

COMPARISON OF FINANCING MODALITIES

Issues	Comparison		Remark
	Multitranche Financing Facility (MFF)	Standalone Project	
Market demand	Due to the strong government support to and the likely long-term, sustained demand for renewable energy projects in India, an MFF modality addresses the potential long-term demand for funds and provides the necessary flexibility to adjust to any market changes in the future.	A standalone project would not be able to address the need for readily available funds for more sustained renewable energy sector development.	IREDA finances a large number of renewable energy subprojects. This benefits sector development in India by widening the pool of project developers.
Disbursement	An MFF ideally has a quick turnaround time between tranches, is more flexible, and responds better to market demand and therefore disbursement.		
Phased funding needs	With a sustained market demand for renewable energy projects, an MFF modality allows IREDA to better match its nearer-term funding requirements with its subproject pipeline, such that subsequent loan tranches can be timed to coincide with subproject pipeline development and growth. This saves financing costs and transaction costs (including ADB commitment charges) which can be passed on to subborrowers.	One larger loan increases IREDA's commitment charges and would not allow IREDA to easily adjust loan tenors, terms and conditions as necessary to better match its onlending arrangements.	MFF gives IREDA longer term funding comfort with the flexibility in timing and terms and conditions for each loan tranche.
Strategic context	Supporting renewable energy development in India is a long-term ADB strategy. It requires a long-term approach and a steady flow of funds to meet the sector's financing gap. IREDA is the single largest specialized renewable energy financier in India and the primary government agency involved in renewable energy sector development. It makes sense to develop a long-term partnership with IREDA to achieve such an ADB strategy.	A standalone project does not have an equivalent long-term approach to either the borrower or the sector.	The renewable energy sector in India is still under significant government support to scale up. With a long-term partnership with IREDA, ADB could potentially help improve the sector policy, strategy, and incentive system in the future.
Strategic partnership	An MFF modality better responds to the client needs by matching IREDA's medium- to long-term business plan. MFF's longer-term approach better	A standalone project has a shorter time horizon and faces difficulties to scale up financial	ADB intends to develop IREDA, a government agency, into a more dynamic and commercially viable

	addresses (i) the country's renewable energy development roadmap, incentive policies, and targets under its national Five-Year Plans; and (ii) ADB's country partnership strategies and energy sector development roadmaps in India.	institution support for renewable energy development in India.	financial institution to address the renewable energy sector needs in India. As a result, ADB needs to maintain a long-term, sustained relationship with IREDA.
Capacity development	An MFF modality allows ADB to build a strong and sustained long-term partnership with IREDA to strengthen its institutional capacity, in project implementation, operations and management, and environment and social safeguard. The capacity development will be carried out sequentially, with close coordination with all relevant development partners without any duplication of efforts.	A standalone project would be more restricted to provide the needed phased and sustained institutional development assistance to achieve the desired outcome over a longer-term horizon.	The proposed MFF to IREDA is considered transformational as it focuses on institutional development and renewable energy sector development over a longer-term horizon.
Transaction cost	An MFF maps out a clearly defined 10-year operational and funding strategy, and shortens subsequent project preparation time and reduces the ADB processing transaction cost.	A standalone project would incur higher transaction cost by processing three separate loans over the equivalent 10-year period.	
Tailored, innovative financial products offering	An MFF modality could enable ADB to explore other more tailored financial products such as local currency financing over the medium-term, along with other innovative financial products such as credit enhancement, securitization, and advisory service.	A standalone project would not have the flexibility to explore more tailored and innovative financial products due to its restrictions.	
Cofinancing	Because IREDA receives development assistance from other development partners including AFD, JICA and KfW, the MFF modality could explore cofinancing opportunities with them or other development partners in future tranches.		
Flexibility to accommodate possible changes in ADB requirements	An MFF has a built-in flexibility to accommodate any possible change in the ADB's requirements/guidelines in the sequent tranches.	No such flexibility is provided in a standalone project loan.	

ADB = Asian Development Bank, AFD = French Development Agency, IREDA = Indian Renewable Energy Development Agency, JICA = Japan International Cooperation Agency, KfW = German development cooperation through KfW, MFF = multitranche financing facility.