

FINAL DRAFT

PROPOSED IMPLEMENTATION PLAN

FOR

COMPACT FLUORESCENT LAMPS (CFLs)

VIETNAM'S PHASE 2 DSM PROGRAM: 2004 - 2007



Electricity of Vietnam

8 November 2004

Technical Assistance to Vietnam's Phase 2 DSM Program

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INTRODUCTION

PROGRAM BACKGROUND

Currently, there is a big difference in demand between peak load period and low load period (1.8-2 times) in the EVN electricity network. The main contribution to demand in peak time comes from residential lighting especially in rural area.

The CFL program in Phase II is developed based on the results from the pilot CFL programs in Phase I. The Phase 1 results showed that:

- Almost households in rural area have use incandescent lamps in peak hours which have low efficient and high electricity consumption.
- In average, one household is using 2-3 incandescent lamps.
- People in rural area are lack of information about the high efficient CFL lamp.
- The result from 4 Pilot Programs indicated no major obstacles for a large-scale installation of CFLs in rural areas exist.
- More than 80% of the participants expressed their willingness to buy CFL in future.

PROGRAM OBJECTIVES

The primary objectives of the Phase 2 CFL program are:

- to ease EVN's investment in system expansion caused by rapid demand growth;
- to help people in rural areas to reduce the cost of electricity consumption;
- to increase awareness of CFLs for rural people.
- to reduce the GHGs emission, improve global environment.

The primary strategies for achieving these objectives are:

- to subsidize CFLs for poorer rural customers;
- to provide a signal to manufacturers to increase their sales and marketing of CFLs; and
- to promote a market transformation toward the use of CFLs instead of incandescent lamps.

PROGRAM DESIGN

OVERVIEW OF PROGRAM DESIGN

Year 1 Program Design

During the three-year Phase 2 DSM program (2004-2007), EVN will procure about 1 million CFLs from suppliers for sale to rural households throughout Vietnam. During Year 1, the procurement will be made from a single CFL supplier using a bulk tender procedure, and the lamps will be distributed through Provincial PCs and ultimately Commune Selling Groups. The method of procurement and program design for Years 2 and 3 of the program will be reviewed based on the results of an international review of CFL program marketing experience, which will be carried out by a consultant

early during Year 1. *This Implementation Plan only covers the design of the CFL Program for Year 1.*

Contracts for CFL Distribution Services

The program will include contracts for CFL Distribution Services, which will be awarded by the Provincial PCs to the Commune Selling Groups participating in the CFL program. The contracts will cover the costs for the cooperatives to distribute promotional materials, sell and distribute lamps, collect payments, service of warranties, etc.

Reduction in Subsidy Over Time

Over the three-year program period, EVN will gradually reduce the subsidy amount (from 33% in Year 1 to 20% in Year 3) provided to rural consumers. The subsidy will be combined with marketing efforts to promote the use of the more efficient lamps in and outside the distribution program; *this is an important point since a key long-term goal of the CFL program is to promote a market transformation toward the use of CFLs instead of incandescent lamps.*

Revolving Fund

EVN will also use proceeds of the CFL sales to establish a revolving fund.¹ The Revolving fund will be used along with the IDA funds to procure lamps in Years 2 and 3.

Payment Terms for Villagers

For buying CFLs, households can pay the entire subsidized price at once or can pay half up front, and the rest in 3 months. For the choice of late payment the subsidy will be 2% reduced, meaning that 31.3%, 23.0% and 18.0%, thus subsidized prices would be \$2.06/CFL, \$2.31/CFL & \$2.46/CFL in 3 years of the program.

The number of lamps sold in the program is projected to be 300,000 CFLs in the first year, 400,000 CFLs in the second year and 300,000 CFLs in the third year. To prevent the abuse of the subsidy, reselling lamps, that can distort the market, the limitation of buying 2 CFLs per household will be applied in the program (Analyses indicate that the replacement of the first two incandescent lamps in each household provides the greatest benefit/cost).

Selling screw sockets (for screw CFLs promoted in the program) will also be arranged at the same time with the selling CFLs to make it convenient for customers. Provincial PCs will, in co-operation with Local Authorities, arrange with socket suppliers to sell sockets. Payments for them will be made immediately.

In the last year of the program, if financial capability is favorable, more lamps would be procured so that the target of lamp distribution could be raised to 1.2 million CFLs.

PROGRAM BUDGET

The budget for the CFL program is shown in Table 1. The table indicates the relevant procurement package for each budget line item. Details and timing of the procurement packages are in the Procurement Plan and will not be repeated here.

¹ In the GEF Project Brief, this fund is referred to as a "Learning Grant."

Most of the budget is for bulk procurement of the CFLs, in order to secure a good price and also high quality of the CFLs. Additional support activities include a market channel survey; CFL testing; and CFL marketing and promotion.

