

برنامج
الأغذية
العالمي



Programme
Alimentaire
Mondial

World
Food
Programme

Programa
Mundial
de Alimentos

**Executive Board
First Regular Session**

Rome, 19–21 February 2007

EVALUATION REPORTS

Agenda item 7

*For information**



Distribution: GENERAL
WFP/EB.1/2007/7-C
5 January 2007
ORIGINAL: ENGLISH

EVALUATION OF INDONESIA SPECIAL OPERATION 10498.0

**WFP Shipping Services to Support the
Temporary Shelter Plan of Action by the
United Nations Recovery Coordinator for Aceh
and Nias, Indonesia**

* In accordance with the Executive Board's decisions on governance, approved at the Annual and Third Regular Sessions, 2000, items for information should not be discussed unless a Board member specifically requests it, well in advance of the meeting, and the Chair accepts the request on the grounds that it is a proper use of the Board's time.

This document is printed in a limited number of copies. Executive Board documents are available on WFP's WEB site (<http://www.wfp.org/eb>).

NOTE TO THE EXECUTIVE BOARD

This document is submitted to the Executive Board for information.

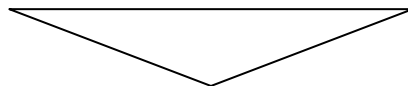
The Secretariat invites members of the Board who may have questions of a technical nature with regard to this document to contact the WFP staff focal points indicated below, preferably well in advance of the Board's meeting.

Director, OEDE:	Ms C. Heider	tel.: 066513-2412
Chief Evaluation Officer, OEDE:	Mr J. Lefevre	tel.: 066513-2358

Should you have any questions regarding matters of dispatch of documentation for the Executive Board, please contact Ms C. Panlilio, Administrative Assistant, Conference Servicing Unit (tel.: 066513-2645).



DRAFT DECISION*



The Board takes note of the “Evaluation of the Indonesia Special Operation 10498.0 – WFP Shipping Service to Support the Temporary Shelter Plan of Action by the United Nations Recovery Coordinator for Aceh and Nias, Indonesia” (WFP/EB.1/2007/7-C).

* This is a draft decision. For the final decision adopted by the Board, please refer to the Decisions and Recommendations document (WFP/EB.1/2007/16) issued at the end of the session.



INTRODUCTION

1. This information note summarizes findings, recommendations and lessons learned from an evaluation of the WFP Shipping Service (WFPSS), which was undertaken by the Office of Evaluation (OEDE) at the request of the WFP Ocean Transport Service (ODTS) to meet a requirement of the fiscal agency agreement with the International Development Association (IDA). IDA is the trustee of the Multi-Donor Fund (MDF) for Aceh and North Sumatra, which funds the operation. Two independent international consultants in transport and logistics and environmental issues carried out the mission from 24 July to 18 August 2006. The main purposes were to learn from the current operation and to identify emerging issues and opportunities to guide design of any future phase. The uniqueness of this large-scale maritime transport operation for WFP was kept in mind, as were possibilities for establishing a regular self-supporting commercial short-sea service in the Aceh/Nias region, managed by the private sector.

THE SPECIAL OPERATION AS PLANNED

2. Following the tsunami of 26 December 2004, the air, sea and road facilities for transporting goods and materials to affected communities in less accessible regions of Sumatra, Nias and Simeulue were limited. This created bottlenecks and delayed implementation of the Temporary Shelter Plan of Action. To overcome these constraints, in October 2005, the United Nations Office of the Recovery Coordinator (UNORC) requested WFP to coordinate the logistics and sea delivery of 600,000 mt of non-food items for rehabilitation and reconstruction. WFP's provision of such a service to the humanitarian community was consistent with its role as the lead agency for logistics, mandated by the 12 September 2005 Inter-Agency Principals' Meeting on Strengthening Humanitarian Response.
3. The special operation (SO) was approved on 24 October 2005 for 12 months, with a budget of US\$116 million. Its main objective was to provide timely and efficient sea freight services for relief, recovery and reconstruction materials, based on needs assessed by users and the Rehabilitation and Reconstruction Agency for Nanggroe Darussalam Aceh and Nias (BRR).
4. The MDF includes international agencies such as the World Bank and UNORC, BRR and civil society. It supports recovery by providing grants for investments based on good practices, stakeholder participation and coordination. For this operation, it agreed to an initial grant of US\$24.7 million from IDA. To start implementation, WFPSS borrowed US\$3 million from the WFP Working Capital Fund, which it repaid when the IDA funding became available.
5. WFPSS operates independently of WFP's protracted relief and recovery operation (PRRO) Indonesia 10069.1 – Assistance to Recovery and Nutritional Rehabilitation. The head of WFPSS is responsible for managing and supervising the operation, keeping the WFP country director informed of developments. The project document also specifies that the head of WFPSS coordinates with the Recovery Coordinator for Aceh and Nias, and reports regularly to the Board of Directors on the operation's progress. ODTS at Headquarters provides operational and technical direction and advice, as required.



