

October 17, 2013

Comments from United Kingdom on Approval by mail: Revised CTF Investment Plan for Vietnam (ADB/IFC)

Dear Patricia,

The UK is pleased to approve the above revised investment plan.

Please would you forward the following comments to the project team:

Private Sector Clean Energy Financing Facility

We are pleased that the IFC will retain USD8.6 million to finance exploration of energy efficiency opportunities in the private sector. This appears realistic, given current circumstances and it is possible that private finance could increase in the future as there is potential to make the difference in energy efficiency and emission reduction.

That said, reallocating most of the finance away from the private sector facility means that the private leverage of the overall investment plan has been reduced from 1:4 to 1:0.4.

We think it important that the Admin Unit take note of the issue together with the macro economic climate in Vietnam which has led to the revision of this investment plan as an important lesson learned. Also, given this significant change, we think that the figures for private leverage associated with CTF investment plans be amended so that expected results from the CTF are as accurate and transparent as possible.

Hanoi Urban Transport: Additional \$50m to increase the overall component to \$100m

The proposal argues that additional funding for the Hanoi urban transport project will ensure that the issues that prevent a modal shift to public transport can now be comprehensively addressed. However, there is no clear reason for allocating an extra \$50m to this project, doubling the CTF share. In addition, the integration of this component has been significantly detrimental to the overall cost-effectiveness of the Vietnam IP.

When the Hanoi urban transport project is developed we would like to see:

- A clear rationale that describes how this investment will deliver a modal shift to public transport. This should include research that has been done in Hanoi that describes the barriers that prevent behavioural change in the business as usual scenario and how CTF finance will address these.
- A clear description of which of the elements of this proposal will be financed by the CTF to show in particular, why \$100m is required and how the CTF is central in making this infrastructure project low carbon.

- A requirement for only electric and hybrid buses to be procured if using the CTF finance. LNG/CNG buses are not consistent with the CTF's objective of delivering low carbon, transformational change.
- We also suggest that the Hanoi project developers take on board the UK's previous comments made regarding the Ho Chi Min City urban transport project and for the bus component in particular, the UK's comments on the Bogota urban transport project.

Up to \$1m grant for technical assistance

We are pleased that provision has been made for the inclusion of technical assistance to build monitoring and evaluation capacity.

Kind regards

Simon Ratcliffe | Energy Advisor | Department for International Development |