Table 1. Budget for the CFL Program

Package	Item	Contract Value	Fund Source		
			IDA Credit	GEF Grant	Revolving Fund
3A	CFL Bulk Purchase (Year 1)	\$ 800,000	\$ 750,000	\$ 800,000	\$ 318,000
3B	CFL Bulk Purchase (Year 2)	\$ 1,068,000			
3C	CFL Bulk Purchase (Year 3)	\$ 800,000			
3D	CFL Distribution Services (by Cooperatives)	\$ 323,000			
3E	CFL Promotion -- Survey and Design (Years 1, 2, and 3)	\$ 65,000		\$ 65,000	
3F	CFL Promotion -- Printing and Production (Year 1)	\$ 50,000		\$ 50,000	
3G	CFL Promotion -- Printing and Production (Year 2)	\$ 50,000		\$ 50,000	
3H	CFL Promotion -- Printing and Production (Year 3)	\$ 50,000		\$ 50,000	
3I	CFL Testing (Year 1)	\$ 10,000		\$ 10,000	
3J	CFL Testing (Year 2)	\$ 10,000		\$ 10,000	
3K	CFL Testing (Year 3)	\$ 10,000		\$ 10,000	
	Grand Total for Program	\$ 3,236,000	\$ 750,000	\$ 1,045,000	\$ 1,441,000

Source: DSM Action Plan (October 2004)

TECHNICAL SPECIFICATIONS

The Household Survey in Phase 1 found that the most popular size of incandescent bulbs were 40W, 60w, and 75W – each of these accounted for just more than 25% of incandescent lamps. There were a smaller number of 25W bulbs, accounting for just under 15% of incandescent lamps; and 100W bulks accounted for about 5% of incandescent lamps in the survey.

In order to simplify the development of technical specifications, EVN chose specifications consistent with the IFC/GEF Efficient Lighting Initiative (ELI) Voluntary Technical Specifications for Compact Fluorescent Lamps (as revised 10 July 2002). These baseline specifications were chosen – with some minor modifications -- as they represent a well-known international standard for CFL quality that has been implemented in many countries worldwide.

In order to simplify the procurement in in Year 1, it was decided to select a single size and type of CFL for procurement: 75W equivalent, daylight, with screw-in base. The actual bidding specifications do not specify a lamp wattage, but rather a minimum lumen rating (of 1,100 lumens), based on equivalent output to a 75W incandescent and taking into account lumen depreciation over time.

The detailed technical specifications can be found in EVN's CFL Bidding Document of August 2004, and they are not repeated here.

PROCUREMENT PACKAGES

For the Year 1 CFL program, there are 4 relevant procurement packages, and these are described in detail in the Phase 2 Procurement Plan. They are mentioned here, since they are important steps early in the program.

- Package 3A: CFL Bulk Purchase (Year 1). This package involves the procurement of 300,000 CFLs to be distributed through the program.
- Package 3E: CFL Promotion -- Survey and Design (Years 1, 2, and 3). This package involves a market survey, and international review, and detailed design of marketing and promotion campaign materials for the Year 1 Program. It also involves design of campaign materials for the Year 2 and 3 program.
- Package 3F: CFL Promotion -- Printing and Production (Year 1). This package involves printing and production of the materials designed in the previous package (3E)
- Package 3I: CFL Testing (Year 1). This package involves testing of the CFLs that are procured in Year 1. There will be two types of test: (1) an initial test to ensure that lamps meet product quality specified in the procurement's Technical Specifications, except for lumen maintenance requirement; and (2) an ongoing test of lamps, to confirm lumen maintenance at 2,000 hours according to the guidelines in the Technical Specifications.

SELECTION OF TARGET AREAS

Number of Communes

The program will target rural households served by PC1, PC2, and PC3. The target distribution for Year 1 is 300,000 CFLs through 200 communes. This works out to an average allocation of 1,500 lamps per commune.

Total number of lamps:	300,000
Number of communes:	200
Breakdown by PC (PC1/PC2/PC3):	100/70/30
Lamps per commune:	1,500

Selection Criteria

The criteria for the selecting communes will be as follows:

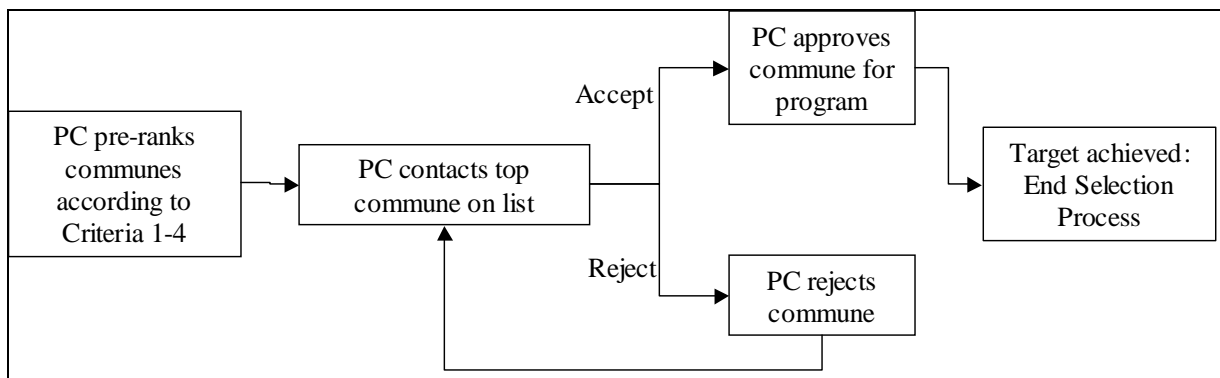
Criterion	Indicator
1. Power quality of the grid is good enough to ensure the operation of CFLs:	180-240V
2. Average household consumption	>= 50 KWh/month
3. The percentage of households supplied with electricity	>=70%/commune
4. Electricity price to households	<=700/KWh for the communes supplied with electricity by other organizations ^a
5. Level of commitment	Strong commitment in program implementation cooperation.

