

COMPARISON OF FINANCING MODALITY

| Issues | Comparison | | Remark |
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| | Multi-tranche Financing Facility | Other Financing Modalities | |
| 1. A total of \$906 million required for the investment program | MFF enables ADB to offer financial resources to the client in a series of separate financing tranches. | The possible size of project loan is significantly less than the requirement. | MFF modality is preferred. The tranching plan will be based on disbursement progress. |
| 2. Long-term support and engagement in the development of national, provincial, and rural networks. | MFF allows ADB to provide assistance programmatically and aligned with long-term needs of the client. The investment program is aligned with the CPS and COBP and the government's 10 year development strategy. Sector roadmap will be updated with the government and DPs during the MFF implementation. | The needs of the client are mainly assessed during the country programming, which may be inefficient. Furthermore, a standalone project limits its support to short-term intervention and policy implementation. | MFF modality is preferred. A sector roadmap has been developed. This could be adjusted for the MFF implementation period, considering that the MFF implementation period includes maintenance period. |
| 3. Capacity development of the road agencies for the integrated road management. | MFF allows ADB to enter into a sustained partnership for supporting the capacity development plan. In addition, phased approach with tranches will allow EA and IA to improve its capacity of the sector/program management institutionally. | The support provided by a project loan is limited to the size and term of the loan. A standalone project's interventions are not often institutionalized in terms of capacity building. | MFF modality is preferred. The World Bank, JICA and ADB are working together to support the development of asset management capacity in road sector. |
| 4. 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 the government and ADB to adjust the approach based on the coordination with other partners. | MFF modality is preferred. The World Bank is also processing a road project to support the output- and performance-based road contracts. An MFF modality will provide the necessary flexibility in handling institutional and coordination challenges. |
| 5. 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 innovative approaches and rolling-out is possible. Sustainability will be ensured along with capacity development during the phased interventions. | Only short time intervention is feasible. | MFF modality is preferred. RDA has initiated a contracting reform, i.e., output- and performance-based road contracts. Such initiatives could be adjusted for better rolling-out for subsequent tranches. |

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| 6. Operational flexibility | <p>MFF allows having more opportunities to review and adjust implementation plans during the implementation.</p> <p>New trends and innovations can be also applied to the subsequent tranches, particularly with respect to safeguards and climate change initiatives.</p> | No flexibility is given, compared to the MFF. | MFF modality is preferred. Flexibility is needed for long term sector development, to assist in coordinating with the other DP's programs. |
| 7. Transaction costs and financial charges. | MFF modality potentially reduces the transaction cost more than a standalone project in preparation of subsequent tranches and implementation. | A standalone project loan will usually incur higher commitment charges if such a large-scale project is to be financed. | MFF modality is preferred. The government uses the TA loan 2080-SRI: Road Project Preparatory Facility to ensure readiness of Tranche 1, and will use its own resource to prepare the subsequent projects. |

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

Source: Asian Development Bank.