

VOPS
Office

ໂຄງການສົ່ງເສີມໄຟຟ້ານອກລະບົບ
Village Off-Grid Promotion & Support
“ ທຸກໆຄືນ ມີແສງສະຫວ່າງ “
“ Every night, light “

Newsletter 6

September 2009

Dear Colleagues and Stakeholders of the Village Off-Grid Project,

We are pleased to send you this sixth Newsletter to inform you about the progress of the Village Off-Grid Project, a component of the Rural Electrification Program of the Government of Lao PDR.

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More detailed information on the VOPS can be found on the VOPS website: www.vopslaos.org

1. Installation of the new solar home systems procured in 2009 through an international competitive bid

The execution of the Off-grid component of the Rural Electrification Program has satisfactorily progressed over the last weeks. 5,250 solar home systems with unit capacity between 20 and 50 W have been procured early 2009 through an agreement between the Government of Lao PDR and the World Bank. These systems were delivered to 12 provinces in May and June 2009. The concerned Provincial Energy Service Companies (PESCOs) have started installation at customers who had previously been registered as end users under the program.

As of mid September 2009, 4,820 systems have already been installed (92%) and commissioning, through the inspection of a representative of the Provincial Department of Energy and Mines, is completed for 2,700 systems with all documentation approved.

It is expected that all systems will be installed and operational by end of November 2009 although the rainy season has recently complicated the access to some remote villages, thus slowing down the installation of solar systems.

The supply contract also included approximately 1,000 balances of system components to be used for re-installation of available second-hand panels. More than 100 second hand panels have already been installed in Oudomxay province. VOPS is currently organizing the transfer of second hand panels from Vientiane province to neighboring provinces to optimize the utilization of withdrawn panels. In total, more than 500 second hand panels are already scheduled for re-utilization generally due to arrival of the grid after 3 to 7 years of operation.



2. Current tariffs applied for solar home systems

The most common contractual relation between the end-user and VOPS is a ten year hire purchase. The current tariffs for the end users are as follows (in 10,000 KIP):

Size		20W	30W	40W	50 W
Installation fee		16	19	22	25
Monthly fee	SPRE	1	1.5	2	2.5
	REP 1	1.3	1.8	2.5	3

3. Withdrawal, write off and sold out of solar home systems

As mentioned, a ten year hire purchase agreement is the key contractual arrangement which governs the relation between the end-user and VOPS. At the end of this ten year period, the user becomes owner of the system. Over such a long period of time, many events may occur which sometimes lead to the cancellation of the hire-purchase contract. Among others, one can mention the arrival of the electrical grid (the most frequent reason), the incapacity to pay the monthly fees for some customers or/and to recover a high debt and, in a few cases, the low satisfaction of some customers compared to services provided by pico hydro (as it was the case in Paklay). In such situation the PESCOs proceed to the withdrawal of solar home systems, mainly the solar panel, for further utilization by other customers through another hire purchase agreement with a 5 year term.

It has been agreed with the Ministry that some debts accumulated over years for many reasons would never be repaid by the customers or cannot be claimed from these customers. Indeed, in some provinces, the systems could not be operated during months as they were no spare parts at the PESCO warehouse enabling a proper repair or replacement of faulty or broken equipment, especially before the financing scheme was operational. In such situation, the debt is cancelled and written off from the book.

On the contrary, a few customers have decided to become owner of their systems earlier, for instance to re-install by themselves their solar kit in another location. In such situation, the end-user pays in advance the total amount due for the remaining months of the contract.

4. Short term financing schemes to support working capital needs of PESCOs, income generation and revolving fund

In the August Newsletter, it was reminded that VOPS offers an interest-free one year loan to the PESCOs to facilitate the purchase by the end-users of equipment to keep operational their solar home systems. Mainly, the loan consists of procurement of batteries, lamps and a few charge controllers.

The business plan to be prepared and submitted to VOPS by the PESCOs include the items which will be procured by the PESCO, the income generated from the sale to the customers under regulated economic conditions and the additional equipment the PESCOs intend to procure from the income generated by the repayment schedules differentiation, as customers pay back over 3 to 6 months, while the loan is over 12 months. Thus, the cash generated is used as a revolving fund.

By August 2009, 3 loans have been successfully completed and it is worthwhile highlighting the significant achievement of the PESCOs through this scheme as summarized in this table:

Item	Quantity under the loan	Additional quantity procured	Total sold and installed
Batteries	160	125	285
Lamps	377	210	587

This remarkable achievement has led to the increase of the maximum loan to be contracted by the PESCOs, from 30 million up to 50 million since January 2009, enabling the financial scheme to smoothly grow in the future.

This demonstrates that PESCOs can act as real professionals and should be given more responsibilities in the future so that the off-grid program more and more develops at decentralized level, leaving the Ministry and VOPS only with strategy issues, overall supervision and large scale procurements.