^a This criterion omitted for communes served directly by the utility

Selection Process by the PCs

Based on their database, the PCs will make a preliminary selection of communes using criteria 1, 2, 3 and 4.² The selection of communes will be based on top-down screening: high ranking communes will be taken first. The PCs will inform the pre-selected communes about the program and invite them for program participation. The announcement to the PCs will include information on the program; benefits to the local people; responsibilities of local authorities; fee for local authorities, and major selection criteria.

Only communes where local authorities express strong commitment to program participation will be eligible for further screening. If a commune does not show commitment, or refuses to participate in the program, the PC will then contact the next commune on the list. This process will be repeated until each PCs achieves its target number of communes for the year. The basic process is shown in the following flow chart:



Developing Distribution Service Contracts with Communes

Each Commune Selling Group will have a distribution service contract with its Provincial PC to cover program administration costs – e.g., distribution of promotional materials, sale and distribution of lamps, collection of payments, service of warranties, etc. For the Year 1 program, there will thus be 200 contracts with the participating Commune Selling Groups. Typically, each District PC (working on behalf of its Provincial PC) will have to develop and manage approximately 5-10 contracts with Commune Selling Groups in its service territory.

EVN and the PCs will need to develop a standard contract that can be used as the basis for the 200 contracts. The average distribution cost for each commune will be USD 323.

Under the terms of the contract:

- The provincial PC will supply the CFLs; supporting marketing materials; technical support; and a credit for the CFLs.
- Each commune will be responsible for program administration and reporting. The financial terms of the contract will require the commune to pay the Provincial PC in two installments: 3 months and 6 months after signing contract (see section on Financial Management for more details).

² As of August 2004 160 communes had already been identified by the PCs.

DESCRIPTION OF PROGRAM IMPLEMENTATION

PROGRAM TRAINING

The first step in program implementation will be three phases of training:

Phase 1: EVN trains Regional and Provincial PCs

EVN will organize 3 training sessions in Hanoi, Ho Chi Minh, and Da Nang for the respective regional PCs and their Provincial PCs participating in the CFL program. The training will cover all aspects of program implementation and management and will include “training of trainers” so that PC staff can effectively explain the program and train participating staff from the Provincial and District PCs.

Phase 2: Provincial PCs train District PCs and Commune Selling Groups

The regional PCs will then be responsible for training the Provincial and District PCs in their region to ensure clear knowledge of program steps, timeline, accounting, and detailed activities. This final phase of training will occur prior to program launch, to make sure the Commune Selling Groups are fully informed about the program. During this training, each Provincial PC should introduce a Standard Contract with each participating commune.

LAMP DISTRIBUTION

EVN will procure lamps then transfer to PCs, after that, PCs will distribute lamps to Provincial PCs; Provincial PCs then distribute CFLs (via District PCs) to Commune Selling Groups for sale to households. Lamps allocation for these units will be based on number of communes involved. The distribution diagram is shown below in Figure 1 and is discussed in the section under Financial Management

MARKETING, PROMOTION, AND SALES

National and Regional Marketing

Overall marketing on the program through public media at the national and provincial levels will be led by EVN and carried out by EVN and the PCs, with close coordination. This campaign will be designed by the consultant in Procurement Package 3E and materials produced through Procurement Package 3F.

Local Marketing and Sales

At the local level, direct marketing, promotion, and sale of lamps will be carried out by local communes according to the plans developed by EVN and the PCs and the standard distribution services contract signed between Provincial PC and the participating Commune Selling Groups

Local Campaigns

The local campaigns will start with one-week intensive marketing and promotion campaign carried out by the Commune Selling Groups and villages, with support from the Provincial PC. The marketing and promotion will be carried out using a combination of many measures: broadcasting in local villages, setting up banners and posters at public places, distribution of leaflets to households, talking at public meetings. The Commune Selling Group will be responsible for setting up “Local Dissemination Units” that will be responsible for broadcasting, hanging banners and setting up posters. The distribution of leaflets and promotion at public meetings will be the responsibility of village leaders with assistance of other organizations such as Women’s Union and Youth Union.

Village leaders will be equipped with CFL samples during marketing and promotion to help households have real images of CFLs. For example, at public meetings, village leaders will display sample CFLs and explain the different types of CFLs and varieties of CFLs available. *It is important to use the local campaigns to build the overall market for CFLs. The PCs and village leaders should therefore stress that while the initial sales campaign is offering villagers a special discount on one type of CFL, the long-term goal is to build the local markets and make all types of CFLs available to villagers.*

Targets for Lamp Sales

The sales target for each commune is, on average, approximately 1,500 CFLs. The distribution of CFLs in each commune be carried out by Commune Selling Groups, who will act as distribution agents for the Provincial PCs. To ensure efficient use of CFLs in the household and even distribution throughout each village, sales are limited to no more than 2 CFLs per household.

