

REPORTE DE ESTADO DEL PROYECTO

01/01/2020 - 06/30/2020

SECCIÓN 1: SÍNTESIS DEL PROYECTO

Operation number: HO-M1051

Número de suboperación: ATN/ME-15705-HO

Nombre del proyecto: Private Investments Incentive Mechanism for Rural Solar Energy in Honduras

Propósito: The project looks to demonstrate that lower cost, more efficient and innovative

País administrador	País beneficiario:	Grupo	Subgrupo
HONDURAS	HONDURAS	D	

Agencia ejecutora: Village Infrastructure Angels

Lider de equipo: FAUSTOC

Ciclo del Proyecto:

Fecha de Reporte: 2020 - 07 - 01	Plazo de ejecución original: 2020 - 04 - 28
Fecha de aprobación: 2016 - 08 - 31	Plazo de ejecución actual: 2020 - 04 - 28
Fecha de firma: 2017 - 04 - 28	Plazo original de último desembolso: 2020 - 10 - 28
Primera fecha de desembolso: 2018 - 04 - 30	Plazo actual de último desembolso: 2020 - 10 - 28

SECCIÓN 2: DESEMPEÑO

Resumen del desempeño del proyecto desde el inicio

The past 6 months have resulted in very slow progress due to coronavirus, adding to the delays already incurred earlier in the project. For the entire project, 1872 of 2700 lighting systems have been installed, and 1 solar mill from a target of 40. All equipment has been procured for the project that is needed, except 5 solar mills that will be imported during Jul-Dec 2020, and power systems for these 5 mills plus 20 other mills that arrived this quarter. A 1 year loan from SunFunder was raised as private sector to fund construction, and has been fully repaid by VIA with interest, so VIA is now the 100% owner of the project.

Comentarios del líder de Equipo de Supervisión

Resumen del desempeño del proyecto en los últimos 6 meses

380 solar lights were deployed in this reporting period, and 1 solar mill. Project revenue has decrease by over 50% due to coronavirus, and the bank in Puerto Lempira is totally non-functional, and we cannot fly there, which means the local team have no money except this small amount of revenue by which to try to continue with the project, as we have no way at all of even sending them salary. Two village agents who sell our lights have caught coronavirus and one died. In the last 2 weeks, one of our 3 field staff was tested positive, and so it is now possible the whole field team is infected due to the small office from where they work, and they are also being tested now. The infected field officer had infections at his relative's home in Mocoron where there was also one death. Mocoron is now sealed off and no-one can visit there - this is also where our one mill is installed, and so no-one can go to collect data or revenue. Phone conversations with the mill operator suggests customers are not coming because of the coronavirus death at the house, so usage is just by his family, and is expected to be low. A new investor, Beneficial Returns, has expressed interest in helping to expand the project by helping the local team invest up to \$75,000 in buying new products - they are not as interested in refinancing the existing project, so at this stage, now that the SunFunder loan has been fully repaid, VIA is the 100% owner of the project assets. Currently, the focus is on completing the baseline survey report and getting signed contracts from the village agents established to date. IDB has been made aware an extension would like to be requested, but we were told that this should happen in the Jul-Dec 2020 period, not the Jan-Jun 2020 period.

Comentarios del líder de Equipo de Supervisión

Dado el impacto negativo causado por el coronavirus, Se contemplará una ampliación al plazo de último desembolso, según lo ha expresado VIA.

SECCIÓN 3: INDICADORES E HITOS

C1 : Investment and RBF Fund		Peso 40%	Calificación Satisfactory			
Indicadores		Línea Base	Planeado	Logrado	Estado	
I1	Total number of SHS units leased	0	2700 (2021 - 12 - 28)	1872 (2020 - 06 - 30)	In progress	
I2	Total number of solar power mills units installed	0	40 (2021 - 12 - 28)	1 (2020 - 06 - 30)	In progress	
I3	% PAR 90 of leasing portfolio (Less than)	0	25 (2021 - 12 - 28)	52 (2020 - 06 - 30)	In progress	
C2 : Project set up costs and training		Peso 35%	Calificación Satisfactory			
Indicadores		Línea Base	Planeado	Logrado	Estado	
I1	Number of microentrepreneurs (prepaid codes sales points) trained (gender disaggregated)	0	100 (2021 - 12 - 28)	60 (2020 - 06 - 30)	In progress	

