COMPARISON OF FINANCING MODALITY

Key Consideration Points	Financing Modality: Multitranche Financing Facility (MFF)	Series of Partial Credit Guarantees	Single Partial Credit Guarantee
1. **Borrowing capacity.** The government does not have to commit the entire investment program amount under one PCG agreement.	The government does not need to commit the PGC amount for the entire investment program in one go, but each PCG for subprojects can be sized to fit in the borrowing capacity and subprojects' needs in each year.	The advantage is similar to that of the MFF.	The government has to commit the entire program amount and provide sovereign counter guarantees for the entire program. However, the government selectively provides sovereign counter guarantees to only those projects meeting the government requirements after due diligence by multiple agencies. It is infeasible for the government to provide a single large PCG with a sovereign counter-guarantee and indemnity in advance for the entire 1,000 MW solar program.
	Conclusion: **preferable**	Conclusion: **preferable**	Conclusion: **infeasible**
2. **Predictability of provision of PCG.** Provision of PCG needs to be envisaged up front at the tendering stage for PPP projects.	The facility approach will allow for reducing the repetitive and cumbersome business processes of a series of PCGs and/or a stand-alone approach and opens the way to meet the government's needs in a timely manner. The facility approach enables inclusion of PCG upfront at the tender stage for PPP projects.	Repetitive and cumbersome business processes are involved in providing PCG provisions even for the tendering stages, making it challenging to meet the government's needs.	The advantage is similar to that of the MFF.
	Conclusion: **preferable**	Conclusion: **less preferable**	Conclusion: **preferable**
3. **Longer-term engagement.** The power market transition and sustainability under the ongoing sector reform and off-taker's creditworthiness require a long-term monitoring platform on the government's actions and power market development.	The undertakings section of the framework financing agreement may provide the complete long-term monitoring platform for the power market transition, sector sustainability, and off-taker's creditworthiness improvements throughout the duration of the entire facility period. ADB may consider the	The covenants of each PCG may provide the short- to medium-term monitoring platform for the power market transition, sector sustainability, and off-taker's creditworthiness improvements. However, the coverage is limited to the period of each PCG. ADB may take the achievement of	The covenants of the PCG may provide the complete long-term monitoring platform for the power market transition, sector sustainability, and off-taker's creditworthiness improvements throughout the duration of the PCG. However, the disbursement of a PCG, which only happens in

Key Consideration Points	Financing Modality: Multitranche Financing Facility (MFF)	Financing Modality: Series of Partial Credit Guarantees	Financing Modality: Single Partial Credit Guarantee
	progress of each undertaking item when deciding the subsequent tranches.	previous PCG covenants into consideration when deciding the subsequent PCGs.	case of payment default, cannot link to the progress in sector performance improvements. Without the incentive of ADB's approving future PCGs, there is little leverage on the government to comply with their undertakings.
	Conclusion: **preferable**	Conclusion: **less preferable**	Conclusion: **less feasible**
4. **Transaction cost.** Streamlining repetitive business processes and responding to the government's need in a timely manner.	The MFF maps out a clearly defined 1,000 MW solar program, shortens subsequent project preparation time, and reduces ADB's processing transaction cost.	A series of PCGs involves repetitive and cumbersome business processes in providing PCG provisions even for the tendering stages.	The advantage is similar to that of the MFF. However, the government has to bear the cost for the entire program amount including uncommitted amount.
	Conclusion: **preferable**	Conclusion: **less preferable**	Conclusion: **less feasible**
Overall conclusion	A facility approach is more advantageous in all the aspects above.	A series of PCGs is less advantageous in terms of longer-term predictability, implementation period, and engagement.	A single PCG is infeasible because the government selectively provides sovereign counter guarantees project by project after due diligence by multiple agencies. It is infeasible for the government to provide a single large PCG with a sovereign counter-guarantee in advance for the entire 1,000 MW solar program.

ADB = Asian Development Bank, MW = megawatt, PCG = partial credit guarantee, PPP = public–private partnership.
Source: ADB.