

COMPARISON OF FINANCING MODALITY

Issues	Comparison		Remark
	MFF	Project Loan	
1. Long-term support and engagement on water sector	MFF is aligned to the 10 year sector roadmap. It provides a structured framework to assist forecasting needs throughout the design process.	A standalone project limits its support to short-term intervention and policy implementation.	The sector roadmap will be jointly reviewed during the MFF implementation.
2. Strategic-phased intervention in the water sector	MFF allows the introduction of (i) a reform driven selection process, (ii) testing and phasing in of reform elements, (iii) piloting and subsequent streamlining of output based elements (toilet).	A standalone project requires predetermination of all elements.	The MFF provides an exceptional opportunity for feedback and learning.
3. Policy dialogue and coordination	MFF provides a platform for policy dialogue with additional leverage.	A standalone project requires upfront full commitment and definition of all details.	
4. Capacity development of EA and IA	A phased approach with tranches will allow EA and IAs to improve their capacity in sector/program management and institutionally	Standalone project interventions may support capacity building, but have less potential for phasing and revisions to match actual needs.	
5. Project Readiness	MFF maximizes opportunities to ensure that the active portfolio has been approved after advance contracting, phasing in interventions based on a well-structured schedule.	Operational flexibility is minimal under a project loan	This is particularly important in multisectoral interventions, where for instance road work restoration should only be undertaken upon completion of pipe laying.
6. Cofinancing	MFF provides an opportunity for development partners to time cofinancing with ADB based on own procedures and interests, as well as cofinanciers' approval cycles.	Project lending needs upfront commitment, even if opportunities may not immediately arise.	This is particularly important in multisectoral interventions.
7. Resources	MFF modality potentially reduces the transaction cost more than a standalone project in preparation of subsequent tranches and implementation.		

ADB = Asian Development Bank, EA = executing agency, IA = implementing agency, MFF = multitranche financing facility

Source: Asian Development Bank.