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10/08/2009 03:15 AM

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

Dear Colleagues

For Germany I' would like to provide the following comments:

The basic concept of introduction of a BRT based efficient urban public transport system is very positive. It can provide save, fast, comfortable and affordable mobility for the urban population with a relative low carbon intensity.

To achieve significant effects the future BRT system has to be large enough to represent the backbone of the public transport system in the respective city. A strong public transport authority has to ensure a harmonised line concept and unified ticketing that is also affordable for the poor population. The same authority has to prevent uncontrolled parallel (mini-) bus transport. A secondary public transport feeder system has to ensure the accessibility of the core BRT-system. The replacement of many small bus

entrepreneurs by the BRT has to be done in a socially acceptable way. This dimension is not sufficiently addressed in the document.

In fast growing cities it is crucial that new settlements are developed along clearly defined axes that can easily be served by public transport. All those issues represent risks and chances that depend to a large part on a strong and dedicated urban authority. The document provides not much inside on how those risks are met. Nevertheless, the ongoing project in Mexico can be a best practice example on how to met the risks and shift it to a chance.

It is not clear from the document with which measures the intended benefits will be realised and how potential risks are avoided. The proposed investment project is rather an investment plan for the urban transport sector than a well defined investment project. The document refers to one GEF financed pilot project which shall be replicated in the coming years in various other cities. For these other cities, except one, no preparatory activities seem to have taken place yet. It is therefore difficult to evaluate this proposal. It seems that some of the assumptions made are rather optimistic in nature and would need to be reviewed. E.g. the high rates of IIR come at a surprise in the field of public transport.

Since the majority of funds will be needed from 2013 onwards, there is currently no need to hurry to disburse the full CTF amount of 200 million USD. The CTF should be requested to present a more precise document in e.g. 2 years of time before the full amount should be appraised. E.g. the project should be reviewed before the 2nd tranche of 100 million USD should be released in case it will not be possible to attract enough interest of municipalities in the programme.

The provided document for approval is not provided as per CTF standards. WB has submitted a Standard IBRD Appraisal Document, which covers CTF public investment criteria to some degree, but is not as elaborate on various CTF specific investment criteria. This should not set the benchmark for future investment appraisal documents.

Since the institutional set up of the project is highly complex in nature WB perceives coordination & cooperation between the state and municipality level as a significant risk. It might therefore be worthwhile to demand a high degree of commitment from the Mexican government to assist in mitigating this risk, e.g. through the nomination of a national coordinator.

In general we support the comments made by TERI on the project proposal (21 April 2009) and the perceived risks. However, we have the impression that although WB agreed to these comments, they have not been considered sufficiently in the revised document.

The proposed risk mitigation measures remain rather unclear. E.g. the risk that cities seek funding only for low-carbon bus purchases but not for infrastructure or institutional components should not be countered through more attractive interest rates but rather through insisting on balanced investment plans eligible for CTF financing.

Best regards,

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