

**DM 2005 Project Implementation
PROGRESS REPORT**

12/01/2006

I. Background Information

DM Project Number and Title	# 916 Rental services for renewable electricity for remote villages off the grid in Lao PDR
Report Author's Name (if different from Team Leader)	
Total Award	US\$150,000
Amount Disbursed to 12/01/2006	US\$134,440 (90 % of the Total Award)
Drawn Down from Award to 11/01/2006	US\$127,500 (85 % of the Total Award)

II. Progress Against Milestones

i) List the milestone objectives in the first column as expressed in the Project Agreement. The second column should indicate the current status of each milestone objective. In the third column, please provide quantitative data and qualitative information describing the status of the project against that particular milestone.

Milestone Objectives (Copy from the Agreement)	Status (Completed/ In Progress)	Descriptive Information on the Status
<p>Milestone 4: Data-base and PR materials (Steps 5 & 6 of proposal), plus further installations</p> <p><input type="checkbox"/> 4. Installations 40 more systems installed</p>	completed	As agreed, only 18 more systems were installed as a result of increased equipment purchase prices. The total installed quantity is 98 units. Detailed expenses overview for the 98 units, contributed by DM funding, will be listed in the final compliance report
<p><input type="checkbox"/> 5. Establish data-base and management procedures Data base for monitoring technical and rental status of all systems and tracking financial situation is established and its operations tested. Operators trained.</p>	Completed	Database complete and operational. Operators trained. The database collects information returned by franchisees on a monthly basis. This information includes individual rent collections and or any discounts or debt write offs (these may come about as a result of system failures or other

<p><input type="checkbox"/> 6. Prepare PR materials</p> <p>- Features in various media, (e.g. print, PowerPoint, DVDs-CDs, videos, radio) developed in Lao language.</p> <p>- Investment proposal developed with suitable media (print, web, PowerPoint, etc) for potential Lao and international investors (individuals, eco-funds, social funds, CSR-funds, development banks, etc).</p>	<p>Completed</p>	<p>reasons why systems are not operational on a specific day). In addition, maintenance reports are submitted every two months, from which equipment performance statistics can be compiled. These two data sets enable us to assess the historical operational performance and commercial viability of the project as well as it's long term sustainability.</p> <p>1.DVD in Lao language was produced to explain the whole rental system.</p> <p>2.PowerPoint presentation in Lao language is used to promote the system on provincial and district level.</p> <p>3. Reports broadcast in the national TV are copied and used for further promotion</p> <p>4.Power point presentation is used to attract private and public investment.</p> <p>5.A business plan is prepared but will, in all likelihood, be changed dramatically in response to Sunlabobs restructuring activities. It is therefore, temporarily withheld pending completion of the restructuring process.</p>
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ii) If you did not achieve some of your stated milestone objectives, please explain the reasons.

With regard to Question 11 of the Project Proposal; expected outcomes, we are unable to verify the success of our co-operation with WWF in changing “attitude towards the conservation efforts of WWF in villages where the rental systems have been introduced ..[compared with] those where it has not been introduced”. This monitoring would have been carried out by WWF had it not been for the changes within their organisation described in Milestone report III.

iii) Has your project’s overall accomplishments to date exceeded the original plan?

Yes No

If Yes, describe your achievements:

Demand considerably exceeds the numbers of solar home systems foreseen in the program. We foresee a bottleneck in the funding of further systems for renting out after this program is terminated. We already need to think about how to get further capital to cover the demand summarized bellow:

	Number of households
Original household base target	120
Actual connections	98
Shortfall	22

Additional demand	280
Total current demand	302

III. Overall Project Progress

i) What have been the main challenges of your project to date? What, if any, adjustments have you made to your original business plan in order to overcome the challenges and meet your objectives?

Challenges:	Adjustments:
<p>Very high demand, which exceeds the originally projected numbers for rented solar home systems.</p> <p>In order to attract further cost effective finance Sunlabob has decided to restructure to become a joint venture, thus reducing the risk to investors. This restructuring is currently in process and will hopefully be concluded in early 2007.</p>	<p>No adjustments can be made to the original business to reflect this higher demand without any measure of further investment levels.</p> <p>The outcome of this process may materially affect future financing levels and costs. Therefore, on completion of the process a revised business plan will be drafted to reflect the new position.</p>

ii) Have any of your objectives changed or have you added new objectives since you signed your Project Agreement? If Yes, explain the changes.

