

**MINUTES
OF
WFP SHIPPING SERVICE
EXECUTIVE BOARD MEETING
HELD AT UNORC No. 1
On 2ND September 2006**

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| Present: | Pak Eddy Purwanto | - | COO BRR |
| | Eric Morris | - | UN Recovery Coordinator for NAD-Nias |
| | Jens Baekholm | - | Head of WFP Shipping Service NAD-Nias |
| | John Brady | - | Senior Logistics Adviser BRR |
| | Michael Whiting | - | WFP Shipping Service |

The meeting was opened by Eric Morris. Eric Morris outlined the main topics of the Technical Committee Meeting of the Multi Donor Fund for NAD-Nias (MDF). It was pointed out that the recovery of NAD-Nias was now going through a particularly difficult part of its transition from a humanitarian operation to a recovery one. The original Project Appraisal Document makes the following statement: "The WFP Shipping Service will work under the general guidance of a Board of Users, chaired by the UN Recovery Coordinator, who will meet on a regular basis to review the performance of the WFP Shipping Service and provide new directions if operational exigencies require. The Board will be comprised of Agencies using the services of the WFP Shipping Service." Eric Morris also noted that the Technical Committee Meeting Minutes and the Mid-Term Evaluation of WFP Shipping Service had criticised the lack of documentation for these meetings.

Pak Eddy explained the need to maintain a very close relationship with MDF and the main stakeholders such as the EU.

Jens Baekholm stated that, as result of the Technical Committee Meeting on 29 Aug 06, it was necessary to obtain Board approval on a number of key issues which were reflected in the agenda.

ITEM 1: APPROVAL OF FREIGHT RATES. The freight rates (see Annex A) that were currently in force were explained as was the rationale behind the calculations. It was emphasized that these rates were reflections of realistic actual costs.

The Board unanimously approved the rates as presented.

ITEM 2: APPROVAL OF "TIME CHARTER" ARRANGEMENTS. Jens Baekholm explained that the cost of providing a vessel for as many as 18 different consignees was different from that for a vessel which would carry freight for one consignee only. The whole dynamics of consolidation of cargo, coordination of

freight deliveries for loading, etc were much quicker and easier to control in the latter case. For this reason, a scheme of charging 'time charter' rates for such consignees was being used. A sample calculation was presented (see Annex B).

The Board unanimously approved this arrangement.

ITEM 3: LEVEL OF VESSELS ON TIME CHARTER TO WFP SHIPPING SERVICE.

Jens Baekholm explained that, up to now, the number of vessels and the type of vessels on time charter to WFP Shipping Service have been determined by the management of WFP Shipping Service who considered the amount of firm freight bookings that existed in the pipeline and then made a call based on their judgment and experience. To date, this had resulted in a demand-driven service where the two biggest overheads – vessel hire and fuel – were carefully controlled. In future, due to the lack of any clear picture as to the amount of cargo to be shipped this judgment call would be progressively more difficult to make. The result may be that from time to time a number of vessels may lay idle waiting for cargo. The situation was discussed.

The Board approved the continuation of past methods of determining the optimum fleet size. When changes were made, the Head of WFP Shipping Service was to advise the Executive Board by e-mail.

ITEM 4: LEVEL OF INTERNATIONAL STAFFING. The number of international staff has drawn some criticism from the Mid-Term Evaluation Team and the Technical Review Committee of the MDF. The matter was discussed. The Board agreed that the management of WFP Shipping Service should seek to employ suitably qualified, professional and internationally experienced Indonesian National staff for the key positions and otherwise in as many positions as possible.

ITEM 5: TRANSITION TO INDONESIAN COMPANIES. The lengths to which WFP Shipping Service had gone to actively seek the engagement of Indonesian commercial interests in the WFP Shipping Service were explained. The topic was discussed at some length. Eric Morris suggested that it was wrong to expect WFP Shipping Service personnel alone to manage this transition. Pak Eddy stated that BRR would seek the assistance of donors to provide technical assistance in helping to engineer the transition to commercial entities. Pak Eddy also suggested that WFP Shipping Service services' should be 'unbundled' and those activities that could easily be handed over to Indonesian entities identified along with those which should remain WFP Shipping Service core business.

The Board agreed that whilst WFP Shipping Service should continue to actively encourage the involvement of Indonesian companies, BRR would seek technical assistance to provide expert assistance in this area.

ITEM 6: WFP SHIPPING SERVICE TO TAKE OVER UNHCR STORAGE AREA IN GUNUNG SITOLI.

Jens Baekholm advised that the forthcoming departure of UNHCR would result in a valuable asset in Gunung Sitoli becoming available. Whilst WFP Shipping Service would not use this area as a 'storage' area for NGOs in the same way as UNHCR does, there is a very real benefit of having the

area for a lay-down area off the port. Such an area will speed up the discharge of WFP Shipping Service vessels in a very congested port area.

Pak Eddy asked John Brady to ensure that the area did not fall within the area that UNDP would need for the forthcoming redevelopment of Gunung Sitoli port.

The Board approved the arrangement whereby WFP Shipping Service take on the area with its fixed assets.

ITEM 7: THE MINUTES OF THE MDF TECHNICAL REVIEW MEETING 29 AUG 06.

Many of the points raised in these minutes have been discussed above. It was generally agreed that more effort was needed to reach out to the MDF Secretariat and the main stakeholders particularly the EU. Eric Morris undertook to visit the EU Ambassador early w/c 04 Sep 06. The 'road map' for addressing the points was explained and accepted.

ITEM 8: ANY OTHER BUSINESS. There being no further business the meeting was adjourned at 16.15 hrs.

ITEM 9: NEXT MEETING. It was agreed that these meetings should be held on a monthly basis, unless more frequent meetings were warranted. The date, time and venue of the next meeting will be agreed and advised to all participants.