I2 GIS mapping of the project area completed.	0	1 (2021 - 12 - 28)	1 (2020 - 06 - 30)	Finished
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C3 : Project and Knowledge management **Peso** 25% **Calificación** ~not selected~

Indicadores	Línea Base	Planeado	Logrado	Estado
I1 Case study completed (including lessons learned and best practices) completed.	0	1 (2021 - 12 - 28)	0 (2020 - 06 - 30)	In progress
I2 Case study shared with targeted audiences (MDBs, energy agencies, angel investors and other potential partners)	0	1 (2021 - 12 - 28)	0 (2020 - 06 - 30)	In progress

Hitos	Valor Planeado	Valor Logrado	Fecha Vencimiento	Fecha Lograda	Estado
Condiciones previas	7	7	2018 - 03 - 28	2019 - 10 - 15	Achieved
2nd shipment for 1800 households and 30 mills arrives	1	0	2020 - 06 - 30		Overdue
2nd installation of 1800 SHS and 30 solar mills complete	1	0	2020 - 12 - 31		Pending

FACTORES CRÍTICOS QUE HAN AFECTADO EL DESEMPEÑO

Desempeño de contratista

Diseño del proyecto/Componentes

Atrasos en el cumplimiento de los términos del contrato.

Dificultades al comprar

Restricciones ambientales

Otros. ¿Cuáles?

- Design of project to raise private sector investment for a project in a very low income risky region with very little track record was very difficult, causing a 1 year delay to start of the project which was avoidable if IDB had let VIA finance the project with public (USAID) funds already in hand at the start of the project and refinance later during the project with private sector capital once revenue traction had been shown. IDB had an unrealistic expectation that private sector capital would be easy and fast to raise for this project and does not understand private sectors' concerns of risk, particularly when no project data exists. This delayed VIA's ability to fulfill the contract terms (conditions precedent) at the start of the project. - Purchase of rice hulling mills from supplier was delayed by 1 year for the second half of the order because the supplier had run out of stock when we first ordered, and our small volume was not enough to trigger a new production run. Purchase of solar lights was not delayed. - Environmental restrictions have been imposed on the project particularly during this Jan-June 2020 reporting period due to coronavirus lockdown eliminating travel to rural villages and even making travel in urban areas very difficult. IDB could assist by lobbying the government to helping the local contractor be recognized as an essential service so that staff can travel and "keep the lights on" (electricity services in on-grid areas do not get shut down because of coronavirus, but we do in offgrid areas, which is not fair). This has cost a 4 month delay to date and likely 1-3 months more in the next reporting period. - Local contractor Yu Lapta Karnika has not installed lights and mills as quickly as expected, partly due to difficulties in finding good quality staff in a very remote area (staff churn)

SECCIÓN 4: RIESGOS

Área de Impacto	Severidad	Prob.	Fecha	Responsable	Accion de mitigación	
Default payments by villagers during 5 year leasing period is higher than expect	Final Outcome, Intermediary Outcome	(5) Very High	Very High 99%	2020 - 02 - 14	Project Coordinator	Households that default will have systems repossessed, and redistributed to other households. Repeating this cycle will, within 1 year, phase out most defaulting households. The pay-as-you-go technology adopted by this service model will switch off the equipment if the payment has not been made, mimicking existing payment habits for mobile phone recharges.
Long-term lending capital (refinancing) is not raised from Kiva.org/other crowd	Intermediary Outcome	(3) Medium	Medium 60%	2020 - 02 - 14	Project Coordinator	While VIA's first project have been fully funded on Kiva.org at 0% p.a. in 4 hours, it is possible that some or all of the anticipated fundraising for a 5-year loan to refinance the built project is not successful. In this case, and assuming other non-crowdfunding debt is not secured either, the worst case scenario is that Construction Investors would remain as the funding source for the assets for the long term, until the end of the lease/repayment period. Construction Investors will be made well aware of the risks connected with the refinancing and that there is a possibility that the refinancing may not be successful.
Product failure of lighting, phone charging, or agro-processing equipment	Intermediary Outcome	(3) Medium	Very Low 20%	2020 - 02 - 14	Project Coordinator	Products used for the project have been used for many years in multiple countries, with lighting system and phone charging components generally certified by the World Bank Group's Lighting Global quality assurance system for solar home system kits. Solar agro-processing machines will be run in laboratory situations for the equivalent of 5 years of 1 hour/day operation (2000 hours) before release to the field, to further improve the reliability of the DC motors and other weak points that may occur (field operation to date has been satisfactory in other projects VIA is managing in Africa and Asia). An adequate stock of spare

