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Subj RE: Approval of CTF Financing for Mexico: Urban Transport
ect Transformation Project

Dear Patricia:

We have studied this new proposal and in principle we have no objection to its approval. We welcome its ambition, the GoM institutional support, the WB financial support and the fact that a credible program results framework is outlined in the documentation. However, we find a lack of clarity in some parts of the documents and thus we would like to ask you for some explanations on the following issues:

1. We would appreciate more information about the different components of the Mexican Urban Transport Strategy that the CTF and the WB are supporting with their loans. The relationship between the projects or programs and the budget for each component must be clearer. We need to know if the WB loan is helping to underpin the CTF intervention or vice versa.

2. We would like to know more about the degree of involvement of the Inter-American Development Bank in the proposal.
3. There is a lack of financial details and budget for each loan. Are the WB and the CTF acting alone or maybe their operations will be financially supported by the Mexican Institutions and the private sector? We would like to see that the Government of Mexico is deeply committed to support the CTF project with specific budgetary items for this or related components of the Strategy. The same applies to the private sector.
4. We need to know more about the economic sustainability of the project. We understand the role of the CTF to finance the incremental costs of the hybrid buses. But we are worried about their replacement and viability in absence of the subsidies.
5. Finally, carbon credits could be a financial guarantee and a source of revenue. However, they are not included in any budget. We know the Carbon Partnership Facility is not yet operational and so we are surprised to see it considered as a potential financial source under Annex 16. We think it is not possible to assess the offer of an upfront payment of the 25% of the carbon revenues for the time being.

Thank you in advance for your response.

Best regards,

Vanesa Álvarez Franco

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