and also under development.
11. An awareness of security issues surrounding ports in particular the implementation of the ISPS code
12. Knowledge and understanding of international maritime politics and role of IMO and ILO rules and regulations

The target audience is at all levels of staff in all ports, including the provincial port authority. Naturally, the instruction will vary based on the operating level of the staff. It is intended to provide instruction at the stevedore level, for example, in modern cargo handling techniques, proper operation and maintenance of equipment, safety, waste management and environmental protection. First line managers will have an expanded program of instruction and more senior staff will receive the entire spectrum. It is intended to centralize classroom instruction insofar as practical in Banda Aceh. The instructional modules requiring “hands-on” application will generally be done in each port. This will be refined once the survey and analysis of port training needs is completed.

COMPONENT C: PROJECT MANAGEMENT

WFP is putting in place two international staff to manage the use of funds for both the LSU and the Ports Capacity Component. The two international staff will be supported by a team of local staff for the financial management of the project. WFP will also be charging for some services, such as HR and procurement. This project management unit will also be monitoring and evaluating both the LSU and the ports training contractor. Other external consultants may be procured as appropriate.

Implementation Arrangements

The WFP shall be both implementing agency and partner agency, as per the current Fiscal Agency Agreement. The WFP would have the following responsibilities:

As partner agency: responsible for the supervision of the project to ensure that its performance is on track. In its supervision, it should include the views of the relevant government agencies. This will be conducted by independently by WFP's Rome headquarters.

As implementing agency:

- Manage the logistics support function;
- Procure the company/consultants to conduct the initial needs assessment and pilot development work. This will result in a PAD to be presented to the MDF Steering Committee to endorse the rolling out of the entire project.
- Procure the company/consultants to deliver the project as defined in the PAD.

Management of component two (ports capacity development) will be outsourced to an external partner to be procured in accordance to WFP's procurement guidelines. As the scope of the project becomes more defined based on a survey of port training needs and subsequent analysis thereof, the management team will be tailored to meet the specific requirements. This will be further addressed in the Program Appraisal Document.

The Dinas Perhubungan Provinsi NAD and Dinas Perhubungan Indonesia have both requested input as has BRR in the development of the training program. It is expected that there will be a joint monitoring and evaluation methodology to be determined by WFP and conducted by that organization which will be further addressed in the project plan and the performance appraisal document.

Environmental and social considerations

Environmental protection is one of the key training elements identified above. This will introduce a new concept into regional port management and can only have positive environmental impact. There will be some indirect social impact of this program. Data presented at the recent CFAN 3 Summit indicated that 74% of Acehnese surveyed stated that economic improvement was their highest priority. Constructing and rehabilitating transportation infrastructure is at the foundation of economic recovery. Training staff to operate it is a vital part of the process. It is entirely reasonable to expect that this program will provide a firm basis for economic expansion that will benefit all.

Budget and Funding Plan

Budget for the proposed three year program (2007-2010) are attached as Appendix 1. This budget is an approximation of anticipated costs. As in the case of staffing, it will be refined once the survey of port training needs is accomplished and an assessment finished.

7. Sustainability and Capacity Building.

a. The logistics component of this project is essentially an extension of the WFP Shipping Service project, which was developed to fill a gap in short-term sustainability and institutional capacity. WFPSS is oriented towards providing logistic services where ports either lack material handling equipment (MHE) and trained staff or in those areas where both ports and material handling equipment are not available. To partially correct this, BRR has budgeted for MHE to be procured in 2007 as aforementioned. As WFPSS downsizes and upon approval of this concept note, equipment in excess of the needs of WFPSS will be immediately made available to the GoI for use in ports. When the WFPSS program terminates, not later than 2008, all remaining assets will be transferred as the GoI directs. These asset transfers will not necessarily address all MHE and related equipment requirements, but several of the instructional modules listed above will provide training on determining proper equipment by type and quantity. Thus we will be able to arrange for improved cargo handling at least at a minimal level to start and then have a basis for progression to more sophisticated levels over the longer term as the demand for port services expands with the overall economy.

b. The port capacity development program proposed to be implemented by the appointed contractor is directly targeted at developing a capability in all port staff throughout Aceh and Nias to operate those ports in an efficient, economical, and modern manner. The Dinas Perhubungan staff at both the national and provincial levels recognize that training is needed in all Aceh ports to modernize them and make them efficient. They have embraced the training concept proposed herein and are eager to start it as soon as possible. With the U.S. \$11.7 million for equipment included in the current fiscal year GoI budget, and the imminent prospect of some excess WFPSS equipment being turned over to them, they are firm believers that there are resources rather than just words being

applied. The training proposed complements this equipment addition. Thus, they recognize that there is now the capability to make real progress not only in general cargo operations, but also truck roll on – roll off and ferry operations. As all see the gains that can be made through more efficient operations they will want to maintain that progress. Every effort will be made to retain the trainers on a long term basis so they can continue to work with and advise all ports.

