

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

UNITED STATES

Beneficiary Country

UNITED STATES

Executing Agency:

Arc Finance Ltd

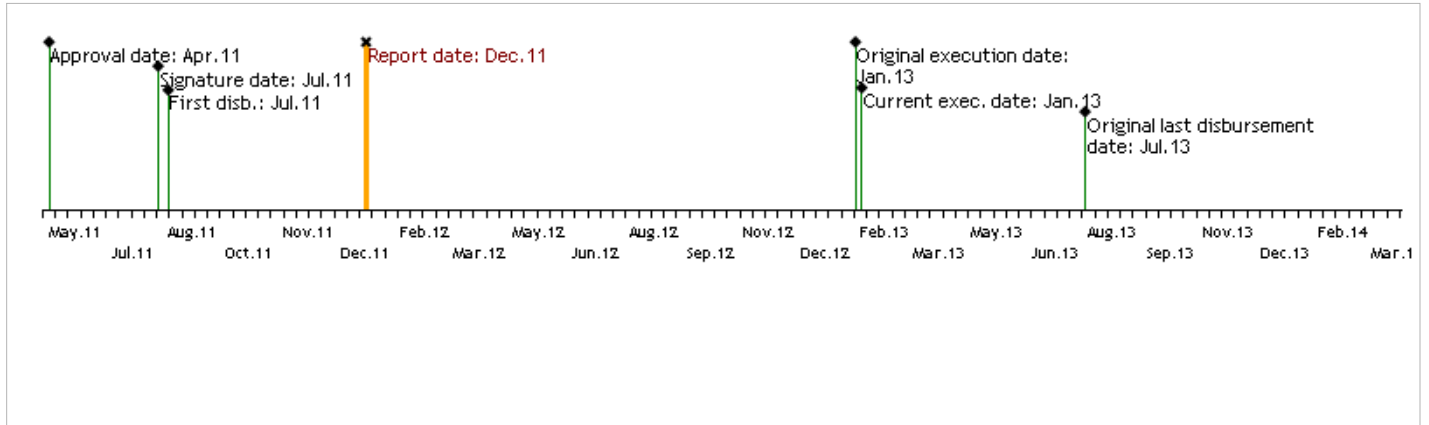
Design Team Leader:

Watson, Gregory

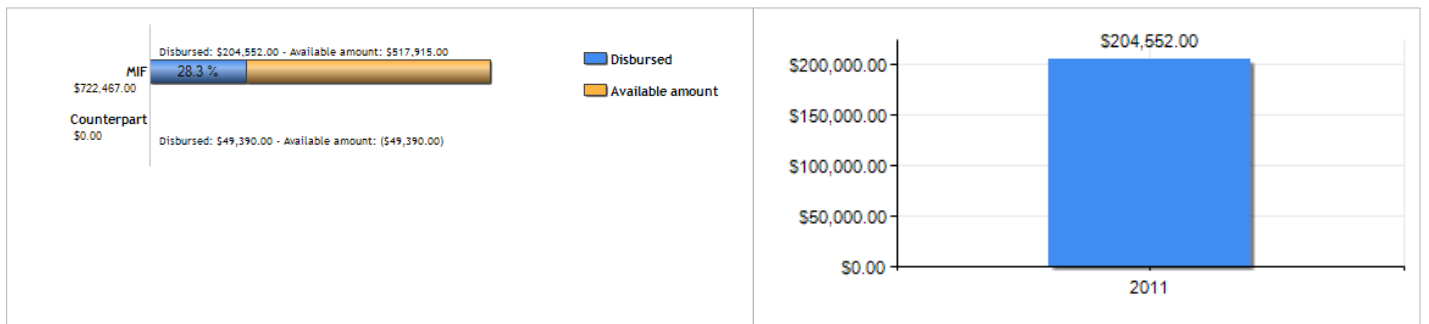
Supervision Team Leader:

