MULTITRANCHE FINANCING FACILITY ANNUAL REPORT 2021

MAY 2022

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ABBREVIATIONS

ADB  –  Asian Development Bank
MFF  –  multitranche financing facility

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I. INTRODUCTION

1. This annual report consolidates key findings on multitranche financing facility (MFF) performance based on the annual MFF progress reports submitted by the five regional Asian Development Bank (ADB) departments. It also provides an update of the portfolio, trends, and implementation status of MFFs for the duration of the 2021 MFF annual report period.

II. MULTITRANCHE FINANCING FACILITY PORTFOLIO

### 2021 HIGHLIGHTS

3 new MFFs approved = $1,969 million

- $1,780 million South Asia Subregional Economic Cooperation Dhaka–Sylhet Corridor Road Investment Project (Bangladesh)
- $149 million Land and Maritime Connectivity Project (Solomon Islands)
- $40 million Solar Public–Private Partnership Investment Program (Uzbekistan)

6 tranches committed for financing = $1,344 million

- $1,260 million regular ordinary capital resources
- $64 million concessional ordinary capital resources
- $19 million Asian Development Fund grants

Notes:
1. The figures above are based on gross approved amounts or commitments.
2. Commitment reporting is not applicable to MFFs; commitments are based on conversion of MFF facility amounts into tranches.

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1. The annual MFF progress reports available through the list of linked documents in the Appendix. These reports are prepared by each regional department and assess the performance of each MFF tranche. More specifically, they examine (i) progress made on each of the physical and nonphysical components; (ii) risks and issues, as well as actions being taken to mitigate the risks and resolve the issues; (iii) updated design and monitoring frameworks; (iv) the status of compliance with clients’ commitments to take or maintain certain undertakings over the term of the MFF; and (v) any changes in circumstances or material facts relating to the investment program or plan.

2. Figures used in this report may vary from the 2021 annual portfolio performance report to be issued by the Procurement, Portfolio, and Financial Management Department. The annual portfolio performance report includes MFFs and tranches that are financed by ordinary capital resources, concessional ordinary capital resources, the Asian Development Fund, and ADB-administered cofinancing, while data in this report generally excludes cofinancing and are net of cancellations.

3. Following the approval of the new MFF policy on 31 January 2022, the annual report format is under review. The annual MFF progress reports listed in the Appendix generally follow the existing format because report preparation started before the approval of the new policy.
### III. PERFORMANCE HIGHLIGHTS

**MFF approvals during 2005–2021**

113 MFFs = $58.6 billion

**Countries with highest approved MFF amounts (cumulative)**

- **India**: 42 MFFs = $17 billion
- **Pakistan**: 11 MFFs = $8 billion
- **Bangladesh**: 9 MFFs = $7 billion
- **Viet Nam**: 6 MFFs = $4 billion

**MFF approvals by region (cumulative)**

- **Southeast Asia**: $7.7 billion (9 MFFs)
- **Central and West Asia**: $19.2 billion (33 MFFs)
- **South Asia**: $26.9 billion (56 MFFs)
- **East Asia**: $2.7 billion (9 MFFs)
- **Pacific**: $2.0 billion (7 MFFs)

**2022 Pipeline**

3 new MFFs
(India, Mongolia, Philippines)

**Second and subsequent tranches from ongoing MFFs**

8 planned for 2022
(Bangladesh, India, Mongolia, Pakistan, Sri Lanka)

**Tranche approvals**

$36.9 billion
provided as tranches since 2005

**Conversion (as of 31 Dec 2021)**

- Average of 63% of cumulative approved MFF amount converted into loans and grants as tranches
- 77% of loans and grants have been disbursed

**Cofinancing**

$567.9 million
in approved cofinancing for MFFs in 2021 (compared to $644.3 million in 2020)

$13.1 billion
in total approved cofinancing for MFFs since 2005
A. Multitranche Financing Facility Performance

2. In 2021, the overall performance of 67 MFFs was rated based on the timeliness in processing their subsequent tranches, status of compliance with undertakings, and tranche performance as of 31 December 2021. As per the performance rating methodology, MFF performance in 2021 was generally rated on track for 72% of MFFs, a decrease from 79% in 2020. In overall performance, 48 MFFs were rated on track, 16 MFFs were rated potential problem, and 3 MFFs were rated at risk for 2021.

