

Indonesia

Maritime Transportation Sector Loan In Eastern Indonesia (II)

Report Date: March 2001

Field Survey: September 2000

1. Project Profile and Japan's ODA Loan



Project Area (Eastern Indonesia)



Route Indicator Vessel Obtained by the Project

(1) Background

Eastern Indonesia is a region consisting of 12 provinces: three provinces of Kalimantan (East, West, Central Kalimantan), four provinces of Sulawesi (North, South, Central, Southwest Sulawesi), three provinces of Nusa Tenggara (East, West Nusa Tenggara, East Timor¹), Maluku and Irian Jaya. This region covers an area of approximately 1.18 million km² (60% of the entire nation) and has a population of around 28 million people, or 16% of the overall population (as of 1992 just before implementing this project).

Farming is the key industry for this region with roughly 70% of the entire working population involved farming (the national average is approximately 50%). The per capita regional gross output is between 40% and 60% of the national average. The level of road and other transportation infrastructure is low and this is the region of Indonesia that has the strongest need for economic development.

Against this background, addressing the issues of poverty relief measures, resource development and trade promotion, especially in Eastern Indonesia where economic development has lagged behind the rest of the nation, has been positioned as a national important policy in the 5th Five-Year Plan (FY 1989/1990~1993/1994), in order to provide developmental effects to all sections of Indonesia and raise the level of welfare for its citizens. Further, a key issue for this plan was to promote the development of transport infrastructures, which serve as the foundation for economic activities. Among the various types of transport infrastructures, importance has been placed on promoting the transport of daily necessities and trade, particularly by improving the coastal shipping that links between the islands.

(2) Objectives

This project was to develop ports and navigational safety facilities (route indicators and route indicator

¹ Consists of the three Nusa Tenggara provinces including East Timor before it declared independence.

vessels) having a high degree of importance and urgency in terms of marine transport development of Eastern Indonesia. The objective of the project was to help contribute to establish adequate marine transport routes that can serve as foundation for supporting lifestyles and the economic development in the region.

(3) Project Scope

This project is the Phase II of the overall two-phase project. The first phase (FY 1991 ODA Loan Project “Eastern Maritime Transport Promotion Sector Loan (1)”), which targeted mainly the Sulawesi region of eastern Indonesia, helped to prepare ferry terminals and ports, procured route indicator vessels, prepared route indicators and established schools for seamen (Surabaya).

This project is positioned as the Phase II with an aim of procuring route indicator vessels and preparing route indicators and ports mainly in the area east of Sulawesi. This project covered areas deemed as needing urgent attention in Phase I, but were not covered by the Phase I ODA loan project. The following table provides a broad overview of the entire project.

Table 1 Overall Project Summary

Item	Phase I Project (FY1991 project)	Phase II Project (at the time of project appraisal)
Development of ferry terminal	9 terminals	-
Development of ports	6 ports	5 ports (newly developed) <ul style="list-style-type: none"> • Seget Port in Irian Jaya Province • Rinsiki Port in Irian Jaya Province • Maumbawa Port in East Nusa Tenggara Province • Sabu Timur Port in East Nusa Tenggara Province • Anggrek Port in Northern Sulawesi Province
Procurement of route indicator vessels	4 vessels	3 vessels (250DWT)
Preparation of route indicators	41 route indicators	Lighthouse (3) Large light wave beacon (6) Medium light wave beacon (4) Small light wave beacon (5) Working room (3) Lighthouse automated system (1)
Building of Sulavaya Seamen’s School	Preparation of seamen’s educational equipment	-
Consulting Service	Construction supervision/monitoring	Construction supervision/monitoring

(4) Borrower/Executing Agency

Republic of Indonesia / Directorate General of Sea Communications, Ministry of Communication

(5) Outline of Loan Agreement

Loan Amount/Loan Disbursed Amount	¥5,231 million / ¥3,928 million
Exchange of Notes/Loan Agreement	September 1992 / October 1992
Terms and Conditions	Interest rate: 2.6%, Repayment period: 30 years (10 years for grace period), General Unfled (Partially unfled for consulting services)
Final Disbursement Date	March 1999

2. Results and Evaluation

(1) Relevance

This was a high-priority project in line with the important policies put forth by the Indonesian government to counter poverty, develop resources and promote trade in the Eastern Indonesia as stipulated in the government's 5th Five-Year Plan. There were no major changes to the project scope and the project plan was deemed to be relevant.

(2) Efficiency

This project was implemented by the Directorate General of Sea Communications (DGSC) under the direction of Steering Committee made up of the Ministry of Communication Planning Bureau, the National Development and Planning Agency (BAPPENAS) and other department heads involved with the Ministry of Communication. The project was completed roughly one year behind schedule due to some delays in selecting consultants and the arrangement of route indicators. The total project costs are not clear due to the lack of information from the executing agency, but the expenses to be covered by the ODA loan remained within the planned range.