Auge, Isabel

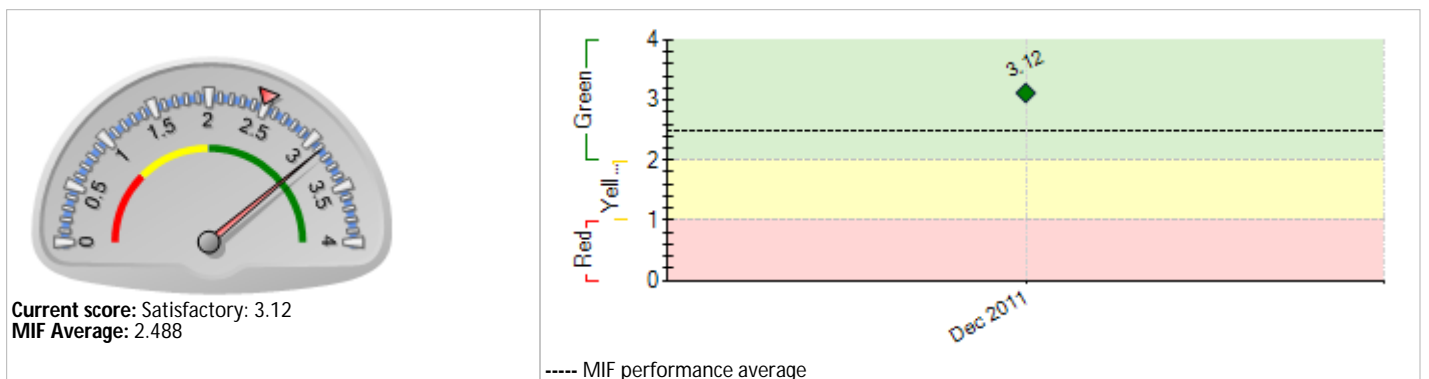
TIMELINE



FUNDS

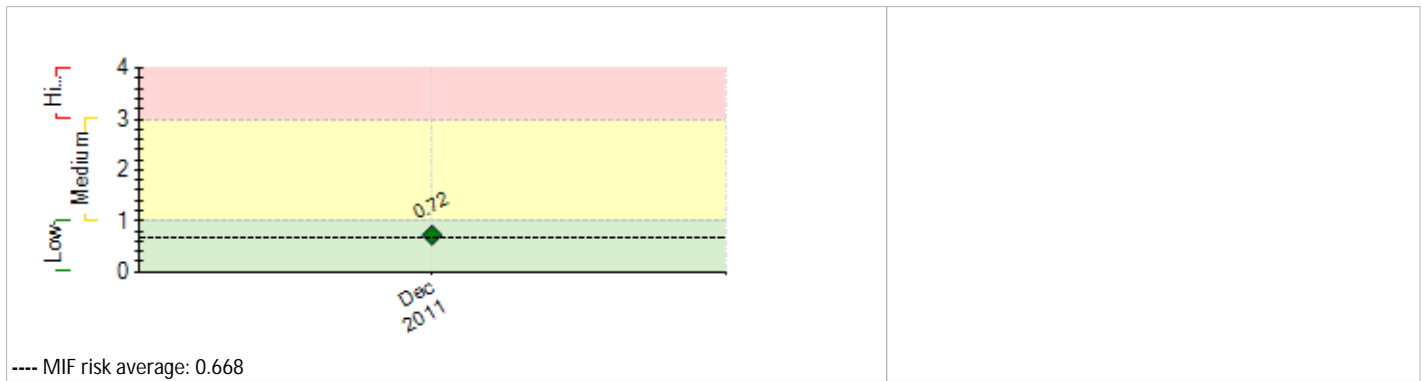


PERFORMANCE SCORE



EXTERNAL 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
- Product roll-out in Haiti and Miami
- Initiating monitoring and evaluation 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

Indicators		Baseline	Intermediate	Intermediate	Intermediate	Planned	Achieved	Status	
			1	2	3				
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.	P.11	5% new customers of FoodExpress as a result of the project (i.e. who used FoodExpress for the first time in order to purchase clean and efficient energy products).	0				5 Feb 2013	0	
	P.12	10% of existing FoodExpress customers purchase energy products	0				10 Feb 2013	0	
	P.13	Percent profit increase for FoodExpress reaches target as determined by business plan (+/- 1%) . Track [\$] profit/loss for FoodExpress.	0				10 Jan 2013	0	
	P.14	The clean and efficient energy products segment of FoodExpress operations is profitable. Track [#] units of clean or efficient energy devices sold by FoodExpress. Track [\$] in profits generated by energy devices	0				1 Jan 2013	0	
	P.15	5,000 Haitians have purchased new clean energy devices.	0 Nov 2011				5000 Feb 2013	0	
Component 1: Structure the business model. Weight: 35% Classification: Satisfactory	C1.11	FoodExpress launches sales of clean and efficient energy products.	0				1 Jul 2012		
Component 2: Awareness Raising and Consumer Outreach Weight: 30% Classification: Satisfactory	C2.11	remittance senders reached through direct marketing/media campaigns	0				50000 Jul 2012		
	C2.12	remittance senders reached through indirect (radio, billboards) marketing/media campaigns	0				100000 Jul 2012		
	C2.13	remittance recipients reached through direct marketing/media campaign	0				150000 Jul 2012		
	C2.14	remittance recipients reached through indirect (radio, billboards) media/marketing campaigns	0				300000 Jul 2012		
Component 3: Roll-out of the business model. Weight: 10% Classification: Satisfactory	C3.11	units of clean or efficient energy devices sold by FoodExpress	0				5000 Jan 2013		
	C3.12	FoodExpress counts on its energy products to generate revenue Track [\$] sales of energy devices	0				1 Jan 2013		
Component 4: Monitoring, evaluation, and knowledge return Weight: 20% Classification: Satisfactory	C4.11	Project disseminated in at least 5 fora.	0				5 Jan 2013		
	C4.12	Media kit delivered to at least 10 interested audiences.	0				10 Jan 2013		
Component 5: Recommendations to leverage results Weight: 5% Classification: Satisfactory	C5.11	Research and recommendations reports delivered to at least 5 interested audiences.	0				5 Jan 2013		

Milestones	Planned	Due Date	Achieved	Date achieved	Status
M0	1	Jan 2012			
M1	1	Jan 2012	1	Nov 2011	Achieved
M2	2	Jan 2012			
M3	1	Apr 2012			
M4	1	Jun 2012			
M5	1	Jul 2012			
M6	1	Nov 2012			

CRITICAL ISSUES THAT HAVE AFFECTED PERFORMANCE

[None reported in this period]

SECTION 4: RISKS

MOST IMPORTANT RISKS AFFECTING FUTURE PERFORMANCE

	Level	Mitigation action	Responsible
1. Other energy enterprises distributing sustainable energy goods are increasingly present in Haiti.	Medium	..	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.

Financial sustainability measures

- 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 mitigation 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