

**Response of ADB to the United States on Approval by Mail: Viet Nam -
Sustainable Urban Transport for Ho Chi Minh City Mass Rapid Transit Line 2
Project**

Dear Patricia,

We are pleased to note of the full support from Germany for this project and positive responses from others. Since there were few questions and comments from Australia, UK and the US, we have prepared the responses and sending those to you. Hope this will satisfy their questions and can get this through in the next 2 days.

Thanks
Jiwan

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CTF Vietnam HCMC Sustainable Urban Transport - QUESTIONS FROM THE US

Thank you for the background materials and providing the opportunity to comment on this project. Similarly to our British colleagues, we are primarily concerned with this project's cost effectiveness.

Cost-effectiveness

As the supporting documents show, the project yields carbon savings of roughly \$85 per tCO₂e (CTF\$50 million / 586,500 tCO₂e) and \$4.95 / tCO₂e when considering reductions in black carbon. With replication and scale up these numbers fall to \$13 per tCO₂e and \$3.76 per tCO₂e respectively. This is a relatively costly GHG emissions reduction project that is heavily dependent on replication and scalability to increase savings, and the inclusion of black carbon reductions. The Integrated Public Transit System Transformation Program project in Bogota, Columbia required a similar investment and resulted in carbon reducing savings of \$18.06 per tCO₂e.

https://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/Approval_by_Mail_Colombia_Technological_Transformation_Program_for_Bogota_Integrated_Public_Transport_System_IDB_response_IDB.pdf

Additional information on the carbon reduction assumptions would be beneficial to further analyze this project.

ADB: We agree in general with the US observations that heavy rail systems may be less cost-effective than some other potential interventions. The recent Bogata project is also part of a broader urban transport program, but in that instance the cost-effectiveness was calculated only for the CTF-supported investments; had the broader program costs been used as the basis for cost-effectiveness, the CTF\$/ton CO₂e would have been much higher. [As noted by Germany, the cost-effectiveness criterion has been met.]

In addition, while we realize that this project is part of a substantial investment program being undertaken by Vietnam and the ADB to develop this transit line, we would appreciate clarification about why the CTF is being used to fund 75% of the project cost with the remainder coming from the Asian Bank loan and government resources.

ADB: as noted in paragraph 7 of the Supplementary Appendix, the initial intent was for CTF cofinancing to be integrated with the broader program and included in the multi-tranche financing facility approved in 2010; Table SA.2 of the Supplementary Appendix shows the overall financing plan.¹ As shown in Table SA.6, CTF funds are leveraged at more than 1:20. Footnote 7 of the Supplementary Appendix explains the decision-making on using CTF cofinancing in a project loan that is a direct follow-on to and linked with the MFF approved in 2010:

“During preparation of the CIP in 2009, the CTF-funded components were proposed for inclusion in the MFF. After extensive discussions with the GOV and the CIF Administrative Unit

¹ The link to the 2010 MFF is noted under subheading 10 in the request for the preparation grant which was approved on 3 October 2011:

http://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/Approval_by_mail_Project_Preparation_on_Grant_for_the_Vietnam_Sustainable_Urban_Transport_for_Ho_Chi_Minh_City_MRT_Line_2_Project_ppgpdf.pdf

in 2010, a decision was made to implement the CTF-funded components as a follow-on investment project to avoid significant delays that would have been caused in obtaining approval from the Prime Minister to increase the total MFF amount. The alternative would have been to re-initiate the project identification and processing approval within the Vietnamese government system, which would have resulted in at least one year delay.”

We would like to note that the recent IBRD renewable energy program in the Philippines utilized CTF funds as a stand-alone guarantee with no direct contributions from either IBRD or the government.²

² See paragraph 26 and the table immediately following in the draft project document:
https://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/Projecct_Document.pdf