ACHIEVEMENTS

6. The fleet operated by WFPSS from December 2005 to July 2006 grew to 12 vessels: nine landing craft-tank (LCT) vessels, and three conventional coasters. ODTS screened and selected appropriate ships from the restricted market of ships flying the Indonesian flag.
7. Total cargo shipped between December 2005 and July 2006 to 27 locations amounted to 66,422 mt, and included construction materials, transitional shelter, vehicles, fuel, timber and WFP food; this figure is 66 percent higher than the target of 40,000 mt for the first six months. Cargo was loaded at 18 loading points. The wide range of loading and discharging points is a feature of the operation. Food was transported in break-bulk cargo such as loose bags of rice, unit loads of timber or structural steel, or roll on-roll off (RO-RO) cargo, which remains on trucks or trailers that are driven on board under their own power. Contrary to initial plans, no cargo was containerized because medium-term and long-term cargo projections were difficult to make.

MAIN FINDINGS

8. WFPSS provides the basic shipping service, logistics coordination, port captains, load consolidation and advice on packaging and equipment – mobile cranes, container handling equipment, fork-lift trucks and beach matting – to ensure that rebuilding materials reach communities. It also assists non-governmental organizations (NGOs) that have limited logistic capacities.
9. The operation assisted 80 organizations involved in relief and recovery operations, including United Nations agencies, NGOs and Indonesian government agencies. The comprehensive service supported NGOs, particularly smaller ones, in many logistic tasks for which they lacked qualified personnel. Agencies and NGOs interviewed during the evaluation recorded their appreciation of the technical quality of services provided, indicating that WFPSS enabled them to respect their construction schedules, often helping to make up for delays. The British Red Cross, the Canadian Red Cross, Concern, the International Federation of Red Cross and Red Crescent Societies (IFRC), the Office of the United Nations High Commissioner for Refugees (UNHCR) and WFP were main users. The service was popular because it was reliable and – until 31 July 2006 – free of charge.
10. The existence of WFPSS assured BRR and UNORC that a reliable and professionally organized transport component for implementation of the regional reconstruction and rehabilitation programme was readily available, with capacity to supply remote and inaccessible places. WFPSS also supported the BRR policy of avoiding the overloaded road infrastructure for the transport of heavy construction material.
11. The presence of WFPSS on remote beaches and landing sites assured displaced rural populations that their concerns were being addressed and that programmes were being implemented effectively. The pace of construction of new houses and temporary shelter was often increased, so some agencies could bring forward their target dates for project completion.

