

Third Party Evaluator's Opinion on The Renovation of Dayeuhkolot Workshop Project

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Relevance

This project is a small project intended in general to help PT PLN – state electricity company – to improve its own operational efficiency. As stated in the evaluation report, the main objective of this assistance is meant to improve to quality of the the Dayeuhkolot Repairworkshop. In addition by improving the quality, this project will allow the workshop to utilize its capacity to improve financial condition such that this initiative will be able to shift this workshop from a cost center to profit center for PT PLN as a whole. However this activity is a very small part of supporting activity within PT PLN so its impact to Indonesia's development objective – even to PT PLN itself – is negligible. However as part of ensuring the realibility of PLN supply, this project can be considered as quite relevant.

Impact

As reported in the evaluation report, the impact on non financial aspect has been achieved. However that conclusion is still questionable since many parameters that used in the evaluation sheet are either too broad or have a little correlation between the effectiveness and efficiency of that repair workshop and the realibility of electricity supply in Indonesia. However I agree this project has achived its objective to improve the repair quality of Dayahkeolot project has reported in the evaluation sheets.

While so far for financial impact of this assistance is not satisfactory. This Dayah Keulot wokshop up to 2003 was not able to cover its cost which was supposed to be break even in 2003.¹

There are at least two key reforms needed in order to make this workshop is sustainable. First, PLN should reorganize and restructure its whole supporting service organization to avoid organizational duplication and to create synergy among supporting organizations within PLN. Until recently there are similar organizations within PT PLN (both as a business unit or subsidiary) which compete each other to get orders from PLN. Competition among similar organization on the one hand will give a pressure for better services and prices but on the other hand would not allow one of those organization including Dayahkeulot workshop to achieve its minimal economies of scale. Second, PLN needs also to upgrade the workshop manpower as stated in the evaluation report, the average age workshop's workers is 48 in which not fit with the market demand. This upgrading process requires both retrenchment program for the some current employees and new recruitment of young talents in labor market. In conjunction with the organization restructuring, PLN should also change the salary scheme at this workshop which link to the similar organization in the market. Relying on the PLN salary scheme will not make this workshop is competitive. Human Resources restructuring is important not only to improve its capacity and competitiveness but also to allow this workshop to seek orders from the non PLN market to meet at least its capacity utilization. For the latter, otherwise, this workshop will continue to be a cost center for the PLN in contrast to one of the main objective of this project.

¹ Informal report providing to Board of Commisioner of PT PLN where I served until February 2004