

PROJECT STATUS REPORT

JULY 2011 - DECEMBER 2011

SECTION 1: PROJECT SUMMARY

PROJECT NAME: REMITTANCES AS A SOURCE OF END-USER FINANCE FOR SUSTAINABLE ENERGY

Project Number: HA-M1038 - Operation Number: ATN/ME-12705-HA

Purpose:

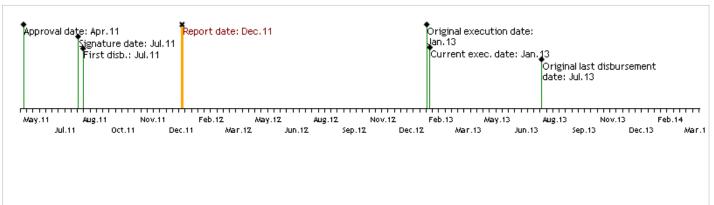
To test and prove a business model that uses remittance flows to facilitate the purchase and distribution of small scale renewable energy equipment in Haiti.

 Country Administrator
 Beneficiary Country

 UNITED STATES
 UNITED STATES

Executing Agency: Arc Finance Ltd Design Team Leader: Watson, Gregory Supervision Team Leader: Auge, Isabel

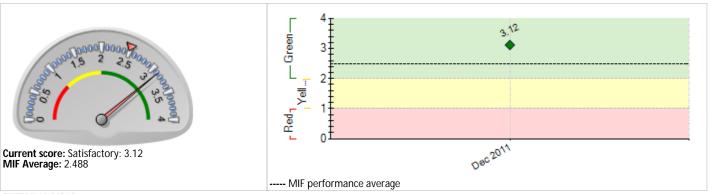
TIMELINE



FUNDS



PERFORMANCE SCORE



EXTERNAL RISKS

TERMAE RISKS		
	INSTITUTIONAL CAPACITY	
	Risk	
	Financial Management: Low	
	Procurement: Low	
	Technical Capacity: Low	



SECTION 2: PERFORMANCE

Summary of project performance in the last six months

Achievements: Arc Finance has completed Component 1 and made substantial progress on Components 2 and 3.

Component 1

- Developed preliminary and detailed business plan and pricing strategy
- Identified a range of product manufacturers
- Selected products
- Completed negotiations to purchase products Identified local Haitian product distributor
- Purchased products
- Documented purchasing, warranty systems, sales and distribution
- Developed monitoring criteria and systems

Component 2

Selected and contracted marketing firm to deliver campaigns in Haiti and the US, based on detailed campaign implementation plan

Component 3

Hired two consultants to develop sales tracking and MIS systems and draft training manuals

Component 4

- Developed metrics to measure indicators
- Defined monitoring tools
- Progress made on defining configuration of hardware and software
- Secured participation of SogeXpress, major Haitian remittances operator

Delays and Difficulties: Overall, progress has been smooth and milestones met. The original Project Manager resigned but was replaced by an effective and competent Interim Project Manager. The fees on remittances mandated by Circulaire 98 created concern for Food Express but were mitigated through the participation of SogeXpress.

Critical Actions in the Coming Semester:

Focus next semester:

- Awareness campaign
- Launch of model
- Completing IT application

Comments training modification plant comments training modifications and readulation plan

Agree with the Executing Agency comments

The implementation of the project has been quite smooth from the beginning mainly due to the Executing Agency's commitment with the project and its ability to deal with the emerging circumstances (such as the ones mentioned by their report), in permanent contact with the Bank in order to comply with the contribution's requirements and regulations.

NOTES: Milestone 1: Draft Business model is confidential: IDBDocs Nr.36644848. Milestone 2: Final Business Plan and Pricing Strategy and Tool are confidential: IDBDocs 36664215 Pr. Strategy, 36664220 Pr. Tool, and 36664337 Final BP.

