

COMPARISON OF FINANCING MODALITY

| Issues | Comparison | | Remarks |
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| | MFF | Project Loan | |
| 1. Long-term support and engagement on water sector | MFF is aligned to the 10 year sector roadmap. It provides a structured framework to assist forecasting needs throughout the design process. | A standalone project limits its support to short-term intervention and policy implementation. | The sector roadmap will be jointly reviewed during the MFF implementation. |
| 2. Strategic-phased intervention in the water sector | MFF allows the introduction of (i) a reform driven selection process, (ii) testing and phasing in of reform elements, (iii) piloting and subsequent streamlining of output based elements (toilet). | A standalone project requires predetermination of all elements. | The MFF provides an exceptional opportunity for feedback and learning. |
| 3. Policy dialogue and coordination | MFF provides a platform for policy dialogue with additional leverage. | A standalone project requires upfront full commitment and definition of all details. | |
| 4. Capacity development of EA and IA | A phased approach with tranches will allow EA and IAs to improve their capacity in sector/program management and institutionally | Standalone project interventions may support capacity building, but have less potential for phasing and revisions to match actual needs. | |
| 5. Project Readiness | MFF maximizes opportunities to ensure that the active portfolio has been approved after advance contracting, phasing in interventions based on a well-structured schedule. | Operational flexibility is minimal under a project loan | This is particularly important in multisectoral interventions, where for instance road work restoration should only be undertaken upon completion of pipe laying. |
| 6. Cofinancing | MFF provides an opportunity for development partners to time cofinancing with ADB based on own procedures and interests, as well as cofinanciers' approval cycles. | Project lending needs upfront commitment, even if opportunities may not immediately arise. | This is particularly important in multisectoral interventions. |
| 7. Resources | MFF modality potentially reduces the transaction cost more than a standalone project in preparation of subsequent tranches and implementation. | | |

ADB = Asian Development Bank, EA = executing agency, IA = implementing agency, MFF = multi-tranche financing facility
 Source: Asian Development Bank.