

Chair's Summary of Meeting of the Board Directors

11 July 2008

Policy on Mainstreaming the Multitranche Financing Facility

1. The Chair proposed mainstreaming the multitranche financing facility (MFF), emphasizing the reasons for client demand for the modality. The Chair acknowledged the Board's interest in receiving information on tranches and proposed that it be provided each month with a list of Periodic Financing Requests (PFRs) received in the previous month, with references and links to the safeguard documents supporting each PFR. OED will be tasked to evaluate in three or four years the MFF.

2 The Board approved the mainstreaming of the MFF. One Director abstained and one Director reserved the position of a constituent country pending further consultations.¹ Directors noted (i) high demand for MFFs; (ii) extension of its use to ADF countries and supplementary financing linked to price increases; (iii) clearer criteria and decision-making filters; and (iv) focus on implementation. Management's proposal to inform the Board of PFRs prior to Management approval was welcomed, as was OED's future review of the MFF. Most Directors recognized the MFF's positive contribution to headroom management by encouraging borrowers to take smaller loans for ready projects, as opposed to large, single loans. However, several Directors also noted that MFFs constitute a moral commitment to provide financing. Given the current situation with regard to OCR headroom, Directors suggested careful management of MFFs. One Director noted that the MFF justifies the need for a General Capital Increase (GCI).

3. Several Directors noted the conceptual framework for MFFs is sound, but that there are risks to implementation and accountability. Management was requested to supervise adherence to, and quality of, due diligence. One Director believed each tranche should be submitted for Board approval on a no-objection basis, although there was overall agreement on the reporting procedures proposed by the President.

4. A few Directors suggested simplifying further business processes and documentation, and several expected to see the MFF benchmarked against other modalities. Some Directors recommended that MFFs be included in Country Partnership Strategies to facilitate monitoring of MFF levels and geographic spread. There was a concern that new filters would make it difficult for weakly performing states and ADF-only countries to use the MFF. A few Directors suggested that MFFs to these countries be tailored taking into account the borrowers' special needs, level of development, and implementation capacities. Help should be given to the smaller countries to make them more MFF ready.

5. Some Directors inquired about time and cost savings in processing and implementing MFFs, while others noted the shift of time and cost from processing to implementation. This shift places more burdens on staff and, as such, Management should recognize it within the performance evaluation process.

¹ The Chair's Summary reflects discussions on the Board meeting of 11 July 2008. Subsequent to this meeting, the member of a constituency that reserved its position has expressed support for the mainstreaming of the MFF.