

Comparison of Financing Modality for SRI: Green Power Development and Energy Efficiency Improvement Investment Program

Issues	Comparison		Remarks
	MFF	Project Loan	
Long-term partnership and engagement on the energy sector	MFF is aligned to the government's 10-year policy framework, energy sector roadmap and investment program, and ADB and DPs country strategies. The sector roadmap may be updated with the government given the long-term nature of investments in the energy sector in coordination with DPs during MFF implementation.	A standalone project limits its support to short-term investment intervention.	MFF interventions support the sector roadmap and cover a slice of the government's investment program.
Policy dialogue and coordination on the energy sector	MFF provides an opportunity to have a platform for continuous policy dialogue, further advancing sector reforms, flexibility in adjusting approach to sector reforms, and better coordination with other DPs on a longer term basis.	Although policy dialogue is possible, it has limited advantage due to the short-term nature of a standalone project loan. No flexibility in adjusting approach to advancing sector reforms in coordination with DPs.	MFF support further advancing sector reforms in line with the Sri Lanka Electricity Act of 2009.
Phased interventions in the energy sector	MFF supports the phased nature of strategic investments in the energy sector (e.g., for renewable energy development) and provides flexibility in design and implementation. It also ensures continuity in combining investments in physical and nonphysical (e.g., project management and capacity building) aspects of energy sector development and allows the government and ADB to spend more time on implementation work.	Investment interventions have a short-term nature.	Advancing sector reform initiatives and undertaking strategic investments require long term phased interventions.
Capacity development of EA/IA	Phased approach with tranches allows EA/IA to improve their institutional capacity in technical design, strategic planning, and managing the investment program.	Standalone project interventions are not always institutionalized in terms of capacity building.	Capacity building in planning, designing and implementing investments is critically important and can be well developed during implementation of the long-term investment program.
Operational flexibility	MFF allows opportunities to modify implementation plans while work is in progress. Innovative results of pilot interventions (e.g., on demand-side management) may be successfully applied in the subsequent tranche.	There is no operational flexibility similar to that of MFF.	Operational flexibility is important in implementing the long term energy sector roadmap.
Cofinancing	MFF modality is potentially more conducive to cofinancing than standalone projects.		Close dialogue with DPs is undertaken.
Resources	MFF modality reduces the transaction cost in project preparation and implementation comparing to a standalone project.		

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

Source: Asian Development Bank estimates.