Figure 1: 2021 Multitranche Financing Facility Performance Based on Performance Criteria

<table>
<thead>
<tr>
<th>Region</th>
<th>On Track</th>
<th>Potential Problem</th>
<th>At Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central and West Asia</td>
<td>81%</td>
<td>0%</td>
<td>19%</td>
</tr>
<tr>
<td>East Asia</td>
<td>75%</td>
<td>0%</td>
<td>25%</td>
</tr>
<tr>
<td>Pacific</td>
<td>86%</td>
<td>0%</td>
<td>14%</td>
</tr>
<tr>
<td>South Asia</td>
<td>100%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Southeast Asia</td>
<td>75%</td>
<td>0%</td>
<td>25%</td>
</tr>
<tr>
<td>All regions</td>
<td>73%</td>
<td>0%</td>
<td>27%</td>
</tr>
</tbody>
</table>

MFF = multitranche financing facility
Note: MFF overall performance is rated based on three criteria: (i) timeliness of tranche approval, (ii) status of compliance with undertakings, and (iii) tranche performance.
Source: ADB

4 This does not include 46 MFFs that were not subject to performance rating because (i) their first tranches were not made effective in 2021, or (ii) their last tranches were closed on or before 31 December 2020.
5 Linked document 2 on performance rating methodology and 2021 highlights is available through the list of linked documents in the Appendix.
Box 1: Impact of the Coronavirus Disease Pandemic on Multitranche Financing Facility Implementation

Of the 67 multitranche financing facilities (MFFs) rated in 2021, 76% (50 MFFs) reported adverse impacts in implementation during the year, with 29 MFFs reporting significant delays resulting from government-imposed lockdowns, work stoppages, or travel restrictions and procurement-related challenges because of surges in coronavirus disease cases and the emergence of new variants. In some cases, the restrictions caused prices to escalate. In others, institutions were gradually reopened based on the fluid pandemic situation in the country, which made resumption of works possible within the year. Project teams and counterpart executing and implementing agencies closely monitored implementation. Putting in place health and safety plans helped reduce workplace risks. Further details are included in the annual MFF progress reports (Appendix).


Box 2: Afghanistan

Because of the change in government in Afghanistan, the Asian Development Bank (ADB) placed on hold its assistance in the country effective 15 August 2021. This will impact implementation of the four multitranche financing facilities (MFFs) still active as ADB does not have the authorizing environment to deal with the de facto government. Three of these MFFs were rated potential problem while one was rated at risk in 2021. Six tranches under these MFFs from Afghanistan were among the 14 out of 124 tranches that received at risk ratings in 2021.


3. In 2021, 16 MFFs received potential problem ratings in overall performance as compared to 14 in 2020. Of these 16 MFFs, 10 MFFs were also rated potential problem in 2020. Further details for each of these 16 MFFs are in the Appendix (footnote 5).

4. In addition to the reasons described in Box 1 and Box 2 above, MFFs rated potential problem and at risk experienced low disbursement and delays due to long procurement process, as well as delays in release of counterpart funds.

5. Facilities rated potential problem for more than 3 consecutive years. Four MFFs rated potential problem since 2018 were identified. Per the new MFF policy, these MFFs will be reviewed in 2022 to consider the cancellation of future tranches.

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6 Does not include India: Solar Rooftop Investment Program, as it was rated at risk in 2021.
### Table 1: Multitranche Financing Facilities Rated Potential Problem for More Than 3 Consecutive Years

<table>
<thead>
<tr>
<th>Multitranche Financing Facility</th>
<th>Approval Date</th>
<th>Approved Amount* ($ million)</th>
<th>Status</th>
</tr>
</thead>
</table>
| Pakistan: Second Power Distribution Enhancement Investment Program | 20 Nov 2015 | 990 | • Tranche 1 approved and implementation ongoing; 40% of MFF amount converted  
• Proposal to reduce scope of tranche 1 under discussion  
• Tranches 2–4 will not be processed given the short duration left in the MFF availability period |
| Viet Nam: Greater Mekong Subregion Ben Luc-Long Thanh Expressway Project | 14 Dec 2010 | 636 | • Two tranches approved, tranche 1 closed in 2019; 74% of MFF amount converted  
• Extension to availability period approved by the Board in 2020; no future tranches will be processed  
• ADB mission in April 2022 to review the project status |
| Viet Nam: Water Sector Investment Program | 22 Feb 2011 | 1,000 | • Four tranches approved, tranche 4 closed in 2016; 57% of approved MFF amount has been converted  
• Extension to availability period approved by the Board in 2020; no future tranches will be processed  
• All contracts have been awarded, and design and construction are being completed |
| Regional: Higher Education in the Pacific Investment Program | 11 Jun 2012 | 19 | • Two tranches approved, tranche 1 closed in 2017; 97% of MFF amount converted  
• Commencement of civil works was delayed and tranche 2 had low disbursements  
• Extension to availability period approved by the Board in 2022 |

*Approved MFF amount from ADB's own sources.  
ADB = Asian Development Bank, MFF = multitranche financing facility.  
Source: ADB.