12. The environmental expert on the evaluation team¹ surveyed WFPSS beaches and landing sites and found that the operation had not caused any irreversible environmental damage. Consequences for the shoreline should therefore be negligible. Although the operation is conducted responsibly, the expert did not come across the “Environmental Management Plan for the Project” to which section 3.01 (a) of the fiscal agency agreement between MDF and WFP refers. It was noted that WFPSS did not provide for the disposal of ship’s garbage, cargo debris, sludge, fuels and oil when the vessels it operates were in port.
13. The International Maritime Organization (IMO) Convention for the Prevention of Pollution from Ships is only partially enforced in Indonesian coastal waters; WFPSS should become a role model in this field. Environmental requirements could be covered by a special clause in the charter, requiring the ship’s owner, master and crew to comply with IMO regulations at all times. Complete entries in the ship’s oil record book are the minimum expected of WFP-chartered vessels.
14. WFPSS alleviated the pressure on an overloaded road network. Because of the free service it provided until July 2006, the main haulage companies in Medan had to reduce their haulage rate by up to 15 percent. In preparation for a cost-recovery scheme from 1 August 2006, WFPSS conducted comparative costing exercises between road and sea transport, but no conclusive results yet favour one mode of transport over another.
15. Logistic services at the loading and discharging points of sea transport made the service comprehensive and inter-modal. Interfaces among port captains, logistics officers and users were excellent. Plentiful and appropriate equipment greatly facilitated cargo operations at both ends. The supporting cargo documentation was well designed and utilized. As a result of WFPSS technical expertise at all levels, no cargo appears to have been lost or seriously damaged during sea transport or loading and unloading.
16. The evaluation noted that the different modes of transport appear to have been used indiscriminately on all vessels, except for the ferry service, where the RO-RO mode is standard. RO-RO was often used when there was no land transport at the discharge point. When the cost-recovery system is operational, freight rates must be based on the transport mode selected by the shipper. Shippers should be able to select the most efficient mode of transport for each cargo, and be financially rewarded.
17. **Cost recovery**, which the project documents stipulated would start from the beginning of the operation, has not been implemented as scheduled. This decision was made in agreement with UNORC and BRR, but was not formally enacted. It was felt that the introduction of cost recovery would adversely affect the already slow reconstruction of shelter. The decision was communicated to user group meetings in Banda Aceh and Medan, but official project documents were not revised. A free service can be justified only in the emergency phase, and among the shippers, the free service has created passivity and a lack of awareness of the true costs of the operation, which WFP will recoup from the shippers in a later phase.
18. NGOs stated that freight rates were excessive, but the rates take into account the empty return journey for vessels and the extra time required for cargo operations at landing sites with very restricted access. It is unlikely that the rates will cover all the costs of this operation, however. The target should be to recoup the direct costs of operating vessels and cargo handling operations ashore. Considering the impossibility of meeting all the

¹ Annex B to the full technical report.



commercial requirements governing short-sea trade, a case could be made for WFP management and overhead costs to be supported by MDF and other donors.

19. **Pipeline projections.** The absence of confirmed tonnage forecasts has been a problem since the operation's outset. Although most NGOs and agencies were aware of the sizes of their respective programmes, very few were able to translate these into volume or tonnage to be transported and related transport costs. This severely hindered WFPSS medium-term planning, and preparations for transferring the operation to a commercial operator.
20. The service was an attractive option for freight because very few alternatives were available and the service was free – initially for the first four months and subsequently for another four months until 31 July 2006. The continued commitment of agencies and NGOs once cost recovery is applied is very difficult to assess in terms of volume and demand. NGOs failed to understand that their commitment is essential to ensuring a sustained shipping service.
21. **Vessel productivity** is partly the result of shipping far smaller cargoes than planned. Analysis of utilization figures for three LCTs showed that between 12 percent and 38 percent of the time that they were chartered could not be accounted for under the standard headings. This time must therefore be considered as unproductive downtime, which highlights the need to keep downtime as low as possible. The three vessels were operating at levels of less than 50 mt per day – calculated by dividing the total freight tonnage carried by each vessel by the number of days that vessel was under charter. Daily charter rates, fuel costs and related port and cargo expenses cannot be covered by such low operating levels.
22. **Management of the SO.** The operation was well managed, conforming to WFP rules and regulations, although these were not entirely suited for an SO where quick response and decisions are important. SO rules regarding the procurement of goods, equipment and services should be reviewed.
23. The support services and administration functions were well structured, but the finance section had only three officers, which is barely sufficient for basic analytical accounting procedures such as essential voyage returns. WFP's financial reporting procedures make it very difficult to calculate the true net costs of a shipping operation – vessel hire, fuel and port and cargo-related costs – because they are accounted with other direct operational costs (ODOC) items and budget lines typical of WFP-supported food aid operations. The evaluation team was informed that charter hire and fuel costs represented 80 percent of total costs, but this could not be verified because there were no detailed voyage returns. The inclusion of start-up costs and purchase of capital equipment in ODOC complicates the analysis of true net costs and the calculation of true costs for all WFPSS managerial services – management, technical follow-up, communications, marketing, daily reporting on shipping and logistics, support from the ancillary administrative and financial services, etc. Under present arrangements, it is difficult to compare and balance the freight accrued from cost recovery with the voyage costs of a vessel. There is need to develop an analytical accounting system.
24. At end June 2006, WFPSS had a staff of 106, of whom 66 were national and 40 international. At the time of the evaluation, a rationalization exercise was being undertaken to minimize overlaps. It should be possible to reduce the workforce, in spite of the need to bridge rest and recuperation (R&R) periods, and other management requirements. The number of port captains justified in the beginning is no longer justified; a large number of ports, jetties and beaches have been surveyed. An alternative could be the temporary secondment of (ex-) seagoing officers with chief mate licences from



Indonesian shipping lines. The job descriptions of logistic and shipping officers should be reviewed to combine the two functions.

