

Japanese ODA Loan Mid-Term Review Report
“The Urgent Rehabilitation Project of Tanjung Priok Port”

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Field Survey: May-June 2009 and July 2009

1. Project Profile



Map of Project Site



Tanjung Priok Port Container Terminal

1.1 Project Objective

The objective of this project is to increase the port capacity and promote efficiency of shipping by widening and deepening the existing shipping lanes, thereby contributing to enhancement of Tanjung Priok Port’s functions as an international hub port.

The project location is shown in Figure 1.



Figure 1 Location of the Project Site

1.2 Outline of the Loan Agreement

Approved Amount/Disbursed Amount (as of end July 2009)	12,052 million yen / 0 yen
Loan Agreement Signing Date/Closing Date	March 2004 / December 2013
Executing Agency	Directorate General of Sea Transportation (DGST)
Consulting Services	Under selection process (as of end July 2009)

1.3 Background

The project implementation has been delayed since the procurement of a supervision consultant has not been completed. In addition, the scope of works has been modified from the original plan. The improvement of Port Inner Roads (part of components with high priority and urgency) has been commenced with own funds of the Indonesian government. Hence, it was considered essential to assess the impact on relevance, effectiveness and efficiency of the project scope by a Mid-Term review and make recommendations for improvement based on the review results and findings.

2. Mid-Term Review Results

2.1 Relevance

2.1.1 Consistency with national/government policies

The National Development Plan or Program Pembangunan Nasional 2000-2004 (PROPENAS 2000-2004) emphasizes the importance of the development of transport infrastructure, which would be a basis for economic development. It is also considered a major factor to promote sustainable economic activities and enhance social life activities including poverty alleviation. Although there is no specific description on the shipping sector development, according to DGST the policy agendas within the shipping sector development strategy program (drafting in 2003) are described as follows;

- enhancement of domestic shipping capacity and competitiveness
- improvement of safety and quality of the shipping services
- establishment of legislation and legal system and clarification of roles of municipal government
- management of technology, energy, and costal water
- management of human resources and shipping/maritime industries
- assistance/stimulation of local economy and small and medium enterprises in shipping sector

The current Mid-Term Development Program is Rencana Pembangunan Jangka Menengah 2004-2009 (RPJM 2004-2009) and is comprised of three development agendas:

- i) establishment of society based on justice and equality,
- ii) achievement of a safe and peaceful country, and

iii) achievement of economically and socially wealthy community.

In Indonesia, which is consisted of thousands islands, the maritime facilities (including port facilities) which carry cargoes and passengers serve a major role for the country's social and economic development. Thus, the project is consistent with the current national policy (RPJM 2004-2009). In addition, the project is consistent with the shipping development program, or Rencana Strategis (RENSTRA 2000-2004) which was prepared in response to RPJM. RENSTRA 2000-2004 emphasizes strengthening domestic shipping capacity and competitiveness. Moreover, the project is in line with Ministry of Transportation's RENSTRA 2005-2009 which aims to secure safety for marine navigation of vessels.

2.1.2 Consistency with development needs

At the time of appraisal, the water depth of Tanjung Priok Port's main access channel was 10-14 meters with one-way navigation. In terms of handling volume and productivity, the port was inferior to international ports in neighboring countries. Also, the container handling volume at Tanjung Priok Port was estimated to reach its maximum capacity of 3 million twenty-foot equivalent units (TEU)¹ in 2006. Thus, it was essential to widen and deepen an access channel and expand turning basin in order to promote efficiency for vessel traffic as well as to meet the increasing demand.

Tanjung Priok Port is the largest port in Indonesia equipped with the complete and latest Information and Communication Technology (ICT) facility. Along with Indonesia's economic growth, the container handling volume has been increasing year by year, and exceeded its maximum capacity of 3 million TEU, recording 3.98 million TEU in 2008 by enhancing the container handling capacity. Early commencement of the delayed project is highly anticipated. The improvement of port inner roads (7,180 m³), excluding the Pasoso Flyover section has been initiated with the Government of Indonesia's own finance. Early commencement of the port improvement works including widening and deepening an access channel is anticipated to meet the increasing demand.

This project has been highly relevant with the Indonesian national policies and development needs at the times of both appraisal and Mid-Term review, therefore its relevance is high.

2.2 Efficiency

2.2.1 Project Outputs

The project scope at the time of appraisal contains widening and deepening an access channel, expanding turning basin, and improvement of port inner road of Tanjung Priok Port. The detailed scope of work is shown below.

1) Civil works

¹ Source: JICA appraisal documents

- relocation of breakwater (1,695m)
- widening an access channel (existing one-way 125m to double-way 300m)
- dredging (average 4m, 8.255 million m³)
- improvement of port inner roads (7,180 m²)

As a part of consultant's terms of references, review of detailed designs is required, and thus work items and bill of quantities would be revised.