6. **Facilities with at risk ratings in 2021.** Per the current rating methodology, being given an at risk rating may lead to suspension and possible cancellation of the MFF. Three MFFs were rated at risk in overall performance in 2021. The at risk ratings are due to outstanding issues that are awaiting resolution, poor performance of the executing agency, or low disbursement under tranches.
Table 2: Multitranche Financing Facilities with At Risk Ratings in 2021

<table>
<thead>
<tr>
<th>Multitranche Financing Facility</th>
<th>Approval Date</th>
<th>Approved Amount ($ million)</th>
<th>Status as of 31 December 2021</th>
</tr>
</thead>
</table>
| Afghanistan: Energy Supply Improvement Investment Program | 4 Dec 2015 | 1,201<sup>a</sup> | • Disbursed $121.5 million under six approved tranches  
• ADB placed on hold its assistance in Afghanistan effective 15 August 2021  
• Three tranches rated at risk in 2021; three are for attention because of low disbursement and delay in submission of safeguards and financial management reports |
| India: Clean Energy Finance Investment Program | 30 Oct 2014 | 500 | • Tranche 1 fully utilized and closed in 2018; disbursed $200 million  
• Tranche 2 awaiting resolution of guarantee fee  
• Potential suspension or cancellation to be discussed with the Government of India |
| India: Solar Rooftop Investment Program | 30 Sep 2016 | 500<sup>b</sup> | • One tranche approved (from the Clean Technology Fund) and ongoing; disbursed $9.5 million  
• Tranche 2 and tranche 3 yet to be processed  
• MFF being considered for restructuring based on ongoing discussions with the Government of India |

ADB = Asian Development Bank, MFF = multitranche financing facility.
<sup>a</sup> $750 million in ADB resources and $451 million in ADB-administered cofinancing from the Afghanistan Infrastructure Trust Fund and People’s Republic of China Poverty Reduction and Regional Cooperation Fund.
<sup>b</sup> $330 million in ADB resources and $170 million in ADB-administered cofinancing from the Clean Technology Fund.
Source: ADB.

B. Tranche Performance

7. Rating results. As of 31 December 2021, 124 tranches were rated.<sup>8</sup> With regard to overall performance, 75 (61%) of these were rated on track, a decrease from 64% in 2020. There was a 1% increase in tranches rated for attention from 27% (35 tranches) in 2020 to 28% (35 tranches) in 2021. Details are in the Appendix (footnote 5).

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<sup>8</sup> Data includes 30 tranches closed in 2021 that have ratings and excludes four tranches approved but not yet made effective in 2021 as these do not have ratings.
8. The countries with the highest number of tranches being rated are India with 32 under 23 MFFs, of which 41% are rated on track; Bangladesh with 15 under 8 MFFs, of which 93% are rated on track; and Sri Lanka with 14 tranches rated under 5 MFFs, of which 93% are rated on track.

9. There were 14 tranches (11%) rated at risk in 2021, compared to 12 tranches (9%) in 2020. Two of these tranches are under MFFs from Papua New Guinea and Viet Nam, and six are under four MFFs from India. The other six of these tranches are under Afghanistan MFFs whose activities have been put on hold since August 2021 (Box 2). The ongoing pandemic affected implementation of works for at least seven of these 14 tranches. The at risk ratings are also caused by low disbursements against targets, delays in submission of audited project financial statements, and fund flow challenges. Details of key implementation issues and actions being taken to resolve these issues are in the annual MFF progress reports (Appendix).
IV. SIGNIFICANT CHANGES TO INVESTMENT PROGRAMS

