COMPARISON OF THE MULTITRANCHE FINANCING FACILITY AND THE PROJECT LOAN

Issues	Comparison		Remark
	MFF	Project Loan	
Long term engagement in the skills development sector	MFF is aligned with the government's NSDP and sector roadmap prepared for SEIP which is meant to be implemented over a 5 to 10 year period. Given the need to undertake major reforms in institutional and funding arrangements for skills development, MFF is better suited to build on a more predictable reform trajectory that requires building consensus among key stakeholders.	Ongoing projects supported demonstrate that it is difficult for a standalone project to address the requirements of the evolving skills development sector and the policy reforms envisaged in the NSDP.	Sector roadmap was developed based on economic analysis and NSDP to support the high growth sectors and to reap on the demographic dividend provided by the young population that will enter the labor force in the next two to three decades.
Policy dialogue and coordination on skills development sector	MFF provides the platform for policy dialogue with the government and key stakeholders (private sector, NGOs, public training providers, and DPs) in elevating the role of skills development in skilling/up-skilling a large number of people to move up the value chain and contribute to higher GDP.	It is more difficult for a standalone project because it (i) requires policy consensus on institutional arrangement and funding modality; and (ii) is largely limited to narrow focus within one or two institutions that have limited roles in taking the reforms to scale with wider coverage of skilling/up-skilling to have a major dent on the economy.	The MFF approach provides an unique opportunity to bring together the key stakeholders within an unified funding and institutional framework. It will be possible to seek needed support from other DPs and private sector in a large scale.
Strategic-phased intervention in skills development sector	As envisaged in NSDP, it will be possible to (i) support major reforms pertaining to enhanced coordination, (ii) unified funding, (iii) large scale training and job placements. It will also help to catalyze private sector in a major way and to transform public training institutions to be market responsive.	Limited reforms and piecemeal developments are possible under a standalone project with limited room for sustainability.	In order to scale up training from around 500,000 to 4 million per year with high labor market outcomes, the private sector participation, buy in and contribution is essential. The public sector also needs to reform to remain competitive and market-responsive.
Capacity development of EA and IA	A long-term perspective is required to develop and implement institutions and their capacity. In order to create a skills market, it will be important to enhance capacity of key institutions (public and private) which is possible through an MFF.	A standalone project has shorter term view which limits the scope for addressing critical institutional and capacity issues.	Capacity development is needed through innovative approaches such as twinning with relevant in-country and overseas agencies with proven track record.
Operational flexibility	MFF allows piloting and building on actual achievements and innovations given the long-term commitment and predictability of funding.	There is very limited flexibility due to shorter time frame compared to the MFF to introduce and sustain reforms, and scale up implementation.	Flexibility is crucial when major reforms are at stake, particularly in improving the quality of delivery.
Cofinancing	Several DPs are keen to support skills development and reforms envisaged in NSDP but this will require increasing the absorptive capacity. MFF can help to build this through a SWAP.	Ongoing standalone projects have been unable to provide the platform to interested partners including DPs to scale up skilling and to catalyze the private sector in a big way.	SWAP roadmap and close dialogues with DPs are already raising keen interest among interested DPs.
Transaction costs	The proposed approach to establish a strong coordinating agency and unified funding for skills with a SWAP modality to be developed in tranche 1 will substantially reduce transaction costs in the subsequent tranches.	Standalone projects continue to generate high transaction costs.	Given the need to ensure strong coordination and unified funding with strong government leadership due to multiple agencies and fragmentation, MFF modality looks more promising.

DP = development partner, EA = executing agency, GDP = gross domestic product, IA = implementing agency, MFF = multitranche financing facility, NGO = nongovernment organization, NSDP = National Skill Development Policy, SEIP = skills for employment investment program, SWAP = sector wide approach.
Source: Asian Development Bank.