25. WFP's rules and regulations complicate the transition to a sustainable and commercially viable operation. It is unlikely that private commercial operators are able and willing to provide the same comprehensive operational, financial and administrative facilities as WFP.
26. WFPSS, UNORC, representing the users, and BRR, representing the government, have met frequently to discuss implementation issues, but the planned Board of Directors has never formally met, and there are no formal records of decisions, such as postponement of the cost-recovery scheme, closure of the regular ferry route, chartering of new tonnage and approval of freight rates.
27. **Exit strategy.** WFP has endeavoured to create mutual confidence and trust with the ship owners participating in this SO. Contacts with the Indonesia Ship Owners' Association are maintained. WFPSS has made it known that private commercial operators are welcome to take over the operation, partially or fully, but no concrete proposals have yet been received. The proposed 12-month transition phase, starting in November 2006, for which an additional MDF grant has been requested, should enable WFPSS and potential operators to obtain a better view of cargo volumes, vessel costs and anticipated returns, and thus the profitability of the service.

MAIN RECOMMENDATIONS

28. It is recommended that a comprehensive analytical accounting and reporting system be developed, differentiating among: (i) vessel operating costs; (ii) capital outlay for the purchase of cargo handling and support equipment; and (iii) ongoing and recurrent costs for WFPSS management. At a later stage, a voyage cost control sheet for the anticipated cost-recovery returns should be introduced.
29. To develop and implement this reporting system, a qualified and experienced shipping cost control accountant, familiar with the cost components of sea transport operations, should be recruited.
30. For cost recovery, freight rates should be revised so that they differentiate among the three modes of transport.
31. When the cargo to be shipped regularly reaches a certain level, it may be useful to publish sailings regularly – weekly, fortnightly or monthly – one month in advance.
32. The search for parties willing and able to take over WFPSS should be expanded to include reputable clearing and forwarding agents and large companies specializing in large-scale logistic operations.
33. It is recommended that WFPSS implement the environmental management plan detailed in the project appraisal document, including health and safety, emergency management, hazardous materials management, water and sanitation for stevedores, and solid waste disposal.
34. It is recommended that one-day environmental training/awareness courses be designed and implemented for shippers' staff. This training should include hazardous materials management and disposal procedures, fire prevention and first aid treatment.



35. The budget should be revised to include budget line(s) that take into account the expenses of implementing recommendations related to environmental issues.
36. The mission made a number of additional detailed recommendations, which are outlined in the full technical report.

LESSONS LEARNED

37. WFPSS has implemented the operation with considerable flexibility. It was noted however that systems and procedures stipulated by WFP's rules and regulations do not always permit rapid adoption of corrective measures, when needed.
38. The SO combines the characteristics of a large-scale relief operation with those of a short-sea maritime transport operation, depending on the route applied. The ferry and coastal trade routes, for example, are more likely to attract commercial operators. Such a commercial pattern cannot be developed for the occasional landing of relief and commercial cargo on remote beaches on the islands of Nias and Simeulue, and this route will need to be serviced by United Nations agencies and NGOs. Over time, the voyage cost control sheet should increase understanding of these different routes.
39. The lack of commitment from lead aid agencies and NGOs is regrettable and needs to be rectified for future operations of this type. Great caution is needed before making financial commitments. The possibility of obtaining written commitments on volumes/tonnages to be transported over a given period should be explored.
40. The design of a proper exit strategy has proved to be more difficult than anticipated, because of a lack of accurate tonnage projections, true vessel operating costs and cost-recovery return figures. The filling of these gaps should guide the exit strategy.

ACRONYMS USED IN THE DOCUMENT

BRR	Rehabilitation and Reconstruction Agency for Nanggroe Darussalam Aceh and Nias
IDA	International Development Association
IFRC	International Federation of Red Cross and Red Crescent Societies
IMO	International Maritime Organization
LCT	landing craft-tank
MDF	Multi-Donor Fund
NGO	non-governmental organization
ODOC	other direct operational costs
ODTS	Ocean Transport Service
OEDE	Office of Evaluation
PRRO	protracted relief and recovery operation
R&R	rest and relaxation
RO-RO	roll on-roll off
SO	special operation
UNHCR	Office of the United Nations High Commissioner for Refugees
UNORC	United Nations Office of the Recovery Coordinator
WFPSS	WFP Shipping Service