We intend to work with the national government for those ports who fall directly within its purview and also with the *Dinas Perhubungan Provinsi* for the ports that it supervises. One objective is to improve the organizational alignment so that there is one focal point in the province of Aceh for all matters related to ports. The ports in Nias will, of course, be under the government of North Sumatra.

This program is not anticipated to have an immediate impact on operating and maintenance costs. However, as equipment is added to the ports, expenses for maintenance will increase. This is anticipated and one of the instructional modules is teaching port staff how to properly budget for and obtain funds for this purpose. Operating costs are variable and are closely related to the volume of cargo moved. It is hoped that these costs will indeed rise as cargo increases, but it is also expected that revenue from cargo handling will rise to cover these expenses. Again, there is an instructional module related to cargo forecasting and budgeting. One of the instructional modules will directly address human resources issues in ports to include planning for proper staffing levels.

8. Implementing Agency Background and Experience. The United Nations World Food Program has been the implementing partner with the World Bank for the current operation. WFP has proven itself to be a fully capable partner that has met all of the relevant World Bank standards. As previously mentioned, WFP is the best implementing partner since it is the United Nations lead agency for logistics and the entire thrust of this program concept note, both for logistics support and for port capacity development, is thoroughly logistics in nature. WFP has staff and facilities in place to immediately commence this operation. WFP will interface with its selected contractor for the execution of the port capacity development program and contracting matters related thereto.

9. Risk and Dependencies.

a. This program is seen as being one of relatively low risk. The LSU program is essentially a continuation of the present WFP Shipping Service without the shipping portion. This has been a successful operation. The risk here is that utilization of it will be low and that at some point it will be necessary to terminate the operation for this reason, although should not be extended beyond 1 year of the operation. There are three principal regions where these services may be required: mainland Aceh, Simeulue, and Nias. It is anticipated that demands on mainland Aceh may be the lowest and if it is determined that the demand does not justify both the equipment and staff necessary to operate the equipment, then that portion could be terminated. Simeulue will have a demand for logistics support at least into August 2007 and Nias is projected to have continuing requirements into the 2008 calendar year, particularly an NGO that is building 2100 houses on north-western Nias and has already requested support and a number of other NGOs that have long term timber importation requirements.

b. The port capacity development proposal does not appear to have any significant risk. The responsible Indonesian government authorities (*Dinas Perhubungan* and *Dinas Perhubungan Provinsi NAD*) have been very positive in requesting the training and we are confident that we will be able to secure the services of a willing and interested supplier of the training services. The transition under the LoGA from national to provincial control of the ports is not fully mapped out yet, but this applies to most facets of administration in Aceh. Coordination has been effected with all concerned parties to mitigate any risk that might arise as the changeover proceeds. To this point in time, the implementation of the LoGA and the overall transition has been surprisingly smooth and it does not appear that ports will present any concern. The only adverse possibility that is seen is that once the training is completed, there may be a tendency to go back to business as normal. To prevent this, we have proposed this training be done over a three year period so that staff will be present, if just at a minimal level, to ensure that what is imparted is indeed implemented and retained.

10. Alignment with Master Plan and Regional Development. The master plan calls for the rebuilding and rehabilitation of all ports in Aceh and Nias that were destroyed/damaged by the disasters. This project contributes to that effort by providing logistics services until such time as the ports become self-sustaining in that regard. It further provides for training and education of port staff so that those ports can be effectively operated. A functioning and effective transportation system is essential to the economic development of the region. This program concept note is a vital enabling part of the transport infrastructure.