(3) Effectiveness

Since this project was to develop ports and navigational safety facilities to secure daily living transport, it is hard to make quantitative measurements of the economic effects brought about by this project. The following effects, however, can be seen upon implementation of the project.

1) Improved Efficiency of Maritime Sector, Including Transport Capacity

Exact details are unknown because the data on the number of port calls and other such information could not be obtained from the executing agency. Still, it is believed that the development of five new ports has made a definite contribution to improving port loading/unloading efficiency, increasing transport capacity and making shipping route schedules more regular.

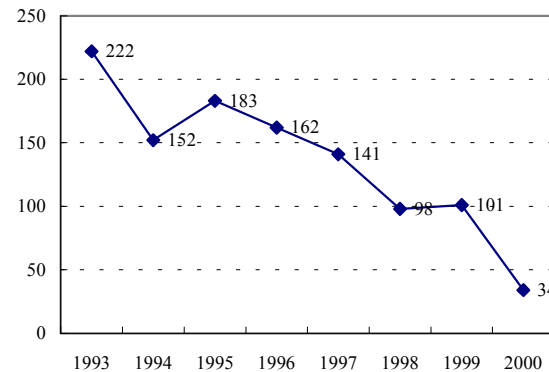


Figure 1 Transition of No. of Shipwrecks per Year

*Based on data from the Directorate General of Sea Communication, Navigation Bureau

2) Improved Safety for Maritime Navigation

Figure 1 shows the number of shipwrecks each year in the waters around Indonesia from 1993 until August 2000.

The establishment of route indicators was completed in 1997, but the number of shipwrecks had already begun decreasing before this time. Since 1992 other projects including Japan's ODA loan have been progressing to implement measures to improve the safety of maritime navigation, such as maritime telecommunication system capable of handling the Global Maritime Distress Safety system² (GMDSS). It is believed that this project was able to produce synergies with these other projects to bring about an even greater drop in the number of shipping accidents.

(4) Impact

1) Environmental Impact

This project was to develop navigational safety facilities and small-scale port facilities. As such, no particular negative impacts were placed on the environment.

2) Impact on Regional Development

The five ports improved by this project were newly developed ports for local cities in Eastern Indonesia. The development of these ports helped to open up these isolated regions and provided an opportunity to vitalize these local economies. One such example is the Seget Port in Irian Jaya. We have received reports from the executing agency that this region has (1) established marine products processing businesses in the surrounding area, (2) promoted the shipbuilding industry and (3) promoted housing construction. As such, social problems such as land acquisition and others did not occur involving the development of port facilities in the implementation of the project.

(5) Sustainability

1) Operation and Maintenance

The operation and maintenance of the development for route indicator vessels and route indicators are handled by the Directorate General of Sea Communication, Directorate of Navigation through first-class and second-class District or Sub-District Navigation, which are sub-organizations under KANWIL Regional Offices (see Table 2).

² "Maritime Telecommunication System Development Project (3)" was used to help provide assistance in introducing GMDSS-compatible equipment

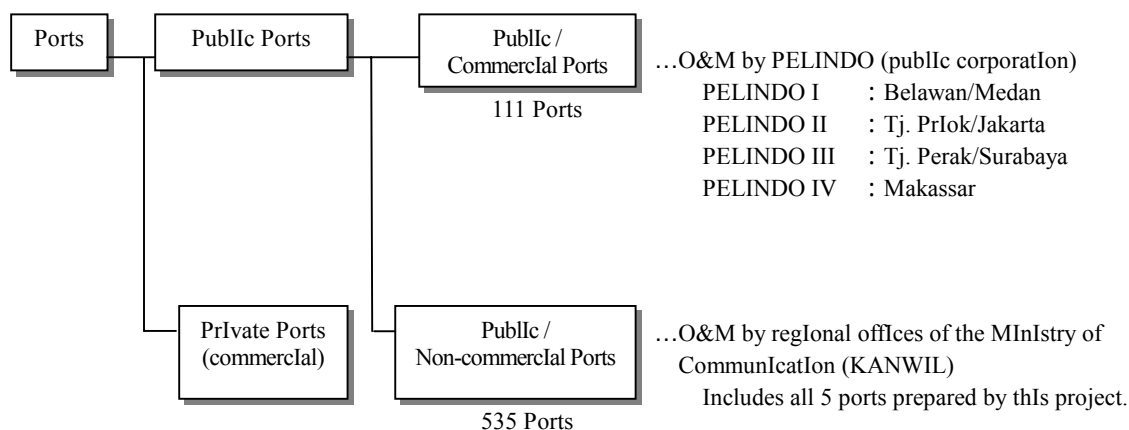
Table 2 Route Indicator Office (by region and class)

Region	Location	Class
I	Belawan	2
	Sabang	2
	Sibolga	2
II	Dumai	1
	Tanjung Pinang	2
	Teluk Bayur	2
III	Tanjung Priok	1
	Palembang	2
	Pontianak	2
IV	Surabaya	1
	Semarang	2
	Cilacap	2
	Benoa	2
	Kupang	2
V	Samarinda	1
	Banjarmasin	2
	Balikpapan	2
VI	Ujung Pandang	2
	Kendari	2
VII	Blitung	2
VIII	Ambon	2
IX	Sorong	1
	Jayapura	2
	Merauke	2

Note: The regions inside the bold outline in the above table are those covered by this project.

