

COMPARISON OF FINANCING MODALITY FOR IND: SASEC ROAD CONNECTIVITY INVESTMENT PROGRAM

Issues	Comparison		Remark
	MFF	Project Loan	
Long-term support and engagement in the transport sector	The MFF is being aligned with the CPS and COBP and a 10 year sector roadmap which is a common long-term policy guideline for the government, ADB and DPs is being developed. Sector roadmap will be updated with the government and DPs during the MFF implementation.	A stand alone project limits its support to short-term intervention and policy implementation.	A sector roadmap is developed for the MFF implementation period up to 2021, including initial period of the performance-based maintenance period. Additionally, the World Bank, JICA and ADB are working in parallel on other tangential initiatives that support the proposed investment program.
Policy dialogue and coordination in the transport sector	MFF provides an opportunity to have a platform for policy dialogue with the government and sector coordination with other DPs on a longer term basis	Possible, but a standalone project loan can be affected by other DP's support, while MFF will allow us to adjust our approach based on the coordination with other partners.	The WB is also processing a complementary program with the same implementation arrangements for national highways. An MFF modality will provide the necessary flexibility in handling institutional and coordination challenges.
Strategic-phased intervention in the transport sector	The MFF allows supporting the government to adjust implementation based on experience and lessons learned in Tranche 1. Development of initial activities, review, and rolling out is possible. Sustainability will be ensured along with capacity development during the phased interventions.	Only short time intervention is feasible.	MoRTH has initiated a contracting reform, i.e., using EPC and performance-based maintenance. Such initiatives could be adjusted for better roll-out for subsequent tranches, but are not quite ready at this stage.
Capacity development of EA and IA	Phased approach with tranches will allow EA and IA to improve its capacity of the sector/program management institutionally.	A stand alone project's interventions are not often institutionalized in terms of capacity building.	While the EA / IA has some experience with development partners, clearly capacity needs to be improved and can be through the PMU support envisaged in a stepped approach through the implementation of tranches.
Operational flexibility	MFF allows having more opportunities to modify implementation plans while work is in progress. New trends and innovations can be also applied to the subsequent tranches, particularly with respect to safeguards and climate change initiatives.	No flexibility is given, compared to the MFF.	Flexibility is needed for long term sector development, to assist in coordinating with the WB program. Additionally, MoRTH is currently preparing a new phase of the national highway development program (NHDP), focusing on the last-mile connectivity. While this proposal will be the first stage of the implementation, MFF provides flexibility to accommodate the emerging needs.
Cofinancing	MFF modality is potentially more conducive to cofinancing than stand alone projects.	/	Cofinancing opportunities of a tranche with other development partners could arise, particularly for Tranche 2 and after the new phase of NHDP is in place. This flexibility is needed.
Resources	MFF modality potentially reduces the transaction cost more than a stand alone project in preparation of subsequent tranches and implementation.	/	The ongoing TA resources will ensure readiness of Tranche 1, and initial preparation for subsequent tranches while Tranche 1 will support full development of other subprojects.

ADB = Asian Development Bank, DP = development partner, EA = executing agency, IA = implementing agency, MFF = multi-tranche financing facility.

Source: Asian Development Bank.