

July 26, 2013

Comments from United Kingdom on Approval by Mail: Colombia Technological Transformation Program for Bogota's Integrated Public Transport System (IDB)

Dear Patricia

The UK is content for Bogota's Integrated Public Transport System proposal to continue at this stage, however we have particular concerns regarding the cost effectiveness of this proposal. We note the following:

- We fully support the design and implementation of the SITP as a whole and recognise its potential to deliver significant social improvement and GHG emission reductions for the City of Bogota. We also support the move towards cleaner technology buses and hope that a deep transformational impact across the SITP is realised as a result of this CTF co-financed credit-line.
- We contested the counterfactual argument that IADB initially provided, and argued that the cost-effectiveness investment criterion was not met by this proposal. Based on data provided by the IADB, our economists calculated the investment cost-effectiveness of CTF finance to be \$348/ tCO₂e as a lower bound estimate.
- We raised this issue with IADB, who subsequently provided a revised methodology that included the impact of black carbon. Our analysts agreed that this improved the cost-effectiveness of the project, but have assessed the central case to be around \$211/ t CO₂e, still in excess of the \$200 /tCO₂e cost-effectiveness threshold set out in the CTF investment criteria. We understand that this is the first time black carbon has been factored into the cost-effectiveness calculation and believe this is appropriate given the specific project intervention (i.e. a low carbon transport project).
- To ensure that this project remains relatively cost effective we strongly recommend that the project team aim for a minimum of 50% of the project funding for electric buses as this has a significant impact on the cost effectiveness of the intervention.
- This project has raised a wider issue over the existing cost effectiveness investment criterion in the CTF investment criteria and the methodology used for calculating it. The UK requests a discussion on this point at the next CTF committee meeting, including the rationale for incorporating black carbon where appropriate.
- Finally, we want the IADB to continue to ensure that the development outcomes are delivered, and that they look to improve these where possible, for example by ensuring that the buses support the mobility of women in Bogota, or supporting the most vulnerable people to access markets and jobs.

Kind regards

Sam Balch

International Climate Fund (ICF)

International Climate Change