



Indonesia

## 5 The Renovation of Dayeukolot Workshop Project

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The project's objective was to improve repair quality and revenues by developing a repair workshop in the west-central Java region, and thereby contribute to infrastructure improvements targeting economic growth through stabilizing power supplies in the region.

**Loan Amount/Disbursed Amount:** 793 million yen/668 million yen

**Loan Agreement:** December 1989

**Terms and Conditions:** Interest rate, 2.5%; Repayment period, 30 years (grace period, 10 years); General untied

**Final Disbursement Date:** December 1994

**External Evaluator:** Atsushi Fujino (KRI International Corp.)

**Field Survey:** August 2003



### Evaluation Result

Construction and rehabilitation of the repair workshop, the installation of machine tools, trainings to personnel and other project components were implemented almost as planned. The project period was longer than planned due to adjustments made to the equipment procurement requirements in line with changes in repair needs, but project costs were almost as planned. The project made it possible for the workshop to process (machine) larger parts, and to handle the supply and repair of large parts for hydroelectric power plants. The workshop has been employing systematic quality management since acquiring ISO certification in 1998 and its standards are high as indicated by a return rate of 0.25% and an in-house inspection pass rate of 99% in 1999. Further, the original plans stated that repair outsourcing would be approximately 4,000 hours per year after project completion; however, the actual figure was 824 hours in 1998, with the volume of in-house repair operation far exceeding planned levels and contributing to improvements in revenues. Added to which, by supporting efficiency in the state electricity corporation's (PLN) power supply system, the project is contributing to the supply stability in West Java, which has a population of around 38 million.

There are no problems in the technical capacity, or operation and maintenance system of the executing agency (PLN), but for financial status, its earnings performance is not satisfactory. Meanwhile, the repair workshop, which was an internal PLN department when the project was implemented, is in the process of being transformed into an independent profit-making center in consequence of the government's deregulation of the power sector, and while aggressive sales activities targeting including non-PLN customers are pushing revenues up, the repair workshop continues to post losses and efforts are being made to scale back personnel costs through the introduction of an early retirement program and other measures.

### Third-Party Evaluator's Opinion

Even though the project is a small, it contributes efficient power supply through the repair machine tools. Human resource development and appropriate salary scheme will be the key for the workshop to be a profit center.

**Third-Party Evaluator:** Mr. Mohamad Ikhsan

Obtained a doctorate in economics from University of Illinois. Presently holds the post of Professor, Faculty of Economics, University of Indonesia. Specializes in urban regional planning, economics of development, regional economics, etc.

#### Machine tools procured through the project and the repair workshop



Heavy lathe



CNC lathe



Repair workshop

The project made it possible for the workshop to be process (machine) larger parts, and to handle the supply and repair of large parts for hydroelectric power plants. Further, the machine tools procured enabled high-precision processing, and repair and product

quality at the repair workshop improved by a wide margin. The repair workshop became the Citarum Production Unit in 2001 as the result of internal restructuring at PLN. It provides services to customers throughout Indonesia.