

August 17, 2011

**Comments from Germany on the Approval by mail: Colombia -  
Strategic Public Transportation Systems (SETP) Program**

Dear Patricia, dear COL-Team,

Thank you for the responses provided. Unfortunately, we still have further demand for information. But as we realize that you are working on a very tight deadline and we would risk the "falling apart" of the entire project we propose that we conditionally agree to the proposal provided that MDB's follow-up on our requests. Please find attached more details.

We do very much hope that this will be an agreeable way forward for everybody, and believe that it will not be difficult for MDB's to give their consent. I have to stress, though, that we would need confirmation in writing that MDB's will follow-up on our points.

All the best  
Annette

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**Comments on CTF Proposal  
"Colombia: Strategic Public Transportation Systems Program"**

Cost/Financing : Investment cost: about 320 million US\$  
20 million US\$ CTF resources

Purpose of the program: The overall target of the Program is to improve the mitigation of climate change via the support of the Government of Colombia (GoC) in developing Strategic Public Transportation Systems (SETPs) in four medium-sized cities (Pasto, Popayán, Armenia, and Santa Marta) to improve public transportation service and transit conditions (as part of a program in 7 cities together with world bank and CAF).

**Summary**

We generally welcome this proposal. The concept appropriately aims at developing and establishing a modern, public transport system. By implementing public transport infrastructure, reducing excess supply, replacing obsolete buses with lower-pollution technologies, optimizing and coordinating route planning the Program will achieve greenhouse gas (GHG) emission reductions. We would therefore recommend the approval of the proposal, provided that additional information (especially on the terms of the CTF loan) is provided.

Public Transport plays an important role in the overall GHG emissions. Therefore the mitigation potential of the proposed concept is high. Although the amount of CTF-funding per ton of abated

carbon emissions seems rather high, a number of co-benefits including transformational impact are expected from the project. As a consequence, the proposal is generally in line with the CTF investment criteria and would justify the use of low-cost funds from the CTF.

The proposal is not very explicit regarding the financial terms – especially interest, but also the seniority of the CTF loan relative to the involved IDB funds. Germany would request that this additional information will be presented to the Trust Fund Committee (possibly after approval as we realize that the timeline will be very tight). Likewise, we would appreciate a more concrete gender-based approach concerning development impact (see below). These improvements could also be done subsequently after approval.

### **Comments on the Project Proposal**

Urban Public Transportation is a key issue to address GHG emission reduction. Especially in Colombia, cities have grown in very short period of time.

The strategy presented takes into account the complexity of developing a Strategic Public Transportation System (SETP) in Colombia. It shows that IDB has built up know-how from experiences in other cities of Colombia, such as Cali. Risks and challenges are adequately incorporated in the project design.

Currently there are 13 cities in Colombia with populations between 170,000 and 600,000 inhabitants with an upward trend. By choosing four midsize cities in Colombia the program has also a high demonstration potential for the other midsize cities in Colombia.

The concept has also incorporated the Colombian political, legal and institutional parameters, which could be the key factors for sustainability.

As there are other donors involved it would be important to ensure that measures are taken to optimize coordination and future projects.

### **Comments on the Financing Terms**

The terms seem reasonable and appropriately. Nevertheless it should be made explicit whether CTF funding and IDB funding are ranked equal or whether the IDB loan is considered senior to the CTF means. What is the interest rate of the CTF loan?

### **CTF Investment Criteria**

#### **1. “Potential for GHG Emissions Savings”**

The Program is expected to reduce 86,000 tons of CO<sub>2</sub>-equivalent per year, or 0.86 MT CO<sub>2</sub>e over the next 10 years. The presented CO<sub>2</sub> saving figures in the document are not always identical (page 12, Annex IV) and should be corrected or explained how it has been calculated.

#### **2. “Cost-Effectiveness”**

The cost of each ton of CO<sub>2</sub> saved related to the CTF support (\$197m) has been calculated at approximately 23 USD. As stated under point 1 different figures have been used.

### **3 “ Demonstration potential at scale”**

The cities in Colombia are growing fast. By choosing four midsize cities in Colombia the program seeks to support the midsize cities at an early stage in the direction of a sustainable growth. Besides the biggest cities (Bogota, Medellin, Cali, Cartagena) there are currently 13 cities in Colombia with populations between 170,000 and 600,000 inhabitants with an upward trend. Therefore the program has a high demonstration potential for other midsize cities in Colombia, but also in the rest of Latin America.

### **4 “Development Impact“**

The project has several expected impacts:

- Mitigation of local pollution
- development of sustainable cities
- reducing poverty by lower transportation costs - as the main users of public transportation belong to the lower income segments
- reliable and safe public transportation for almost 800,000 passengers/ day
- shorter travel times

From our point of view the impacts from existing SETP e.g. in Cali (also partly financed by IDB) could have been considered more in detail. Especially given the already existing knowledge about gender-related impacts in transport sector, we would encourage partners to include project components with a clear gender focus based on disaggregated data with appropriate performance indicators.

### **5 “Implementation Potential“**

The institutional set-up and the legal framework are very supportive to implement the project. As the Ministry of Transportation will be the responsible executing agency we expect that experiences (also lessons learned e.g. in Bogota) with similar programs in other cities will have a positive effect on the successful implementation of the programme.

As there are other donors involved in co-financing the program it will be important to establish an effective coordination mechanism during project implementation.

### **6 Additional cost and Risk Premium**

Such high investment costs require a well thought design/monitoring of the GHG emission reductions. Therefore CTF funds are crucial for the monitoring of such emission reduction.