Lamp Ordering and Selling

In order to ensure the subsidized lamps will go to right users and to avoid the resale of lamps, the Commune Selling Groups will maintain *Sales Lists*, which will developed for each village. The basic steps for lamp ordering are as follows:

1. Provincial PCs will make distribution agreements with a Commune Selling Group in each participating commune.
2. The Commune Selling Groups will work with each participate village to estimate the number of CFLs needed for each participating village in their commune.
3. Provincial PCs, through the District PCs, will provide each the Commune Selling Group in each participating commune with a quantity of CFLs *on consignment*.
4. The Commune Selling Groups act as distribution agents and sell the CFLs to participating villages in their commune.
5. *How the CFLs are sold from the Commune Selling Group to the villages will be overseen by the DSM units at the Provincial and District PCs, in cooperation with the Commune Selling Group.*
6. The Commune Selling Groups are responsible for ensuring that there are monthly Sales Reports from each village. These Sales reports should be simple but include the following information:
 - a. Name of each villager who purchases a CFL
 - b. Number of CFLs purchased by each villager
 - c. Total number of CFLs sold in past month
 - d. Total number of CFLs sold overall

Note that the details of the distribution and payment agreements are described in detail in the section below on Financial Management.

Sales of Screw-In Sockets

Only about 5-10% of incandescent lamp fixtures in rural areas have the screw-in socket. EVN is procuring screw-in CFLs for better durability and quality. The retail price of the screw-in adapters is approximately VND 3,000. It will thus be important to have the screw-in adapters available for all villagers purchasing the CFLs. The Provincial and District PCs will negotiate a bulk purchase of screw-in adapters and purchase them on consignment from local suppliers. The PCs will keep a stock of the screw-in adapters and make them available for sale with the CFLs by the Commune Selling Groups.

Payment Collections

When they buy CFLs from the Commune Selling Groups, it is proposed that households can pay the entire subsidized price at once or can pay half up front, and the rest within 3 months. The details of

payment collections from villagers will be worked out separately for each commune. The sales contracts, sales reporting, and repayment schedules are described below in the section on Financial Management.

Lamp Warranty³

A set number of lamps used for warranty (5% of the order amount) will be given by the regional PCs to the Provincial PCs. Households that have defective lamps within the warranty period can have them replaced by returning the defective lamp to the village leaders. It is the village leader's responsibility to ensure that the lamp is returned via the Commune Selling Group to the Provincial PC, and replaced with a new CFL. The Commune Selling Group and the PCs (district, provincial and regional) will include the warranty CFLs in their accounting of CFL distribution.

PROGRAM MANAGEMENT AND MONITORING & EVALUATION

OVERALL PROGRAM MANAGEMENT

Management and Staffing at National Level: EVN

EVN will oversee and be responsible for the overall CFL program. The program management will be carried out by 2-3 core EVN staff from the DSM Cell in the Business & Rural Electrification Department. These core staff will receive assistance as needed (and requested) from a number of related functional departments within EVN, as needed (see membership of Steering Committee below).

Besides the core project management staff, there will be two important project management bodies at EVN: the DSM Steering Committee and a CFL Program Working Group.

DSM Steering Committee

The Steering Committee oversees all DSM program, one of which being the CFL Program. The Steering Committee is headed by the Vice-President of EVN in charge of business. Its membership will include the heads of the following departments: Business & Rural Electrification, Finance & Accounting; Bidding Management; Material & Equipment; Planning; Cost Estimation; and International Cooperation. With regard to the CFL Program, the Steering Committee will review program implementation; solve problems during program implementation; regulate activities between project implementation units; and allocate staffing from EVN's related departments to assist in program implementation as necessary.

CFL Program Working Group

The Working Group will include EVN staff from the same EVN departments as the DSM Steering Committee. The Working Group will be chaired by a representative from the Business & Rural Electrification Department. The Working Group will be responsible for tracking program progress and reviewing all monthly management and financial reports. Its purpose will be to oversee and coordinate program management and refer important high level and strategic issues and problems for consideration by the DSM Steering Committee.

The program responsibilities of EVN are summarized in Table 3.

³ The master purchase contract with the CFL supplier will specify a warranty period of 15 months.

Management and Staffing at the Regional and Provincial Level: Regional, and Provincial PCs

Each regional PC (PC1, PC2, and PC3) will have management structure parallel to that of EVN -- with 2-3 core staff working on DSM programs (all DSM program, not just the CFL program); a DSM Steering Committee; and a CFL Program Working Group.

Provincial PCs will be responsible for overall management and supervision of all program activities within their province.

Provincial PCs will sign a *Program Implementation Service Contract* with the Commune Selling Group from each participating commune.

The program responsibilities of the regional and Provincial PCs are summarized in Table 3.

Management at the Local Level: District PCs and Commune Selling Groups

Commune Selling Groups will be directly responsible for all program implementation at the local level. The Commune Selling Groups will work in close cooperation with the Provincial and District PCs, who will provide technical and program support.

The program responsibilities of the Provincial and District PCs and Commune Selling Groups are summarized in Table 3.