ANNEXURE D

YEAR	MONTH	DATE Commence	DATE Complete	Action – Narrative.
2007	July		31st July	SO extended to end of July 2008
2007	June	22nd		MDF meetings
2007		July	September	Hand over Hiluxs Communication and furniture to BRR - Ongoing
2007	July	19th	19th July 2008	Confirmation to proceed with LSU for 12 months
2007	June	19th June	25th June	Review staff contracts - extend for 5 months .
2007	July	July	10th September	Commence Port Assessment - on going draft reviews by WFP
2007	August	August	15th September	Commence PAD - Review by WFP .
2007	October	1st October	14th October	Submit PAD to MDF for evaluation and acceptance
2007		September	September	Identify potential international and National Port Companies able to offer training
2007	October	October	October	Draft Specs of Port Training and needs.
2007	October	15th October		MDF pad evaluation
2007	October	15th October	15th November	Release Procurement tender for training
2007		November		Evaluate proposals - Financial - Content - Open Dialogue
2007	December 1 st	1st		Appoint trainers to identified interested parties
2007	December 15th	15th		Commence Port training .
2008	January	January	January	Review performance of LSU with MDF
				and future needs by MDF
2008		January	December	Training - On going
2008		June		Evaluate and update training progress - Consider
				extension into 2009
2008		January	June	Identify possible users to hand over
				WFP SS cargo handling equipment
2008		December		Commence handing over any surplus equipment
2008	December	31st		Target end of Training- subject to June Review
2009	January			End of Project - Training evaluation - or extend for 6 months.
2009		January	June	Port Training Continues
2009		June		Port Training ends
2009		June	July	End OF Project evaluation

MONTHLY REPORTING

Financial Reporting

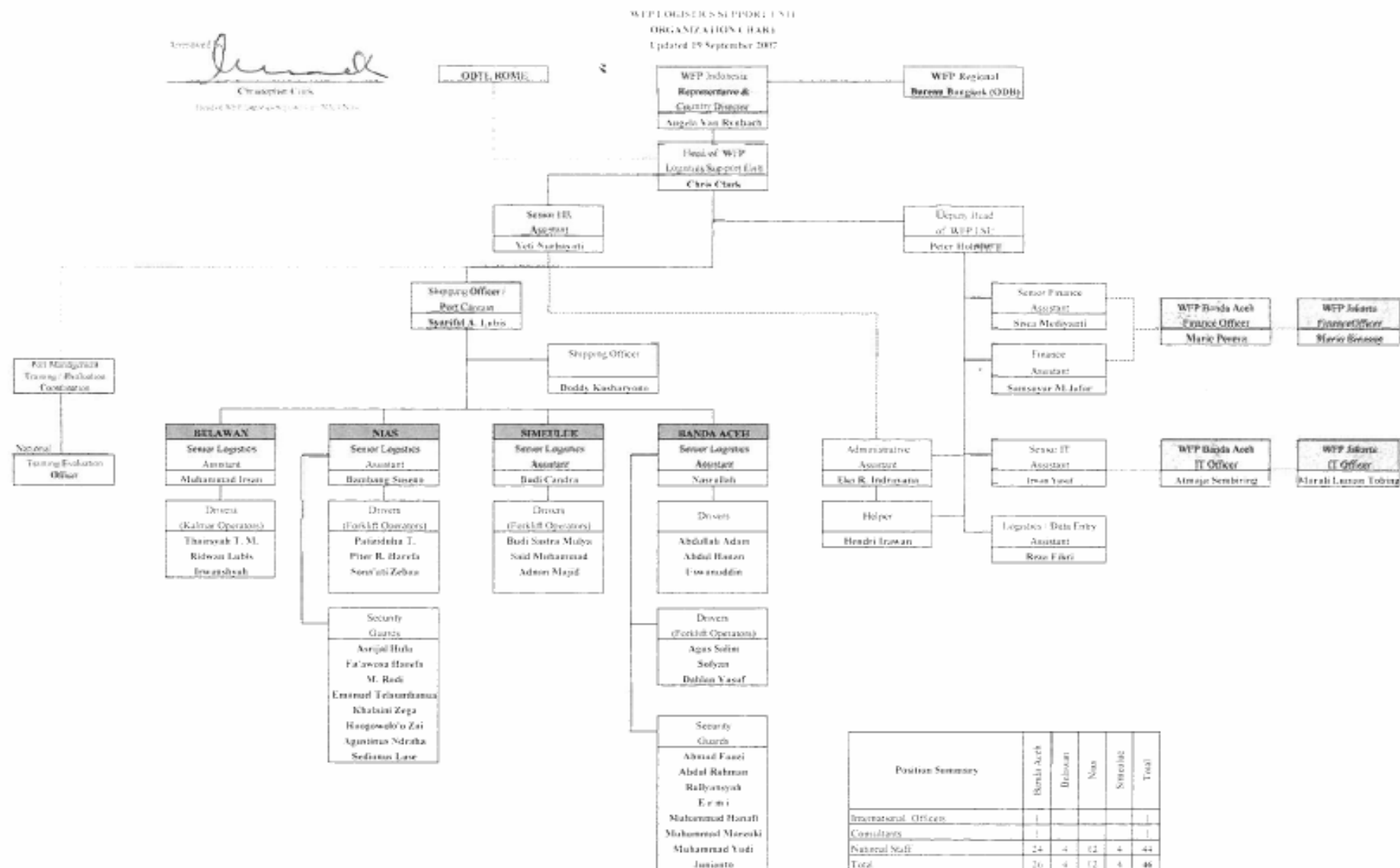
Update and progress report on Training

Use and cost recovery of equipment

QUARTERLY REPORTS

Special Project Report to MDF and Member

ANNEX E



Project Type:	SO
Recipient Country:	Indonesia
Project Number:	10498.1
Duration (months):	24.0
Start Date:	01-Oct-2007
End Date:	30-Sep-2009

