

May 22, 2012

Response to United Kingdom from ADB on the Approval by Mail: Thailand Private Sector Renewable Energy Program [the Program]

We would like to thank UK for additional comments, mainly on the approach for developing development indicators. We also appreciated the opportunity to have further discussion over the phone and receiving a copy of the DECC Low Carbon Development logframe with some suggested indicators. We will continue our discussion with the CIF Admin Unit and DFID on this topic.

On the approach:

For all ADB private sector lending projects, a Concept Review Paper (CRP) is drafted prior to commencing due diligence. The CRP includes a preliminary design and monitoring framework (DMF) in which key performance indicators are (i) installed RE capacity in MW, (ii) expected RE output in MW-hours or Gigawatt-hours, (iii) expected employment creation, and (iv) expected contributions in terms of locally purchased goods and services. At the CRP stage these indicators are quantified but are preliminary and subject to due diligence. The CRP is subject to interdepartmental review before due diligence commences.

After due diligence, the draft Report and Recommendation of the President (RRP) is prepared, which includes quantitative performance indicators. The draft RRP (analogous to World Bank's Project Appraisal Document [PAD]) is subject to interdepartmental review. After this review, the draft RRP is revised as necessary before being submitted for ADB Board consideration.

We would like to emphasize that the DMF with quantitative indicators are a mandatory requirement of all ADB investment projects including those supported by climate change co-financing. ADB's public disclosure policy requires us to make public a redacted version of the private sector RRP two weeks after board approval. All projects go through meaningful consultation with affected people as per ADB's environmental and social safeguard policies.

On the development indicators:

In line with ADB's methodology on development effectiveness and monitoring for private sector projects, we can incorporate some additional indicators into the program. These are in addition to the CTF-related development indicators listed in the proposal (page 11). Referring to the DECC Low Carbon Development (LCD) logframe, this will include:

- **Outcome Indicator 4** -- direct employment generation, disaggregated by gender and skilled/unskilled (baseline of zero, targets will be set on a project by project depending on the nature of the technology, construction, and operations)
- **Output Indicator 1.1** -- % shift in energy mix in Thailand (the baseline will be the current distribution of power generation sources; the target will be in line with the Government's Power Development Program, i.e., 25% alternate energy use by 2022)
- **Output Indicators 2.3, 2.4** – the number of LCD knowledge sharing products disseminated and persons trained in LCD supported programs (where relevant - this would be in parallel to investments and would likely be targeted at private sector developers, investors and commercial lenders).

- **Output Indicator 4.4** – track the local goods and services procured locally where applicable.

We have addressed DECC's more specific recommendations for indicators point by point below. Some are possible (as listed above), whilst others are less relevant for a private sector program that will develop renewable energy projects which deliver electricity to the national grid (e.g., it is not envisaged that this program will include local or rural electrification programs, which are more the domain of public sector programs aimed at last mile connectivity).

Outcome indicator 1: Numbers of poor households (<\$1.25/d) provided with access to clean electricity

ADB Response: As Thailand is considered by most (including ADB) to be a middle income country, we do not think this indicator is relevant. According to latest data available (2009) from the World Bank World Development Indicators, 0% of the population in Thailand lives on less than \$1.25/day. Besides, electricity access in Thailand is almost universal already. This is something that could be included at CIF level discussion.

Outcome indicator 4: Increased prosperity: direct jobs created in low carbon development, disaggregated by men and women, skilled and unskilled, permanent and contract
ADB Response: We normally include employment indicators in our projects, and we can disaggregate these by gender and skills.

Output indicator 1.2: Energy efficiency: amount of energy (GWh) saved from LCD projects/programmes per year by type (electricity + heat) and by sector (domestic, agricultural, commercial, extractives and industrial).

ADB Response: This is a renewable energy program so including an indicator on energy efficiency (i.e., energy saved) is not an appropriate indicator. However, we could include the equivalent amount of fossil fuel displaced due to RE projects to be implemented under this program as indicators have already been included in the proposal as part of the compliance of ADB to the CTF guidelines.

Output indicator 2.3: Number of policy and decision makers taking part in formal ICF approved training courses/ programmes (M + F).

ADB Response: To the extent any training programs are included in parallel TAs to the investment operation, we could include in the program indicators. However, training programs in parallel to private sector operations usually build capacity with private sector companies and lenders. Public sector operations focus more on capacity building for policy and decision makers.

Output indicator 2.4: Total number of LCD knowledge sharing products disseminated (published + downloaded).

ADB Response: Same answer as noted for 2.3.

Output indicator 4.1: number and value of pro-poor LCD projects financed by private sector investors.

ADB Response: Thailand is considered by most (including ADB) as a middle income country. The proposed utility-scale RE projects under this program are not directly targeted at the poor, as electricity will be supplied to the national grid. Like other grid-connected renewable energy projects, this project will indirectly contribute to poverty alleviation. This is something that could be included in the CIF level discussion.

Output indicator 4.2: average ratio of public to private sector finance achieved through LCD projects and programmes.

ADB Response: This is consistent with CTF guidelines, so yes, we will track leverage of the CTF funds (public funds and any other funds from public sources) relative to private sector sources of finance for the projects.

Output indicator 4.4: number of LCD focused SMEs supported or created in LCD priority countries.

ADB Response: This is a proposal to support private sector utility-scale RE projects. This is not an SME development project so this indicator is not relevant. However, goods and services procured locally could be tracked.