PROGRAM MONITORING & EVALUATION

A detailed monitoring & evaluation plan for EVN's DSM programs will be developed by the M&E Consultant (Procurement Package 6). However, it is unlikely that the M&E consultant will be in place by the time the Year 1 CFL program starts. For the Year 1 CFL program, the M&E activities will comprise the following:

Set up Financial Management and Accounting System

The financial management and accounting system will be set up by EVN and the PCs as Step 3 in the overall timeline (see Figure 3 below). This system will be used as the basis for ongoing monitoring by EVN and the PCs of the following:

- purchase orders and agreements established at all levels of the distribution chain (see Figure 1);
- numbers of lamps order, distributed, and sold; and
- remaining stock and schedule for completion of CFL distribution

Develop tracking database.

DEM will establish a program tracking database that will be used by EVN to track the progress of the CFL program. The tracking database will be accessible on the DSM Knowledge Portal that will be established as a private "back end" to the DSM web site. It will be accessible only by EVN staff, PC staff, and project consultants.

The tracking database will be used to display information from the financial management and accounting system, as well as additional information needed to track progress of the CFL program. The information will include:

- status of CFL order and shipments from supplier;
- location of CFL stocks within the distribution system;
- unit sales of CFLs to date vs. target;
- remaining stock of CFLs;

- value of CFL sales to date;
- funds collected on CFL sales to date;
- remaining receivables for CFL sales;
- estimated energy savings from CFL sales to date;
- estimated peak demand reduction from CFL sales to date;
- estimated CO₂ reduction from CFL sales to date.

Evaluation of Year 1 Program

This evaluation will be designed and carried out by the M&E Consultant starting near the end of Year 1 implementation. The evaluation will include both a process and impact evaluation of the program. The scope and methodology for the DSM program evaluations is described in summary in the Terms of Reference for Package 8. The detailed scope and methodology will be described in the consultant's proposal, which will be the basis for their scope of work.

FINANCIAL MANAGEMENT

DSM PROGRAM ACCOUNTING SYSTEM

To facilitate the monitoring and management of the Phase 2 DSM Program, EVN will create a separate project accounting system, which will be used by EVN and the PCs to track and manage financial flows of procurements, repayments, loans, revolving funds, payments, etc. In this system, expenses and revenues will be allocated according to the budget categories in the Phase 2 DSM budget, and they will be also separately recorded and tracked between the three main funding sources: the GEF grant, the IDA loan, and EVN funds.

FUND SOURCE FOR YEAR 1 CFL PROCUREMENT

EVN will use GEF grant funds for the bulk procurement of CFLs in Year 1. Lamps then will be transferred from regional PCs, to Provincial PCs and then (via District PCs) to the Commune Selling Groups for sale to households. Revenue from the sale of CFLs will flow back from the Commune Selling Groups to Provincial PCs, regional PCs, and ultimately to EVN, where the funds will be deposited in a Revolving Funds at EVN. Funds for CFL procurements in Year 2 and 3 will be disbursed first from IDA funds, with the balance being paid from the Revolving Fund. In Year 3, it is expected that all CFL procurement will be funded from the Revolving Fund.

DISTRIBUTION AND PAYMENT FOR CFLS

Figure 1 shows the distribution chain and repayment for CFLs. The CFLs will be purchased by EVN from the suppliers and then transferred from suppliers to the regional PCs; from regional PCs to Provincial and District PCs; and then from Provincial PCs to each participating Commune Selling Group. Standard procurement procedures will be used, and value-added tax (VAT) will be included in the transfer pricing. To simplify the accounting, the Commune Selling Groups will be a distribution agent and will sell the CFLs provided by the Provincial PCs on a consignment basis. The Commune Selling Groups will be responsible for distributing and selling lamps to each participating village. They will also be responsible for ensuring that the villages maintain and submit regular sales lists for their village.

VAT receipts will not be issued to each villager who purchases a CFL – rather, the Commune Selling Group will act as the representative for all its households/customers.