Yes No

The rental service for individual solar systems was extended also to village community systems. The operational setup is identical beside the rent is paid by the community. Two types of community systems are available: Systems for public use (=> schools, health post, village meeting halls) and systems for income generating activities (=> water pumps in combination with drip irrigation, village cinemas). More emphasis is being given to encouraging productive use of electricity provided as a means of accelerating development in rural communities.

iii) Do you have any concerns about meeting your next milestone objectives?

Yes No

If Yes, what are the concerns and how do you plan on addressing those challenges?

n/a

iii) Although this is an interim report, are there any development outcomes or results of your activities to date that you would like to call attention to?

Yes. We foresee a shortage of capital for buying the equipment for covering the demand being generated in the villages through our visits and demonstrations. This demand far exceeds the numbers foreseen in this project. We will need to figure out how to achieve this.

Our increasing emphasis on community and productive use systems will also require additional capital if we are to expand on their initial success. However, the development benefits that can be derived from these systems has convinced us that it is a product that we must provide if schools are to be electrified, students have access to electronic resources, health centers are to be lit and blood products, vaccines and medicines refrigerated. In addition, productive use systems are great tools for poverty reduction as their usage potentially, directly results in increased income. These systems are more expensive to put into operation than standard rental units because of the additional training required for communities to fully exploit their potential. Both types of system require no further financial investments beyond installation as they operate under the existing rental system which covers repairs, maintenance and management.

IV. Ancillary Achievements

i) Have you or has your organization received any awards/recognitions or media attention as a result of your DM-funded project during this period?

Yes No

If Yes, please specify the sources and identify the names.

Award /Recognition	Media
<p><input type="checkbox"/> Local: <input checked="" type="checkbox"/> National:</p> <ul style="list-style-type: none"> • Recognition at LRED (Local and Regional Economic Development to Overcome Poverty in Asia)Vientiane, November 2006, organized by IFAD, SDC, GTZ, BMZ • <p>X <input checked="" type="checkbox"/> International:</p> <ul style="list-style-type: none"> • Finalists in BBC World Challenge Award. (www.theworldchallenge.org) • Finalists in the Dubai Best Practice Award. http://www.bestpractices.org/bp2006. • Finalist in BID network competition (Business in Development) http://www.bidnetwork.org/ • Sunlabob signed the first voluntary carbon deal in Laos with TFS http://www.tfsbrokers.com/press/2006 • Recognition at Delta PRO RES conference, Phnom Penh, October 2006 	<p>e.g. <input checked="" type="checkbox"/> International: BBC News on Dec. 3-4, 2003</p> <p>X<input type="checkbox"/> Local:</p> <ul style="list-style-type: none"> • Vientiane Times, several articles in the local newspaper Vientiane times <p>X<input type="checkbox"/> National:</p> <ul style="list-style-type: none"> • Lao Radio, discussion “how to provide energy to off-grid areas” <p>X<input type="checkbox"/> International:</p> <ul style="list-style-type: none"> • Presentation at JSSEE 2006 (Sustainable Energy and Environment), Bangkok November 2006 • Presentation at Green Peace SE Asia Renewable Energy Summit, Bangkok , August 2006 • Presentation at ASEAN Renewable Energy Summit, Manila, July 2006 • Presentation at Business Forum for Renewable Energy, Freiburg-Germany , July 2006 • Presentation at Carbon Expo, Beijing , October 2006 • Presentation at Inter Lower Mekong Delta Seminar, Phnom Penh, October 2006 • ADB video conference about the energy situation in ASEAN countries, Vientiane , September 2006

Explain the Award/Recognition or the Media content:

1.LRED = Local and Regional Economic Development to Overcome Poverty in Asia, organized by the leading donor organizations in SE- Asia. The Sunlabob rental service was mentioned as a successful approach according to the MDG.

