

**COMPARISON OF FINANCING MODALITY FOR
MAHAWELI WATER SECURITY INVESTMENT PROGRAM**

Issues	Comparison		Remarks
	MFF	Other Financing Modalities	
Adequate time to allow dialogue on policy and institutional reform	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 time to adjust approaches based on needs of the country and coordination with other DPs.	Reform was initially proposed under an earlier ADB project in 2000; however, public opposition prevented proposed legislative changes and creation of a new apex body. Currently the World Bank is studying new reforms and this investment program will allow ADB to substantially contribute to the reform agenda and then lead its implementation, while being sensitive to the government and public's concerns.
Strategically phased implementation of the construction works	All three projects of the investment program are linked. An MFF will allow construction and commissioning of the three projects to be phased strategically to ensure that necessary changes in the country's water management system do not disrupt supplies to users.	Implementation and eventual commissioning of investments under a series of standalone projects comprising the same three projects may cause delays while the tunnel investments are prepared. Coordinated completion and commissioning of the separate projects will be more difficult and disruptions to water supply may result. Overall, these impacts may diminish the benefits of the investments.	MFF modality is preferred. It will allow sufficient time to prepare the complex tunnel investments under the second tranche while investments under the first tranche are being implemented.
Capacity development of EA and IAs	Phased approach with tranches will allow the EA to improve their institutional capacity.	A standalone project's interventions are not often institutionalized in terms of capacity building.	
Cofinancing	MFF modality provides a platform potentially more conducive to cofinancing than standalone projects.		Cofinancing of \$114 million is required to help finance the second tranche in 2016.
Resources	MFF modality potentially reduces the transaction cost compared to a series of standalone projects. It also minimizes the investment cost to the country.		The government has requested the use of MFF for this investment program.

DP = development partner, EA = executing agency, IA = implementing agency, MFF = multitranche financing facility
Source: Asian Development Bank