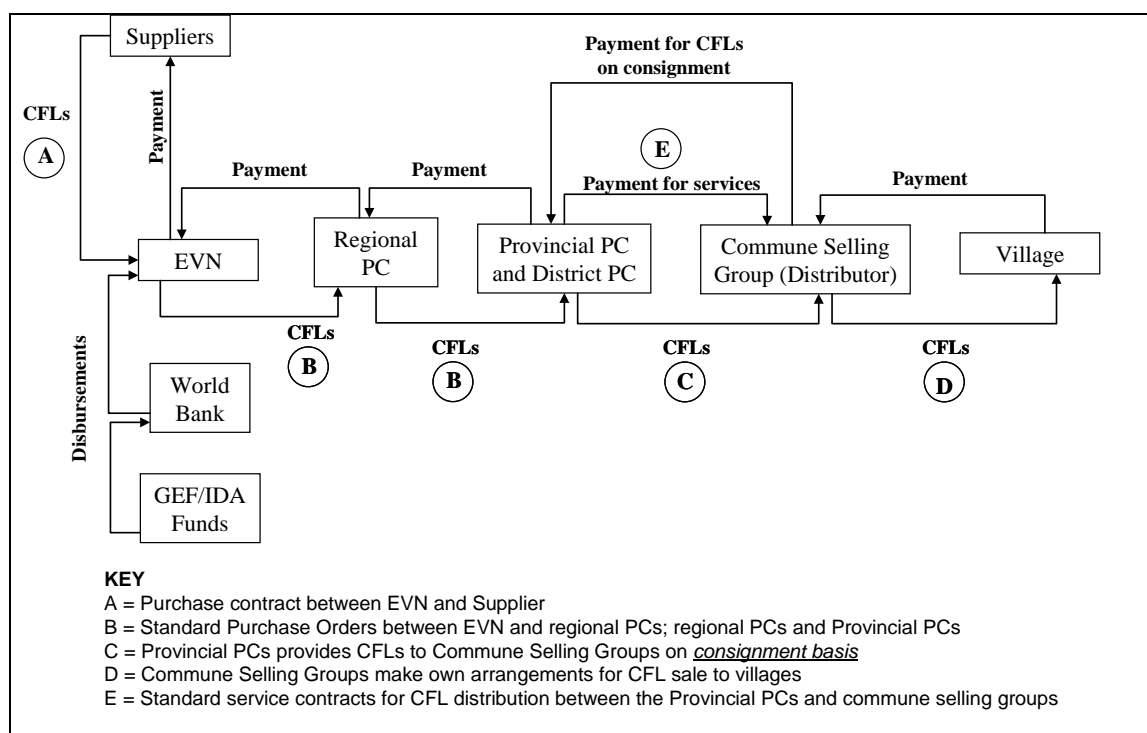


Figure 1. Distribution and Payment Scheme for CFLs.

There will be four basic types of “contracts” to govern the repayment for the CFLs. These are described and summarized shown in Table 2 below.

Table 2. Summary and Description of Contracts and Payment Terms for CFLs and CFL Distribution Services

Label in Figure 1	Type of contract or agreement	Description	Terms of Payment
A	Purchase contract between EVN and the CFL supplier	This contract will be executed under EVN’s procurement package 3A.	As stipulated in EVN’s contract with CFL supplier.
B	Standard Purchase Orders between EVN and regional PCs; regional PCs and Provincial PCs	These purchase orders will be transfer pricing, with no price mark-up. The buying and selling prices will be the same, and will include VAT. A purchase order will accompany each shipment (CFL transfer) and will denote the quantity of CFLs shipped and the repayment terms. Each month, EVN will make a summary of its position with regard to all of the P.O.s with PC 1, 2, and 3. Similarly, each month, PC1, PC2, and PC3 will make a summary report of its P.O.s with the Provincial PCs.	To simplify accounting and reduce reporting, repayments will be made in two parts: <u>an initial 50% 3 months after receiving the CFLs;</u> <u>and a final 50% 6 months after receiving the CFLs.</u> This payment timing will apply to agreements between (a) the Provincial PC to its regional PC; and (b) the regional PC to EVN.
C	Provincial PCs provides CFLs to Commune Selling	Thes CFLs will be sold by Commune Selling Groups on behalf of the Provincial PCs, with no price mark-up.	To simplify accounting and reduce reporting, Commune Selling Groups will make repayments to

Label in Figure 1	Type of contract or agreement	Description	Terms of Payment
	Groups on <i>consignment basis</i>	Unsold lamps will be returned to the Provincial PCs.	Provincial PCs in two installments: <i>an initial 50% 3 months after receiving the CFLs; and a final 50% 6 months after receiving the CFLs.</i> For accountability and program monitoring, there are two requirements: (a) that the Commune Selling Group be able to make repayments on time to the Provincial PC; and (b) that the Provincial PC reserves the right to do spot checks of all village sales lists (program audit trail).
D	Commune Selling Groups make own arrangements for CFL sale to villages	How the CFLs are sold from the Commune Selling Group to the villages will be overseen by the DSM units at the Provincial and District PCs, in cooperation with the Commune Selling Group.	Villagers must make repayments to Commune Selling Group according to individual agreements developed by each Commune Selling group. For accountability and program monitoring, there are two requirements: (a) that the Commune Selling Group be able to make repayments on time to the Provincial PC; and (b) that the Provincial PC reserves the right to do spot checks of all village sales lists (program audit trail).
E	Standard service contracts for CFL distribution between the Provincial PCs and Commune Selling Group	These standard service contracts are payment for the Commune Selling Group's program administrative costs. The service contracts describe the responsibilities of the Provincial PC and the Commune Selling Group.	Payment terms for the Commune Selling Group will be described in the standard service contract developed by EVN and the regional PCs.

Figure 2 shows the Sales Reporting and Payment Collection between the Village Leader, the Commune Selling Group, and the Provincial PCs:

- the Sales Lists (which include names of purchasers and quantity of CFLs) are used to track sales and inventories and adjust CFL shipments, etc. They are used as an audit trail to ensure even distribution of the CFLs among villagers; and
- to simplify bookkeeping and accounting, the repayments are made in two installments.