2. WorldChallenge = An international competition run by the BBC, Newsweek and Shell to identify individuals or groups around the world who have shown enterprise and innovation at a grass roots level. Sunlabobs rental program is one of twelve finalists from thousands of nominations. Results are due in December.

3.Dubai Best Practices = An international competition run by Dubai municipality and the United Nations that recognizes outstanding contributions to improving the living environment, defined as:

- a. having a demonstrable and tangible impact on improving peoples quality of life,
- b. are the result of effective partnerships between public, private and civil sectors of society.
- c. are socially, culturally, economically and environmentally sustainable.

4 .BID Challenge = The Business in Development (BID) Network is the on-line community for entrepreneurship and development in developing countries. BID Challenge is an annual international competition where the business plans of small and medium enterprises working on poverty reduction and profit are awarded for their innovation and sustainability.

5.Voluntary Carbon Deal = Sunlabob has signed the first voluntary carbon credit deal in Laos thanks to an innovative scheme developed in conjunction with Carbon Bridge, a SE Asian carbon advisory company. The scheme bundles together carbon emissions reductions over a number of years, allowing rural renewable energy projects, that would otherwise be too small, to participate.

ii) Has your organization made any new partnerships as a result of this project during this reporting period?

Yes No

If Yes, specify type of the organization from the list below and describe nature of the partnership:

<input checked="" type="checkbox"/> Local Government <input type="checkbox"/> National Government: <input checked="" type="checkbox"/> NGO: <input checked="" type="checkbox"/> Bilateral Development Agency:	<input type="checkbox"/> Multilateral Development Agency: <input checked="" type="checkbox"/> Private Corporations: <input type="checkbox"/> Other: e.g. <input checked="" type="checkbox"/> Multilateral Development Agency: Development Marketplace of the World Bank (financial partnership and technical assistance)
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iii) Sustainability and scalability after completion of the DM fund are top of the DM Team's priorities. Has your organization leveraged new funding or secured future funding during this reporting period?

Yes No

If Yes, provide the following information.

Funding Sources:

Amounts Funded/Committed:

iv) Are you currently in active contact with external funders?

Yes. (public and private investors)

v) Has the project generated revenues? If yes, please state the amount below

Yes. Circa 40,605 Kipp (excl. franchisee commission) per system, or, roughly \$4.15 per system.

V. Post DM Strategy

i) What is the expected status of project after DM funding is complete?

The project is, and will continue to be operational after DM funding is complete.

ii) After DM funding, will the project rely on its own revenue generation? If so, what will the ratio be of revenues generated to the overall budget needed to maintain operations?

Yes, the project will rely on its own revenue generation after DM funding is complete. The ratio of revenues to total operational costs (including replacements and repairs) is expected to be **1.1 : 1**, or **110%**.

iii) Have you undertaken any independent impact evaluation/assessment studies?

No

iv) Do you have a business plan for the short to medium term?

As described above, we have a business plan for the next 10 years. However, it cannot be finalized until we have completed the restructuring process.

v) What shortcomings of your organization need to be addressed before funding is made available (e.g., lack of business plan, lack of nonprofit status)? Please indicate if you wish us to keep some or all of these items confidential.

In order to attract foreign investment it is necessary that Sunlabob is restructured to become a joint venture. This gives reassurance to potential investors who are otherwise

weary of investing in private companies in developing countries were legal protections of investments are still being developed. Sunlabob is currently in the process of restructuring.

VII. Team Structure

- i) Is the current project leader expected to remain as the team leader after DM funding is complete?

Yes

- ii) Have there been any changes in the project team structure or are any changes expected?

If yes, please explain changes:

n/a

- ii) Have you or has your organization undertaken any capacity building activities, such as training, conference participation or financial management activities?

