

**COMPARISON OF FINANCING MODALITY**

Key Consideration Points	Financing Modality		
	Multitranche Financing Facility	Series of Project Loans	Single Project Loan
1. <b>Lending resources.</b> ADB does not have sufficient resources to lend the entire investment amount under one loan agreement.	ADB does not need to provide the loan amount for the entire investment at one time, but each tranche can be sized to fit into the available resources in each year.	The outcome of the project can only be achieved with the completion of the entire project. Financing the project by a series of project loans would significantly delay achieving the outcome.	It is not possible to provide a project or sector loan for the entire investment program as the loan amount would exceed the country allocation for lending resources in 2019.
	Conclusion: <b>Preferable</b>	Conclusion: <b>Not preferable</b>	Conclusion: <b>Not feasible</b>
2. <b>Loan size.</b> The project requires a large amount of ADB financing.	ADB does not need to provide the loan amount for the entire project at one time, but only the first tranche amount upon approval of the MFF. This frees up the lending resources that are not immediately needed, and also helps reduce the borrower's finance charges.	The advantage is similar to that of the MFF. However, the project implementation will be delayed significantly and the outcome will be achieved much later.	As ADB provides the loan amount for the entire project at one time, it is likely that a large portion of the loan amount will not be used in the initial years of implementation. Other projects in other sectors get delayed as more than the entire country allocation will be used for a single project.
	Conclusion: <b>Preferable</b>	Conclusion: <b>Less preferable</b>	Conclusion: <b>Less preferable</b>
3. <b>Financing predictability.</b> There will be a few large-scale contracts that are mutually dependent, which constitute one system and shall be completed at the same time to allow the operation of the entire railway system.	A few large-scale contracts will be financed by two or more tranches. Board approval of the entire MFF amount gives confidence to the borrower and contractors that ADB is highly likely to provide subsequent loans.	The project will need to be divided into different geographical sections, which can only be implemented in sequence. Hence, the completion of the project will be delayed. The individual sections have limited benefit and will not achieve the expected outcome individually.	The loan agreement covering the entire project gives assurance to the contractors that the entire value of the contracts will be financed by ADB.
	Conclusion: <b>Preferable</b>	Conclusion: <b>Less preferable</b>	Conclusion: <b>Preferable</b>

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4. <b>Longer-term engagement.</b> Improvements in the policy framework require a long-term plan on the government's actions and nonphysical investments.	The undertakings section of the framework financing agreement provides the long-term plan for policy framework improvements throughout the duration of the MFF implementation period. ADB may take the progress of each undertaking item into consideration when deciding the second and subsequent tranches.	The covenants of each loan agreement may provide the short-to medium-term plan for policy improvements. However, the coverage is limited to the period of each loan agreement. ADB may take the achievement of previous loan covenants into consideration when deciding the second and subsequent loans.	The covenants of the loan agreement may provide the long-term plan for policy improvements throughout the duration of the loan period. However, the loan may be disbursed as per loan agreement without linking to the progress in policy framework improvements.
	Conclusion: <b>More preferable</b>	Conclusion: <b>Less preferable</b>	Conclusion: <b>Less preferable</b>
5. <b>Overall conclusion</b>	An MFF is more advantageous in all the aspects above.	A series of project loans is less advantageous in terms of longer-term predictability and results in a longer implementation period.	A single loan is not feasible because of the limited lending resources.

ADB = Asian Development Bank, MFF = multitranche financing facility.  
Source: ADB.