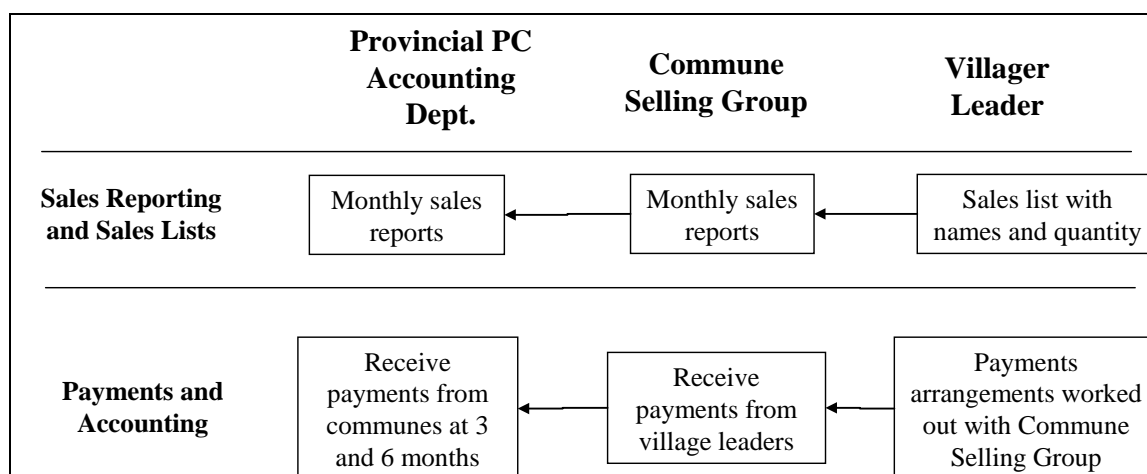


Figure 2. Sales Reporting and Payment Collection between the Village Leader, the Commune Accountants, and the Provincial PCs

DISBURSEMENT FROM GEF GRANT FUNDS

EVN will submit applications to the Bank for disbursements from GEF grant funds to pay suppliers in accordance with the delivery schedule specified in the Year 1 contract for lamp procurement. As agreed, EVN can use the difference between the bulk procurement price and the market price to pay for lamp distribution costs. Thus EVN's submission to the Bank's disbursement (from GEF funds in Year 1 and IDA funds in Years 2 and 3) for procurement and distribution of lamps will be based on the procurement contract price and the cost of distribution.

IMPLEMENTATION STEPS

OVERALL IMPLEMENTATION STEPS

The series of implementation steps and responsibilities are shown in Table 3 below. The timing of the steps is shown in Figure 3.

Table 3. Overall Implementation Steps and Responsibilities.

Task	Description	EVN	PC	PC_p	PC_d	Comm
1. Develop national management systems and structure	Project Steering Committee EVN Working Group	√	√			
2. Develop regional, provincial, and local management systems	Working groups		√	√	√	
3. Develop financial management and accounting systems	Financial procedures; purchase orders; financial reporting forms; standard service contracts	√	√	√	√	
4. Training workshops on program implementation and management	National level; provincial level; district level	√	√	√	√	√

Task	Description	EVN	PC	PC_p	PC_d	Comm
5. PC develop implementation plans	Based on national and provincial training, develop detailed work plan for regional and Provincial, and District PCs		√	√	√	
6. Select participating communes	Select 200 communes to participate in program		√	√	√	
7. Develop implementation plan and agreements at commune level	Based on district-level training, develop detailed work plan for each commune. Include service contracts, reporting formats, etc.				√	√
8. Develop marketing materials	EVN manages procurement of design and printing of marketing & promotion materials (procurement packages 3E and 3F).	√				
9. Deliver CFLs	CFLs delivered by winning bidder	√				
10. Test that CFLs meet Technical Specifications	Testing by independent, accredited laboratory of Technical Specifications, except for lumen maintenance	√				
11. Distribute lamps	Distribute lamps to villagers through PCs and Commune Selling Groups	√	√	√	√	√
12. Ongoing testing of CFLs for lumen maintenance	Testing by independent, accredited laboratory of 2,000 hour lumen maintenance	√				
13. Marketing, promotion, and sale of lamps	Promotion of lamps through multiple media channels and sale to villagers through Commune Selling Groups and mobile units				√	√
14. Ongoing monitoring & evaluation	Program tracking and regular monitoring of targets	√	√			

