

August 3, 2012

**Comments from World Resources Institute. (CSO Observer) on Approval by Mail:
Revised Investment Plan for the Philippines**

Dear Patricia:

We would like to thank colleagues in the Government of the Philippines (GOP) and the Asian Development Bank (ADB) for responding to questions raised by committee members, civil society observers and other civil society organizations, and for revising the investment plan within a short timeframe.

We also value the fairly detailed explanations on the context facing GOP and ADB as they seek to make optimal choices. The deductive reasoning used to rule out certain options in other sectors and technologies is a good start. It provides helpful explanations on the feasibility of options but remains superficial: options have been dismissed with minimal explanation, the suite of remaining options analyzed have not been identified, and an analysis of why the selected projects remain the best use of Clean Technology Fund (CTF) funding vis-à-vis the other options is missing. Furthermore, the bases for the scale of allocations between the solar and the electric vehicles projects, and a justification on how allocation trade-offs amongst these projects were established, have not been explained. Even the argument that the energy efficient appliances project was dropped in favor of electric vehicles because the government would like to move “systematically up the marginal abatement curve” appears to only justify the choice of the electric vehicles project, but is inconsistent with the choice of the solar project, which is higher up in the cost curve than the EE appliances option.

The additionality assessment is still devoid of the ‘with’ and ‘without’ CTF funding analysis as required per the CTF investment criteria for either project, although we understand that the solar project still needs to be developed. For the electric vehicles project, it seems that CTF funding will not affect the internal rate of return as such, or does so marginally due to the sensitivity of the price of the e-trikes to the volumes procured. However, CTF funding does affect the scale of the project allowing a roughly 33,000 additional e-trikes to be procured with the additional \$100 million CTF funding as opposed to roughly 66,000 without CTF funding [note: the calculation accounts for the price impact assuming that the price of the e-trike will be \$4,500 per unit without CTF funding as per estimates in table A2.2]. Thus, the value add of CTF funding appears to be incremental, not transformational. Moreover, the emission reductions that CTF funding is generating would then come from only the 33,000 additional e-trikes not the 100,000 e-trikes thus also affecting the volume and the cost effectiveness of the emission reductions achieved.

We believe that these two aspects – the options analysis and the additionality test – are crucial factors to justify that the projects included in the revised IP truly need CTF funding and that the allocation of CTF funding represents the optimal use of available resources. Other issues such as the demonstration/ transformational potential at scale and governance risks raised in earlier submissions can be addressed through the project design at the project approval stage. Recognizing that the issues we highlight for endorsing the investment plan are not unique to the Philippines and need to be addressed more broadly, we understand the decision of committee members to move forward with the endorsement, and look forward to seeing requirements of the investment criteria being addressed in a robust manner in the project design before seeking project approval.

We hope that this experience motivates a broader discussion on how to improve the quality of investment plans and project documents submitted to the committee in future. Finally, in response to Germany's suggestion, we also remain willing work with committee members, the admin unit, and the MDB committee to develop guidance for stakeholder consultations and to streamline the process of feedback to the committee so as to ensure more efficient decision-making in future.

Sincerely,

Cliff

(as the CTF committee developed country CSO observer)

Clifford Polycarp

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