Improvement of port inner roads



Existing breakwater

2) Consulting services

The current Terms of Reference (TOR) for consulting services includes detailed designs, tendering assistance, construction supervision, and assistance in monitoring and management. The man-month (M/M) required for the above mentioned services is estimated at 208M/M for international consultants, and 322M/M for local consultants. However, the detailed design services in the original TOR have been already completed under the JICA's technical cooperation, and as for the inner road improvement portion, the construction supervision needs to cover only the Pasoso Flyover section. It is expected that the planned M/M would be decreased by approximately 10% of the originally planned.

2.2.2 Project Period

The planned project period at appraisal was from March 2004 (L/A signing date) to June 2010 (construction completion) with a total period of six years and four months. However, a consultant has not been selected as of end July 2009.

The implementation progress of the project was slow by 2005. After detailed designs were completed by JICA in March 2006, the process for selection of a consultant proceeded and a proposal from consultants was submitted in 7 months. Since only a consultant submitted a proposal, the Indonesian government evaluated that the selection process was invalid because of incompliance with the procurement guidelines (Presidential decree). It resulted in no progress in selection by March 2007. Even though the reselection process was

commenced later, the process was delayed by the deadline for submission of proposals (August 2008) due to the internal process within the government authorities. In addition, the process was further delayed due to the lengthy internal process for preparation of an evaluation report for JICA's concurrence during August 2008 - June 2009.

For reference, during four and a half years, from January 2005 to July 2009, two Ministers of Transportation, three Director Generals of Sea Transportation, and three Directors of Port and Dredging were assigned.

Assuming that the consultant selection process goes smoothly, the expected implementation schedule at this moment is as follows:

- bidding for civil works: September 2009- March 2011
- construction work: September 2011- March 2014
- consulting services: September 2009-April 2014

However, the bidding process for civil works realistically requires at least one and half years following the normal procurement procedures. The planned three-year construction period seemed to be difficult taking into account the project scope and bill of quantities. Moreover, if one year retention period is included, the expected final disburse would be March 2015, and thus the loan closing date needs to be extended by at least one and half years even though remaining activities progress smoothly.

2.3 Effectiveness

2.3.1 Quantitative impact

Operation and Effect indicators proposed at the appraisal stage are as follows.

① Operation and Effect indicators

Indicator (Unit)	Status at appraisal (2000)	Benchmark (2 years after project completion: 2016)
Domestic passengers (000)	1,672	2,282
International passengers (000)	0	200
Bag cargo ('000 ton)	47,963	80,829
General cargo ('000 ton)	43,437	80,829
Ro/Ro cargo ('000 ton)	-	4,801
Ro/Ro (vehicles)	-	1,391

Note: 2016 is 2 years after the planned project completion

Based on the results of search for the information and data on the indicators at the mid-term review stage, it is suggested that the relevant indicators (e.g. ship call, general cargo, cargo total, container handling volume (TEUs)), available from the official documents such as the annual report of Tanjung Priok Port should be referred at the post evaluation stage in order

to supplement indicators included in the above table.

At the mid-term review stage, domestic passengers are decreasing year by year due to boost in air transportation and no international ship call (international passengers) is expected. However, since foreign passenger vessels might call the port upon completion of the project, it is considered appropriate to monitor these indicators (domestic and international passengers) as operation and effect indicators.

② Internal rate of return

The economic internal rate of return (EIRR) at appraisal was estimated at 19.1%. Since no construction has commenced at the time of mid-term review, EIRR was not recalculated.

2.3.2 Qualitative impact

Qualitative impacts expected at the appraisal stage were the following and they are still valid at the mid-term stage.

- improve efficiency of ship traffic and secure safety by upgrading a port
- improve access by upgrading port inner roads

2.4 Others (factors that affect project effectiveness and impact)

2.4.1 Coordination with NGO, local universities, etc.

There is no coordination with NGO or local Universities.

2.4.2 Coordination with grant aid and technical assistance

During 2002-2003, “The Study for Development of The Greater Jakarta Metropolitan Ports of Indonesia” was conducted. Also, during 2005 - 2006, JICA conducted the “Detailed Design study of the Urgent Rehabilitation Project of the Tanjung Priok Port in the Republic of Indonesia”, as a technical cooperation (coordinated detailed designs), under which detailed designs and bidding documents were prepared. At the detailed design stage, some of the master plan design concepts were slightly modified taking the future project plan into consideration.

2.4.3 Coordination with other donors

There is no coordination with other donors.

2.4.4 Environmental impact

The Environment Impact Assessment (EIA) was approved by Ministry of Environment on March 24, 2004. However, since the project has not started yet even in 5 years after the originally planned project commencement date, it is essential for the Indonesian government to consider the necessity of review of the EIA, including the review of an originally proposed dumping site of dredged soils. Additional land acquisition will remain minimal since the

majority of port inner road improvement works take place within the port area.

2.4.5 System, technical capacity, and financial status for operation and maintenance

(1) Operation and maintenance system

After the project completion, Indonesia Port Corporation II or PT Pelabuhan Indonesia II (PELINDO II) will be in charge of the port's operation and maintenance. The port inner roads will be subleased to PELINDO II upon completion. PELINDO II's Tanjung Priok Port Branch is in charge of the port with 9 divisions under a general manager, having approximately 860 full time employees and 400 temporary staff. Fifty-one (51) % of total shares of Jakarta International Container Terminal (JICT) of Tanjung Priok Port, administrated by PELINDO II have been sold to Grosbeak, a subsidiary of Hong Kong's Hutchison Group under concession base in 1999.