SECTION 3: INDICATORS AND MILESTONES

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Miles	tones	Planned	Due Date	Achieved	Date achieved	Status
M0	Previous Conditions	1	Jan 2012			
M1	Pricing strategy and preliminary version (almost finished) of business model	1	Jan 2012	1	Nov 2011	Achieved
M2	Detailed business model finished and system to Document sales purchasing, distribution, sales and warranty in place	2	Jan 2012			
M3	Adaptation of FoodExpress IT systems and Strategy and guidelines of staff training prepared	1	Apr 2012			
M4	Monitoring tools are defined and developed: Software and hardware are configured	1	Jun 2012			
M5	Design and implementation of campaign in Diaspora completed and Promotion of the model in Haiti performed	1	Jul 2012			
M6	Creation of Media Kit completed	1	Nov 2012			

CRITICAL ISSUES THAT HAVE AFFECTED PERFORMANCE [None reported in this period]

SECTION 4: RISKS

MOST IMPORTANT RISKS AFFECTING FUTURE PERFORMANCE						
Other energy enterprises distributing sustainable energy goods are increasingly present in Haiti.	Level Medium	Mitigation action	Responsible Project Coordinator			
2. Key audiences do not look at this business as an example that clean and efficient energy devices can be provided to low-income households in a financially profitable and sustainable way	Medium		Project Coordinator			
3. The economic, political and environmental conditions in Haiti do not remain stable.	Medium		Project Coordinator			
4. Haitian consumers don't accept the	Medium		Project Coordinator			

potential of purchasing sustainable energy products as a way to mitigate the environmental risks affecting the island.

5. Media outlets and channels are not the most appropriate and relevant to reach target audiences.

Low

Project Coordinator

PROJECT RISK LEVEL: Low TOTAL NUMBER OF RISKS: 10 IN EFFECT RISKS: 10 NOT IN EFFECT RISKS: 0 MITIGATED RISKS: 0

SECTION 5: SUSTAINABILITY

Likelihood of project sustainability after project completion: HP - Highly Probable

CRITICAL ISSUES THAT MAY AFFECT PROJECT SUSTAINABILITY

[None reported in this period]

Actions related to sustainability which will be or have been implemented:

To ensure sustainability of the project we have identified and addressed financial and other factors.

- Carried out detailed cost benefit analysis of energy products planned for the platform
 Created detailed pricing strategy incorporating all fees and taxes levied at each point along the value chain
 Identified the most profitable products to sell via the platform and priced them accordingly
 Required partner organizations to commit in writing to create a revolving fund where all initial revenues (at least \$150K) are held for the purchase of future products
- Required local distribution partner to provide warranty services and guarantee ongoing customer satisfaction

- Environmental/energy measures

 Designed the marketing campaign to build awareness around renewable energy, thereby increasing both environmental sustainability and project sustainability (overall goal of project is to increase renewable energy access in Haiti and encourage citizens to switch to renewables from carbon-intensive fuels)

 Designed monitoring strategies to quantify the amount of CO2 emissions displaced via project and measure other critical impact related goals

SECTION 6: PRACTICAL LESSONS

	Relative to	Author
1. The development of a revolving fund mitigates partner risks and furthers project sustainability goals. The donation of products by the IDB for the pilot phase was key in helping our partners take the initial decision to participate in the project (it mitigated their risks by helping them to experiment with a new concept without using expensive capital). However, requiring partner organizations to pledge that all revenues from the donation of the initial products is placed into a revolving fund for the purchase of additional products post the pilot project timeframe ensured that the project will have a life beyond our intervention.	Sustainability	Cox-Chapman, Jay
2. Detailed pricing and value chain cost analysis supports long-term sustainability goals. We developed a pricing tool that took account of all fees and taxes at each point in the value chain, thereby enabling our partners to make informed choices on pricing that will ensure long-term sustainability of the project. It will also enable them to calibrate pricing to address growing local competition.	Sustainability	Cox-Chapman, Jay
3. Addressing warranty and aftersales service should be embedded in the distributor agreements. From previous experience we were aware that the issue of client satisfaction is a key variable in the success of a given project. To address this we outlined the desirable warranty system in the agreement with the distributor and secured his buy in to the proposed process.	Implementation	Cox-Chapman, Jay
4. Obtaining manufacturers' pricing significantly increases negotiating power. Our strong relationships with international energy product manufacturers enabled us to negotiate the optimal purchase prices on behalf of our Haitian project partners. Though our support and advice our partners were better able to negotiate favorable prices with the local Haitian importer/distributor.	Implementation	Cox-Chapman, Jay
5. Political risk is a real issue and mitigatation efforts must work for all stakeholders. When it became clear that policy changes (Circulaire 98) in Haiti relating to the \$1.50 levy per remittance created too great a burden on the original partner organization, we encouraged them to identify an additional partner that could support them in absorbing the impact of the new legislation. The IDB endorsed this approach and an MOU was signed with the new partner in which it agreed to take on several of the functions that the primary partner had originally contract to perform. The end result was a strengthened project.	Risk	Cox-Chapman, Jay