<table>
<thead>
<tr>
<th>Country</th>
<th>Multitranche Financing Facility</th>
<th>Approved Extension</th>
<th>Revised Available Period End Date</th>
<th>Reason</th>
</tr>
</thead>
<tbody>
<tr>
<td>Armenia</td>
<td>Sustainable Urban Development Investment Program</td>
<td>2.60 years</td>
<td>31 Dec 2023</td>
<td>The COVID-19 situation is taking a toll on the country's economy. This has been recently aggravated by military conflict. The extension will allow the completion of the ongoing contracts and delivery of the project results, as well as contribute to the post-COVID-19 economic recovery.</td>
</tr>
<tr>
<td>Mongolia</td>
<td>Western Regional Road Corridor Investment Program</td>
<td>2.06 years</td>
<td>31 Dec 2023</td>
<td>The COVID-19 pandemic had a massive impact on progress in 2020 and 2021 as contractors were not able to mobilize during the period. The extension will allow the completion of the awarded contracts and achievement of the MFF outputs.</td>
</tr>
</tbody>
</table>

10. In 2021, there were no major changes to MFF requested. Two extensions to the availability period beyond 10 years were approved by the board in 2021. Linked document 2 of the Appendix provides in brief the status of the 11 MFFs that had been approved for extensions to their availability period beyond 10 years.

V. ENHANCING ADB’S MULTITRANCHE FINANCING FACILITY

11. In 2021, the Board paper for the MFF enhancement plan was finalized (footnote 7) and SPD continued its quality review and outreach for ADB staff and developing member country personnel.

As part of its quality review function, SPD reviews MFF proposals at both the concept paper stage and the draft report and recommendation of the President stage. This review focuses on, among other things, the rationale for selection of the MFF modality, MFF preconditions, and the implementation arrangements. During 2021, SPD reviewed four MFF proposals at the draft report and recommendation of the President stage. Of these, two proposals were considered and approved by the board in 2021.

In 2019, the Independent Evaluation Department conducted a corporate evaluation of MFF performance and results delivered during 2005–2018. Based on the discussions with the Board, a policy paper that presents the proposed enhancements to the MFF modality, including proposed amendments to the mainstreaming policy was developed and approved by the Board on 31 January 2022. The enhancements are currently being implemented.

In coordination with the Budget, People, and Management Systems Department, SPD conducted outreach programs for staff. SPD delivered two training programs in 2021 conducted through virtual platforms for about 60 ADB staff. Earlier awareness-raising materials such as the eLearning module on ADB’s lending modalities and the guidance note on MFFs continue to be available for staff.

SPD conducted seven virtual programs across all five regional departments for about 450 participants from 29 developing member countries. SPD also released explainer videos on ADB’s lending and grant modalities, including for the MFF modality. In addition, a sovereign lending modalities quick guide, which also includes MFF-related information, was published on ADB’s website.

ADB = Asian Development Bank; MFF = multitranche financing facility; SPD = Strategy, Policy, and Partnerships Department.


b ADB. 2022. Enhancing the Asian Development Bank’s Multitranche Financing Facility. Manila (R1-22). The policy proposed enhancements in order to (i) maximize the MFF’s potential to deliver transformational changes, (ii) improve operational performance, (iii) streamline processing and implementation, (iv) increase Board engagement, and (v) review the 10-year availability period.

c ADB. Lending and Grant Modalities. Source: ADB
# LIST OF LINKED DOCUMENTS

http://www.adb.org/Documents/LinkedDocs/?id=2021-MFF%20Annual%20Report

1. Key Financial Tables
2. Performance Rating Methodology and 2021 Highlights
3. Annual Multitranche Financing Facility Progress Report

   i. Armenia
   ii. Azerbaijan
   iii. Bangladesh
   iv. China, People’s Republic of
   v. Fiji
   vi. Georgia
   vii. India
   viii. Kazakhstan
   ix. Mongolia
   x. Pakistan
   xi. Papua New Guinea
   xii. Philippines
   xiii. Solomon Islands
   xiv. Sri Lanka
   xv. Uzbekistan
   xvi. Viet Nam
   xvii. Pacific Regional

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1 The number of “tranche/s expected under the MFF” mentioned in the reports under “Basic Information” may not be the same as the number of tranches envisaged in the report and recommendation of the President at the time of approval. Net loan amounts for tranches may differ because of fluctuations in the conversion rate of the special drawing rights against the United States dollar compared to the special drawing rights equivalent at the time of approval. Data under “ADB-administered funds” and “Non-administered Cofinancing” at the facility and tranche level records in eOperations may differ because of system capture of updates.