5. Collaboration Nam Theun 2 Project resettlement area

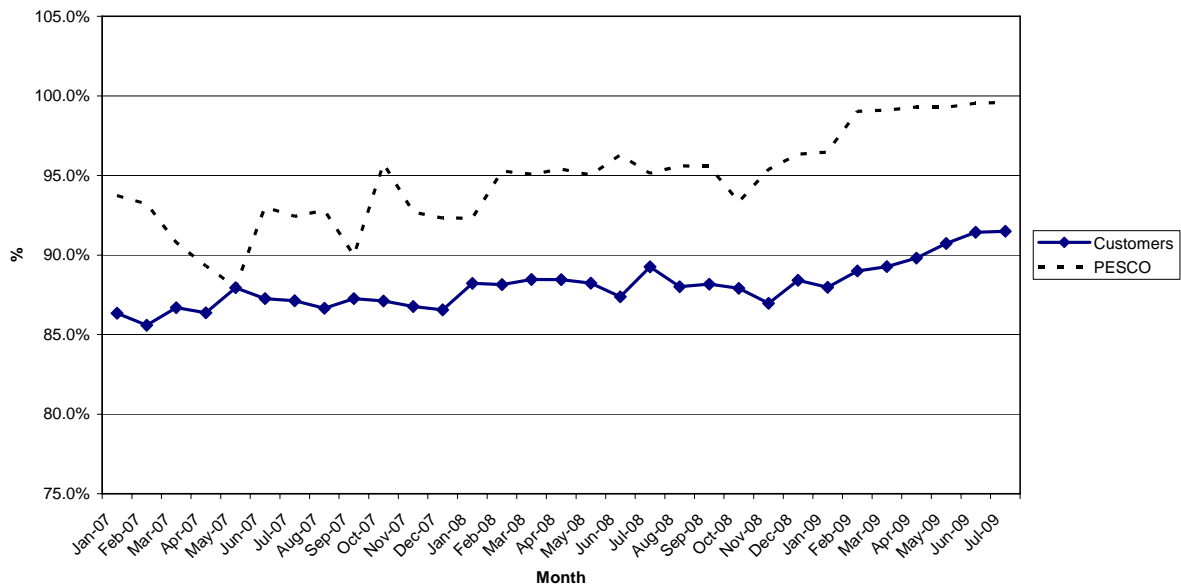
The installation of 200 solar home systems (50 W capacity) is progressing well in Nakai district for the local communities living in the watershed areas of NT2 Project. As of mid September 2009, 70 systems have been installed. It must be pointed out that the local PESCO started installation in this remote district after completing the installation of 435 systems in other parts of the province.

6. Performances

Among the various criteria to assess the VOPS performance, two key elements are 1) the appropriate monthly payment by the customers for the use of their solar home systems under their 10 year hire-purchase agreement and 2) the timely collection, reporting and transfer of these funds to the Rural Off-grid Fund by the PESCOs.

As of end of July 2009, the customer's repayment rate is more than 90% and the PESCOs' performance close to 100% which are very good achievements by international standards in rural electrification program.

Cumulated performance



7. Management tool


To execute the financial monitoring of all technical and financial operations, a specific management tool has been developed by VOPS: VOPS Manager. This new advanced tool, tested since January 2009, is now fully effective and is helping VOPS staff to increase their effectiveness improving management reporting and saving time. Various presentation meetings with the Ministry, the World Bank have taken place during the last months and a constructive attitude of all participants have allowed to significantly improved and enriched this management tool.

VOPS Manager will be handed over to the PMU staff at the end of 2009. In order to ensure smooth handing over, a close collaboration has been established between VOPA and the DOE staff, including an intensive training in July and August 2009 and the regular participation of DOE staff in the day-to-day

activities of the VOPS office and update of the VOPS Manager with data from the ground, to make sure that the staff will easily manage with the software when the contractor leaves.

As an example of reporting, the following page includes the overall performance indicator for all PESCOs in June 2009 with the total cash flow generated for all companies during the month.

VOPS Indicators

EVERY NIGHT, LIGHT
Village Off-Grid Promotion and Support 

Month: 01/06/2009 - 30/06/2009

Contracts Number: 8496

New installations : 0

20W	30W	40W	50W	55W	110W	VH
3423	1423	356	2795	362	74	63

Soldout: 0

CUSTOMER PERFORMANCE

	Rebate portion	REF portion	Total	
Projected customer payments per month :	84 767 060	66 936 243	151 703 303	Months paid : 10560
Outstanding Amount due :			471 065 244	Monthly Performance 127 %
Expected customer payment :	347 983 582	274 784 965	622 768 547	Monthly Debt : -40 763 697
Actual customer payments per month :	105 600 000	86 867 000	192 467 000	
Customer payment default :		187 917 965	430 301 547	

PESCO PERFORMANCE

	Rebate portion	REF portion	Total	
Projected Pesco transfer to VOPS :	84 767 060	66 936 243	151 703 303	Monthly Performance 133 %
Outstanding Amount due :			28 673 518	Monthly Debt: -10 003 000
Expected Pesco transfer to VOPS :	100 788 925	79 587 896	180 376 821	
Actual Pesco payment to VOPS : (actual deposit and deductions)	105 600 000	96 870 000	202 470 000	
Pesco payment default :		-17 282 104	-22 093 179	
Pesco net payment default :		-205 200 089	18 670 518	

PESCO cashflow	
1- Collected from Customers	192 467 000
Down payment/installation fee (CIP)	0
Monthly payment/Hire purchase (HP)	192 467 000
2- PESCO Disbursements	67 577 000
Rebates paid to VEM & VEAC	67 507 000
Bank fee	70 000
3- REF Bank Deposit	137 946 500
Amount declared by PESCO	193 032 000
PESCO deduction/addition on deposit	-55 085 500
4- VOPS payments	61 032 500
Rebates from VOPS (VEM, PESCO, VEAC, Bank fee)	89 416 500
Yearly performance bonus and post installation	-45 000
Withdrawal fee	4 530 000
Frame, Storage & transportation	605 000
VOPS payment deduction (debts, rebates...)	-33 474 000
PESCO Gross Income (1)-(2)-(3)+(4)	71 420 000

8. Forthcoming events

A World Bank supervision mission will be visiting Laos between 1 and 8 October 2009. The VOPS Project Director, Mrs. Anjali Shanker, will attend the meetings with the Ministry and the WB.