(2) Technical capacity in operation and maintenance

Staff who are hired to PERINDO II take two-week lecture training on basic port operation/management followed by one month training on the job, and then is assigned to each division. After hired, all the staff are required to take general training at their port training center at least two days per year, and in addition 60% of staff take specific training courses every year. Approximately 30 courses are offered at the training center, including modules on container terminal management, storage management, storage fee collection, and hazardous cargo handling and all the staff are making efforts to improve skill level.

(3) Financial status on operation and maintenance

The profit and loss statement of PELINDO II Tanjung Priok Port Branch for the past five years is shown in Table 1.

Table 1 Profit and Loss statement of Tanjung Priok Port Branch

Unit: 0.1 billion RP

Year	Revenue	Operating expenses	Extraordinary profit/loss	Net Profit
2004	6,197.1	2,679.9	-4.9	3,514.2
2005	7,485.0	2,942.8	0	4,542.2
2006	7,879.2	3,367.0	0	4,512.1
2007	8,619.7	3,310.0	2.1	5,311.8
2008	9,961.5	3,651.5	0	6,310.0

Source: Tanjung Priok Port Annual Reports

For the past five years, the revenue and net profit has been substantially increasing.

The breakdown of operating costs of PELINDO II Tanjung Priok Port Branch is shown in Table 2.

Table 2 Breakdown of Operating Costs (FY 2008)

Unit: 0.1 billion RP

Item	Amount	Percentage (%)
Labor cost (salary)	1,041.0	29
Material purchase	848.3	23
Operation and maintenance costs	314.0	9
Depreciation	523.7	14
Insurance	16.2	0
Rental fee(ships, software)	245.5	7
Administration cost	38.0	1
General overhead	343.3	9
Other expenses	281.5	8
Total	3,651.5	100

The annual operation budget is allocated to each port by PELINDO II headquarters. According to the opinion of Tanjung Priok Port's Finance division, the allocated budget is first to be used for absolutely necessary items such as labor costs and expenses needed for operation, and thus budget to be allocated for maintenance (routine works and construction) is not necessarily sufficient.

3. Conclusion, Lessons Learned, Recommendations

3.1 Conclusion

Since this project is highly relevant with the Indonesian national policies and development needs with high priority at the moment, the project implementation needs to be accelerated.

3.2 Recommendations

3.2.1 Recommendation to executing agencies

- 1) The original scope of work needs to be partly modified (the majority of port inner road improvement works have been commenced with the Government's own funds; detailed designs have been already completed under JICA's technical assistance; the necessity of design changes was pointed out at the detailed design stage).
- 2) Since five years have passed from the originally planned commencement date, reestimation of the project costs is needed taking into account the price escalation and changes in foreign exchange rates.
- 3) Since the project implementation has been substantially delayed, a new project implementation schedule needs to be established. In order to accelerate implementation of the project here after, a procurement implementation plan for selection of contractors needs to be promptly prepared and the progress should be strictly monitored and supervised so that the works would progress as planned. . The plan should include the information on the timing of

the following activities: advertisement, Prequalification (P/Q) preparation period, submission date of P/Q evaluation reports, consent period by JICA, distribution date of bidding documents, bidding opening date, submission date of bid evaluation reports, consent period by JICA, negotiation period with the lowest bidder, commencement date by the selected contractors. After the project commenced, the progress needs to be monitored against the agreed construction implementation plan. In case any delay of progress is foreseen, executing agencies together with supervising consultants and JICA needs to discuss countermeasures and actions to be taken, and supervise so that proposed countermeasures and actions would be implemented within agreed due date

4) Regarding monitoring indicators for cargo, since it is desirable to refer to the relevant indicators (e.g. ship call, general cargo, cargo total, container handling volume (TEUs)) available from the official documents such as the annual report of Tanjung Priok Port at the post evaluation stage, it is essential to continuously collect the information and data related to the proposed indicators. At the mid-term review stage, domestic passengers are decreasing year by year due to boost in air transportation and no international ship call (international passengers) is expected. However, since foreign passenger vessels might call the port upon completion of the project, it is considered appropriate to keep these indicators (domestic and international passengers) as monitoring indicators.

5) The EIA was approved by Ministry of Environment on March 24, 2004. However, since the project has not started yet in 5 years after the originally planned project commencement date, it is essential for the Indonesian government to check the necessity of review of the EIA, including the review of an originally proposed dumping site of dredged soils.

3.2.2 Recommendations to JICA

1) Since review on extension of the loan closing date may be needed depending on the progress of the remaining implementation schedule with about four and half years delay at this moment, the information needs to be shared with executing agencies and a consultant to be recruited, and actions/countermeasures to accelerate the implementation needs to be discussed.