Solar mills are not socially / culturally appropriate	Investment and RBF Fund	(4) High	Very Low 20%	2020 - 02 - 14	Project Coordinator	replacement parts will be kept in stock in a secure storage location near the project's main site. To date, field feedback has indicated that women are far more interested in operating a solar-powered agroprocessing mill than a diesel-powered mill, due to the perception that they are simpler to operate due to their smaller size (200-100Wp instead of 2000-3000Wp) and highly reduced maintenance requirements. Tests runs of the first batch of mills (first shipment) during the first year of operation of the project will provide data that will be used to fine tune the technology as to ensure that the final product is of an acceptable quality, similar to that obtained with traditional methods. It is expected that women will benefit from the technologies more than men.
	Final Outcome, Intermediary Outcome, Investment and RBF Fund, Project and Knowledge management, Project set up costs and training	(4) High	Very High 99%	2020 - 03 - 27	Project Coordinator	A 12 month extension is requested.

NUMERO TOTAL DE RIESGOS: 5 IN EFFECT RISKS: 5 RIESGOS NO VIGENTES: 0 RIESGOS MITIGADOS: 0

SECCIÓN 5: SOSTENIBILIDAD

Indique la probabilidad de sostenibilidad del proyecto luego de la finalización:
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Justificación

El poder adquisitivo de la población meta se ha visto afectado por la situación del Covid19

FACTORES CRÍTICOS QUE PUEDEN AFECTAR LA SOSTENIBILIDAD DEL PROYECTO

Factor	Comentarios
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3. No se genera un mercado para los servicios y / o actividades del proyecto (baja capacidad de pago o baja demanda de esos servicios)	
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Acciones relacionadas con la sostenibilidad implementadas en el proyecto

No specific actions have been made for sustainability of the project. The biggest challenge now will be financial sustainability, to generate a project profit that will attract further capital in the future. Some interest has been shown this reporting period by Beneficial Returns despite our very high PAR-90 default rate, but more for new products like solar refrigeration than for refinance this lighting + milling project. It is currently impossible to reduce default rates due to coronavirus lockdown restrictions. Mobile money payments are encouraged for as many customers as is possible/practical, but many do not know how to use and/or do not have mobile phone coverage at their village so cannot use it, nor can come to mobile money agents (mostly in Puerto Lempira) to top up their account, so mobile money has help a little, but not much.

SECCIÓN 6: LECCIONES PRÁCTICAS

	Relacionado a	Author	Fecha
Finding private sector finance for a new solar technology (micro rice hulling mills) in a very low income area is a big challenge, and taking longer than expected, even with a 100% risk guarantee on capital being offered, eliminating almost all risk.	Implementation	Stewart Craine	2019 - 10 - 22
Investment mobilization - it has been shown in this project that the time taken to secure investment for a new technology for a low income population is going to take a long time, even if there is a 100% security offered on the capital loaned. Investors are very very risk averse, so it has taken considerably longer than expected to secure the project finance. Fortunately, no objection has been raised to condensing the two-stage procurement plan into a one-stage plan, so 1 year of delay can be recovered with the new planned schedule, allowing the project to still finish on time.	Implementation	Stewart Craine	2019 - 10 - 22