Total US\$

DIRECT OPERATIONAL COSTS (DOC)	\$	3,800,108
DIRECT SUPPORT COSTS (DSC)	\$	2,839,338
TOTAL WFP DIRECT COSTS	\$	6,639,446
INDIRECT SUPPORT COSTS (ISC) 7%	\$	464,761
TOTAL WFP COSTS	\$	7,104,207

1/ This format should also be used for Project Budget Plan Revisions.

2/ Please adapt your planning according to the Project Document (duration of the project).

3/ This worksheet includes total amounts for all years.

4/ The ISC is indicated here to provide a picture of the overall WFP costs even though they are not Project Costs per se.

The ISC rate may be amended by the Executive Board during the Project's life.

Staff and Staff-Related Costs		Year 1 (10-12/2007)	Year 2 (1-12/2008)	Year 3 (1-9/2009)	
551010	International Consultants (incl. Travel)				-
551020	National Consultants	-	-	-	-
551030	Temporary Assistance	-	-	-	-
551040	UNVs	-	-	-	-
552000	Non-WFP Staff Training (refer to training plan, modules and participants)	393,750	1,413,950	1,181,250	2,988,950
553000	Travel	51,189	204,756	153,567	409,512
					-
	Subtotal	444,939	1,618,706	1,334,817	3,398,462

Recurring Expenses		Year 1	Year 2	Year 3	
554010	Rental of Facility	3,870	15,480	11,610	30,960
554020	Utilities General	1,200	4,800	3,600	9,600
554030	Office Supplies	900	3,600	2,700	7,200
554040	Communications and IT Services	9,144	36,576	27,432	73,152
554060	Equipment Repair and Maintenance				-
554070	Vehicle Maintenance and Running Costs (includes insurance coverage)	31,728	101,658	78,348	211,734
554080	Contracted Services	1,875	7,500	5,625	15,000
554090	Other Office Expenses	6,750	27,000	20,250	54,000
					-
	Subtotal	55,467	196,614	149,565	401,646

Equipment & Capital Costs		Year 1	Year 2	Year 3	
555010	Agricultural Tools and Equipment				
555020	Kitchen & Canteen Material and Equipment				
555030	Health Related Material and Equipment				
555040	School Related Material and Equipment				
555050	Building Material				
555060	Vehicles				
555070	TC/IT Equipment				
555080	Other Tools, Material and Equipment				
	Subtotal	-	-	-	

TOTAL OTHER DIRECT OPERATIONAL COSTS	500,406	1,815,320	1,484,382	3,800,108
---	----------------	------------------	------------------	------------------

1/ Planned costs should be included for ODOC items that are relevant to the SO.

Staff and Staff-Related Costs		Year 1 (10-12/2007)	Year 2 (1-12/2008)	Year 3 (1-8/2009)	
611111 to 225	International Professional Staff	145,530	594,975	446,231	1,186,736
611231 to 234	International GS Staff	-	-	-	-
612100	National Professional Officers	31,096	101,365	76,023	208,484
612200	National GS Staff	94,770	396,500	284,309	775,578
613100	Temporary Assistance	-	-	-	-
613200	Overtime (in USD only)	-	-	-	-
613300	Incentives	22,126	88,502	66,377	177,005
621000	International Consultants	12,087	48,347	36,260	96,694
621100	National Consultants	-	23,772	-	23,772
631000	Staff Duty Travel	36,000	173,867	108,000	317,867
641000	Staff Training and Development	5,000	10,000	-	15,000
758000	Security Related Cost	6,367	12,734	19,101	38,202
	Subtotal	352,975	1,450,062	1,036,301	2,839,338

TOTAL DIRECT SUPPORT COSTS	352,975	1,450,062	1,036,301	2,839,338
-----------------------------------	----------------	------------------	------------------	------------------

1/ Planned costs should be included for DSC items that are relevant to the SO. DSC is not normally required in SOs.