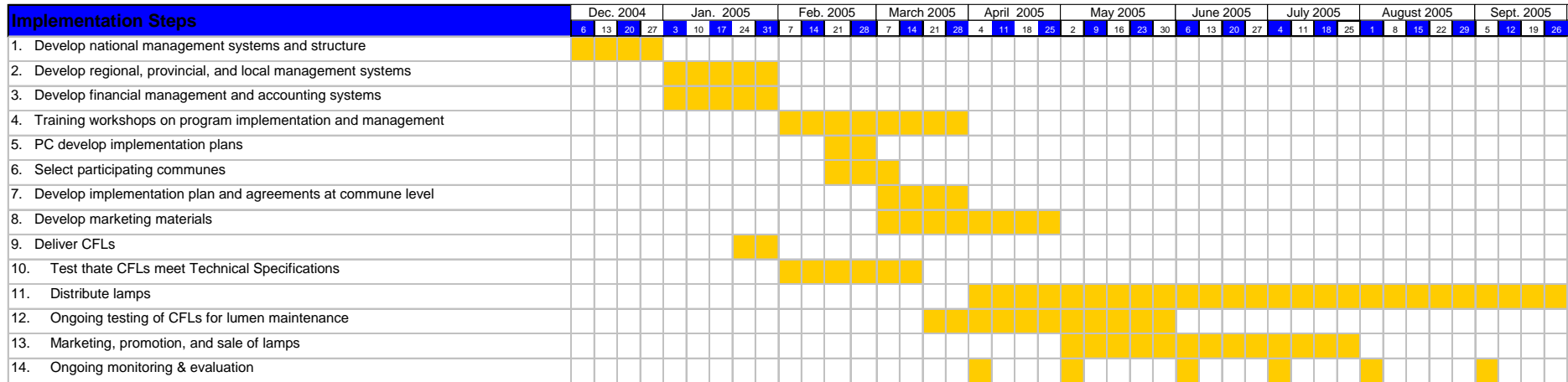


Figure 3. Overall Implementation Timeline for Year 1 CFL Program.

DETAILED IMPLEMENTATION STEPS AT COMMUNE LEVEL

Table 4 shows the detailed implementation steps and responsibilities at the provincial, district, commune, and village levels. The timing of the steps is shown in Figure 3.

Table 4. Detailed Implementation Steps at the Provincial, District, Commune and Village Levels.

Task	Description	PC _P	PC _D	Comm Coop.	Comm Acct.	Village Leaders
1. Contact local authority, informing about the implementation plan of the program.	Hold a kick-off meeting, informing and discussing the way to carry out the plan.			√	√	
2. Workshop to training Commune Selling Group	Review program procedures. Assign and understand responsibilities.	√	√	√		
3. Sign Program Implementation Service Contract with Commune Selling Group	Standard contract to cover commune costs for program administration	√		√	√	
4. Establish program implementation teams	Marketing & promotion team, lamp selling team, mobile units, assign duties to each member.		√	√	√	
5. Distribute program materials and lamps to Commune Selling Groups	Marketing materials, demonstration lamps, lamps for sale and forms for order list, monthly financial to Commune Selling Groups	√	√	√		
6. Local marketing	According to EVN marketing plan (e.g., use local broadcasting system, banners, posters, brochures)			√	√	√
7. Lamp pre-ordering	Notify Provincial PCs of how many CFLs needed on consignment basis			√	√	√
8. Commune Selling Groups distribute CFLs	Sell lamps on consignment; create Sales Lists.			√	√	√
9. Commune Selling Groups make first payments to the Provincial PCs.	First Payments:3 months after receiving first batch of CFLs on consignment	√		√	√	
10. Ongoing payment collection by Commune Selling Groups from villagers	Exact method will depend on agreements developed between each Commune Selling Group and villagers					√
11. Sales reporting to Provincial PC	Report includes number of lamps sold, number of lamps in inventory, orders for additional lamps, etc. Provincial PC collates these reports and sends to regional PCs	√		√	√	
12. Lamp warranty for	Service lamp warranty as lamps	√	√	√		√

Task	Description	PC_P	PC_D	Comm Coop.	Comm Acct.	Village Leaders
customers	fail. Request replacement lamps from Provincial PC.					
13.Wrap up Program Service Contract	Final payments and reporting to Provincial PC	√		√		

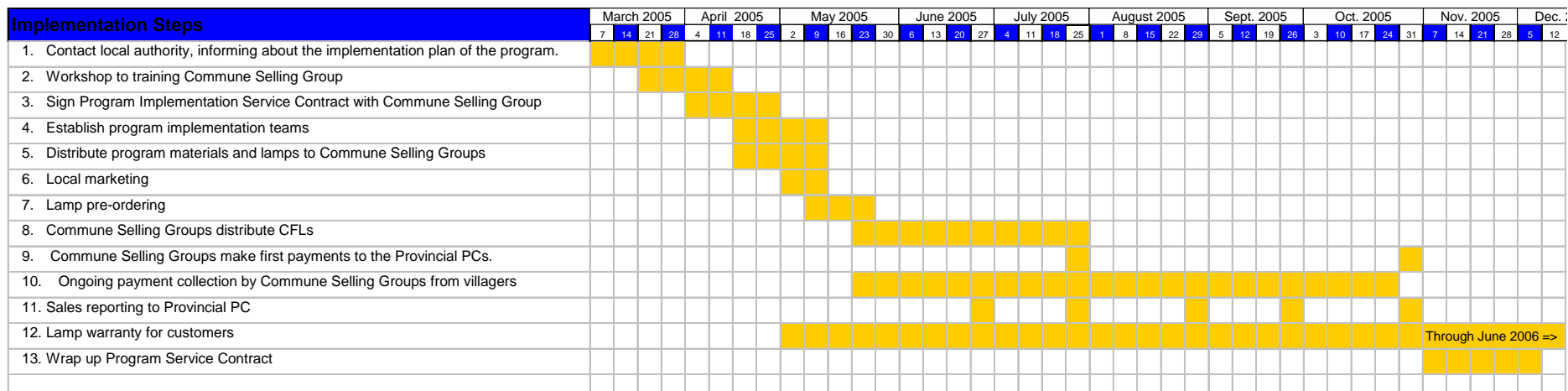


Figure 4. Commune-Level Implementation Timeline for Year 1 CFL Program