However, the actual port facilities are managed in the following manner (see Table 2). Ports in Indonesia are classified into two main groups in accordance with Ministry of Transport directive: public ports and private (commercial) ports. The former has been further classified as either public/commercial ports (111 ports at the time of the evaluation) or public/non-commercial ports (535). Operation and maintenance of the former have been entrusted to PELINDO, a public corporation, while the latter ports come under the direct jurisdiction of the regional offices of the Ministry of Communication (KANWIL). The five ports prepared by this project are all public/non-commercial ports and thus fall under the direct jurisdiction of the central government.

Figure 2 Operation and Maintenance Scheme for Indonesian Ports



2) Operation and Maintenance Status

According to the Kupang Route Indicator Office, a class 2 office in the No. 4 region, and according to the Bitung Route Indicator Office, a class 2 office in the No. 7 region, the budget provided by the central government for maintenance is only between 15% and 25% of the required amount. Therefore, some concerns remain as to whether or not adequate maintenance will be provided in the future.

According to the executing agency, regular overhauls have not been possible due to the financial restraints at the central government level, and therefore they have been waiting for the improvements. In terms of staff numbers, the Kupang Office has 160 staff (110 technical, 50 clerical) and the Bitung Office has 285 staff (230 technical, 55 clerical) as of the end of September 2000. The heads of these offices said that the staffing levels are adequate and their technical training has been comparatively good. The following are the three training opportunities currently available. The heads of these offices said that these training opportunities are offered several times each year.

I) Central Government's Maritime Safety Technology Training (BTKP: Balai Teknologi Keselamatan Pelayaran)

This training is held once or twice a year and is basically attended by all staff members periodically. (This training was not offered between 1998 and 2000 due to financial difficulties for the central government brought about by the 1997 currency crisis.)

II) Project-based Practical Training (foreign and domestic)

Sophisticated and practical training that contributes directly to obtaining maintenance technologies.

III) Business Training by Local Government (BLK: Balai Latihan Kerja)

Basic business training offered by the local government for government employees.

3) Sustainability of Effects

A key point for the success of this project has been whether or not spare parts (lamps for lighthouses and beacons, equipment for boats) could be obtained cheaply and in a timely manner. However, the current budget for these parts is insufficient. There is the problem of whether or not the executing agency will be able to obtain the stable budget needed for maintenance and replacements, especially when considering the fact that some of the boats used for route indication have deteriorated and need to be replaced, though this is out of the project scope.

Starting from 2001 some public facilities have been handed over to local governments as part of decentralization of power. However, the regional offices and route indicator offices involved with this project are expected to remain under the jurisdiction of the central government due to the important contributions they make for both domestic and international maritime safety.

3. Lessons Learned

None.

Comparison of Original and Actual Scope

Item	Plan	Actual
Project Scope		
1. Development of ports	Construction of 5 ports	Same as left
2. Route Indicator Vessel	3 vessels	Same as left
3. Preparation of route Indicators		
• Lighthouse	3	Same as left (2)
• Large light wave beacon	6	Same as left (6)
• Medium light wave beacon	4	Same as left (3)
• Small light wave beacon	5	Same as left (5)
• Light buoy	27	Same as left (5)
• Working room	3	Same as left
• Lighthouse automated system	One system per place	Same as left
4. Consulting service	Bidding preparation/assistance, construction supervision, training, promotion council	Same as left
5. Salvage training		
• Overseas training	1 course (2 months)	Same as left
• Domestic training	2 courses (2 months for each)	Same as left
Implementation Schedule		
• Selection of consultants	Sep. 1992 ~ Aug. 1993	Feb. 1993 ~ Oct. 1994
• Prior preparation	Sep. 1993 ~ Apr. 1994	Nov. 1994 ~ Aug. 1995
• Bidding/contract	May 1994 ~ Jun. 1995	Aug. 1995 ~ Mar. 1996
• Manufacturing, installation and construction of equipment	Aug. 1995 ~ Aug. 1996	Apr. 1996 ~ Aug. 1997
• Construction of commercial vessels	Jan. 1994 ~ Dec. 1995	Oct. 1994 ~ Sep. 1997
• Training	Aug. 1995 ~ Aug. 1996	Oct. 1996 ~ Jun. 1997
Project Cost		
Foreign currency	¥4,265 million	N.A.
Local currency	¥1,890 million	N.A.
Total	¥6,155 million	N.A.
ODA loan portion	¥5,231 million	¥3,928 million
Exchange rate	1Rp. = ¥0.064	N.A.