Yes,

Conferences: see under IV. Ancillary Achievements

Training: all our staff members joining capacity building trainings in management, financial and technical issues regularly

	A	B	C		PERIOD	PERIOD	PERIOD	PERIOD	
	Number of units	Unit cost in USD	Total cost (A*B)	Sub-totals	2.Milestone 10/30/2005	3.Milestone 6/30/2006	4.Milestone 11/30/2006	5.Milestone	Total
1 Personnel									
	1 logistics and communication responsible in WWF (20 months)	20	\$100.00	\$2,000.00	\$300.00	\$800.00	\$0.00		\$1,100.00
	1 program responsible in Sunlabob (20 months)	20	\$100.00	\$2,000.00	\$300.00	\$800.00	\$1,000.00		\$2,100.00
	1 financial data- and monitoring responsible in Sunlabob for operating rental fund (20 months)	20	\$150.00	\$3,000.00	\$450.00	\$1,200.00	\$750.00		\$2,400.00
	International consultancies for analyzing and developing detailed operations of rental fund (total 20 days)	20	\$700.00	\$14,000.00	\$2,100.00	\$5,600.00	\$3,500.00		\$11,200.00
	sub-total Personnel			21,000.00	\$3,150.00	\$8,400.00	\$5,250.00		\$16,800.00
2 Materials and Equipment									
				\$0.00					\$0.00
	sub-total Materials and Equipment			0.00					\$0.00
	Training of 20 village energy committees, including costs for trainers, transport, exchange visits to experienced pilot villages, etc. Calculations based on experiences with pilot effort	20	\$815.00	\$16,300.00		\$16,300.00			\$16,300.00
			\$0.00	\$0.00					
	sub-total Training			16,300.00		\$16,300.00			\$16,300.00
4 Travel									
	2 exploratory visits to each village to explain things prior to training agreement with them. 1 assessment visit for final assessment. (Operational visits are covered through the rental agreements): = 3 visits * 20 villages = 60 visits	60	\$205.00	\$12,300.00		\$8,200.00	\$2,600.00		\$10,800.00
	Initial advertising visit to 10 villages				\$1,500.00				\$1,500.00
	Flights and expenses for consultancies	1	\$3,000.00	\$3,000.00			\$3,000.00		\$3,000.00
			\$0.00	\$0.00					\$0.00
	sub-total Travel			15,300.00	\$1,500.00	\$8,200.00	\$5,600.00		\$15,300.00
5 Other									
	Improve the existing data-base and monitoring from the pilot rental fund: Consultancies on informatics (days)	10	\$500.00	\$5,000.00	\$1,000.00	\$1,500.00	\$2,500.00		\$5,000.00
	Capitalization of rental fund (80 units second milestone) (18 units third milestone)			\$50,600.00	\$43,251.60	\$7,348.00			\$50,599.60
	sub-total Other			55,600.00	\$44,251.60	\$8,848.00	\$2,500.00		\$55,599.60
6 Evaluation/Information Dissemination									
	Conduct final assessment with all stakeholders (workshop)			\$5,000.00	\$0.00	\$0.00	\$0.00		\$0.00
	Develop and distribute investment proposal for private investors in the rental fund (days)	20	\$500.00	\$10,000.00	\$1,500.00	\$5,000.00	\$2,000.00		\$8,500.00
	Demonstrations and awareness building: Website, radio features, print media, videos, visits by officials			\$10,000.00					\$0.00
	web page improvement				\$500.00	\$1,500.00	\$1,300.00		\$3,300.00
	part-payment for video production				\$1,500.00	\$1,500.00	\$1,500.00		\$4,500.00
	visit by officials					\$380.00			\$380.00
	radio features					\$1,200.00	\$620.00		\$1,820.00
	sub-total Evaluation/Information Dissemination			25,000.00	\$3,500.00	\$9,580.00	\$5,420.00		\$18,500.00
7 General Administration/Overhead									
	Project management (20 months)	20	\$840.00	\$16,800.00	\$2,520.00	\$6,720.00	\$4,200.00		\$13,440.00
	Office space and computers for operating the project carried by Sunlabob								
	Administrative staff costs of Sunlabob and WWF carried by Sunlabob and WWF		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00		\$0.00
	sub-total General Administration/Overhead			16,800.00	\$2,520.00	\$6,720.00	\$4,200.00		\$13,440.00
8 Total Project Expenses				150,000.00					