2/ DSC is not normally required in SOs. The only exception to this rule is for WFP fixed term staff, who may, where they perform a specific function in support of the SO, be budgeted for under the SO's DSC component.

I. Plan Overview

The budget plan covers the basic operation of the Logistics support units which has two tasks, the prime task being the Port consultancy linked to leasing out of the all terrain handling equipment, the second task, which in real terms may be considered the focus of special operations, is the Port and Infrastructure capacity building, Port assessment, identify and procure suitable training modules and facilitators.

II. Direct Operational Costs

Recurring Expenses

554010 Rental of office facilities: Simeulue USD 3,300/year; Belawan USD 3,180/year and Banda Aceh USD 9,000

554020 Utilities General: Electricity in Banda Aceh USD 4,800/year. In Belawan and Simeulue electricity is included in the rent

554030 Office Supplies: Banda Aceh and sub offices in the region of \$ 300 per month

554040 Communications and IT Services: Vsat: Banda Aceh USD 1441/month; Simeulue USD 82/month. Internet charges; Banda Aceh USD 1125/month
Belawan and Nias USD 200/month

554070 Vehicle Maintenance and Running Costs: 6 Land cruisers and 9 Pick-ups USD 5,040/year; 2 Kalmars and 16 Manitous USD 38,400/year
Cost also includes insurance coverage until final hand-over to BRR.

554080 Contracted Services: Cost sharing with UNDP for services and medical dispensary USD 7,500/year

554090 Other office expenses: 1 Telephones and fax \$ 20,000 AND Courier charges OF \$ 7000 PER Annum.

Equipment and Capital costs: NIL

III. Direct Support Costs

International professional: In addition to the core staff, cost of 1 Finance/Administrative Officer (P4) and HR Officer (P3) (base in Jakarta) will be shared between LSU and PRRO. See Org Chart.

National Professional Officers: In addition to the core staff, 1 Administrative/HR Officer (NOA) is required to manage HR and supervise day-to-day adm/fin activities in Banda Aceh. ICT Officer NOB from Jakarta will provide support and cost will be shared PRRO plus Procurement Officer (NOA) for the first year. See organizational Chart.

National GS staff: a total of 39 including 16 guards and 2 X G6 positions for the support from the CO. Negotiations for outsourcing 16 security guards on going. Radio operators in Nias not included as they will be managed by UNDP as of 1 Aug 07.

Staff duty travel: Estimated at USD 12,000/month. Includes UNHAS flights. Travel required between Banda Aceh and approximately 14 ports in Aceh and Nias.

Insurance - Van Breda for national staff (included in local staff rate)

Security: Cost sharing of security guards with UNORC in Banda Aceh USD 6,000/year; with WFP in Smeulue USD 2,688/year. Blast resistant film USD 15,000 (estimate) and cost sharing of radio rooms USD 1,800/year.

SOLA: Provisions for 3+1 international professional staff. USD 1642.50/staff member/month.

IV. Overall Budget Justification

The budget has been based on a 24 month time frame, during this period of time a high percentage of the assets will remain within WFP LSU which will require operational support.

The costs of training that is shown under 552000 is \$ 3 Million being the expected costs to assess, evaluate, procure and conduct the training of the Indonesian port staff, in addition there is \$ 150,000 included which is to train our own staff in the Manitou operators. Breakdown of port training budget is attached.

The budget time line is linked to the 24 months as envisaged through the special operation, in the last 6 months, the project will be evaluated and consideration given to extend into a third year.

PORT TRAINING BUDGET ESTIMATE

Budget	year 1	year 2	Total
	1,663,301	1,486,699	3,150,000

% of Staff	Total Staff	DESIGNATION	Total \$	\$/Person
20	15	Managers	630000	42,000
25	25	Operators Cargo & Marine	787500	31500
25	50	Admin & Finance	787500	15750
20	100	Clerical	630000	6,300
5	10	Senior managers	157500	15750
5	32	Other	157500	4921
100	232		3150000	

15 Ports

Training Modules Initially indentified .

1	Introduction to Shipping .
1	Snr Managers
1	Managers
1	Break bulk
1	Unitized
1	Bulk
1	Liquids
1	Marine
1	Warehouse and Consolidation
1	Finance
1	Admin
1	HR
1	Port Security
1	Hazardous

1	Environmental
1	English
1	PC Skills
1	Ferry Pax and Roro
18	Training Modules

Based on 18 Modules each Module will cost about \$ 175000

We have 15 ports with 18 training modules with the high number of possible learners being 232

Thus the rough cost per training module

Port	Modules	people
15	18	232
210000	175000	13577