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Multitranche Financing Facility Annual Report 2018

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Asian Development Bank

ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
MFF	–	multitranche financing facility
OCR	–	ordinary capital resources
SPD	–	Strategy, Policy, and Partnerships Department

NOTE

In this report, “\$” refers to United States dollars.

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I. INTRODUCTION

1. The 2018 Multitranche Financing Facility Annual Report consolidates the key findings on MFF performance that were reported in the annual multitranche financing facility (MFF) progress reports by the five regional departments of the Asian Development Bank (ADB) (Appendix 1).

2. As required by the MFF policy paper,¹ these progress reports provide, for all approved MFFs in each country, (i) progress made on each of the physical and nonphysical components; (ii) risks and issues, and actions being taken to mitigate the risks and resolve the issues; (iii) updated design and monitoring frameworks; (iv) the status of compliance with clients' commitments to take or maintain certain undertakings over the term of the MFF; and (v) any changes in circumstance or material facts relating to the investment program or plan.²

3. The coverage and focus of the MFF annual report was significantly revised in 2017 in order to comply with the reporting requirements of the MFF policy (footnote 1). This annual report continues to follow the revised format.

II. OVERVIEW

4. **Multitranche financing facility approvals.** As of 31 December 2018, ADB had approved 105 MFFs totaling \$51.8 billion since the 2005 introduction of this modality. One new MFF in the amount of \$500 million (Appendix 2, Table A2.1) was approved in 2018. Some MFF proposals initially planned for 2018 were postponed for 2019 approval and one was converted to a project loan. At the time of writing of this report, there are five new MFF proposals in the pipeline for approval in 2019.³

5. There were 13 new tranches approved in 2018, comprising 1 first and 12 subsequent tranches totaling about \$1.9 billion.⁴ As of 31 December 2018, the number of approved regular ordinary capital resources (OCR) loans, concessional OCR loans, and Asian Development Fund (ADF) grants provided as tranches since 2005 had reached 313 and totaled \$33 billion (after cancellations).

6. **Conversion of multitranche financing facility amount.** As of 31 December 2018, ADB had converted 64% of the cumulative approved MFF amount since 2005 to regular OCR loans, concessional OCR loans, and ADF grants as tranches; 65% of these loans and grants had been disbursed (Appendix 2, Table A2.2).

7. **Financing partnerships.** Approved cofinancing for MFFs in 2018 totaled \$654.4 million, while approved cofinancing for MFF tranches during 2005–2018 totaled \$9.9 billion (Appendix 2, Table A2.3).

8. **Performance overview.** In 2018, 78% of active tranches (113 out of 144) were rated *on track*. Tranches rated *actual problem* in overall tranche performance decreased from 13 in 2017 to 10 in 2018. Progress made on the physical and nonphysical investments was *on track* for 77% of the tranches (using disbursement performance as a proxy). Of the 76 active MFFs rated, 88% were *on track*, with 9 MFFs rated *potential problem* (see section III). Major changes to one MFF

¹ ADB. 2008. [Mainstreaming the Multitranche Financing Facility](#). Manila, para. 89.

² Annual MFF progress reports for 2018 are available from the list of linked documents in Appendix 1.

³ The 2019 pipeline includes two MFFs for Pakistan and one each for Mongolia, the People's Republic of China, and the Philippines.

⁴ The figure excludes tranches that were wholly financed by ADB-administered cofinancing.

and extension of the MFF availability period beyond 10 years for three MFFs were submitted for Board approval in 2018.

9. A corporate evaluation of ADB's multitranche financing facility is currently being undertaken by the Independent Evaluation Department.

III. PERFORMANCE HIGHLIGHTS

A. Rating Methods

10. **Tranche performance.** The performance of each MFF tranche is assessed based on a scorecard system (see Appendix 3). The aggregated rating for each tranche becomes the basis for determining the MFF performance as described in paras 11-12 below.

11. **Multitranche Financing Facility Performance.** Each MFF is also rated based on the three parameters in Table 1: the timeliness of new tranche processing, compliance with undertakings, and tranche performance from para 9.

12. Once the three parameters are rated, an MFF is then rated as follows:⁵

- (i) *at risk*, if all three parameters are rated *at risk*—this may lead to its suspension and possible cancellation;
- (ii) *potential problem*, if two of the three parameters are rated *at risk*—this requires the regional department to draw an action plan to rectify the MFF performance; or
- (iii) *on track*, if items (i) and (ii) above do not apply.

Table 1: Multitranche Financing Facility Ratings Criteria

Rating	Three Parameters and Criteria		
	Timeliness of New Tranche Processing	Compliance with Undertakings ^a	Tranche Performance
■ At risk	The newest tranche is processed more than 2 years after the year projected in the RRP.	Noncompliance with more than three undertakings; or with any safeguard, the PCP, ^b and/or reform implementation	<i>At risk</i> for one-third or more of the tranches (by number)
■ Potential problem	The newest tranche is processed 1–2 years after the year projected in the RRP.	Noncompliance with two undertakings that do not relate to safeguards, the PCP, and/or reform implementation	<i>Potential problem</i> for one-third or more of the tranches (by number), but <i>at risk</i> for less than one-third of the tranches (by number)
■ On track	The newest tranche is processed within 1 year of the year projected in the RRP.	Noncompliance with one undertaking that does not relate to safeguards, the PCP, and/or reform implementation	Neither <i>potential problem</i> for one-third or more of the tranches (by number), nor <i>at risk</i> for one-third or more of the tranches (by number)

ADB = Asian Development Bank, MFF = multitranche financing facility, PCP = ADB's public communication policy, RRP = report and recommendation of the President.

^a Undertakings are clients' commitments to take or maintain certain actions over the term of the MFF.

^b ADB. 2011. *Public communications policy 2011: Disclosure and exchange of information*. Manila.

Source: ADB. 2018. Project Performance Monitoring. *Project Administration Instructions*. PAI. No. 5.08. Manila.

⁵ The regional departments may choose to assign a lower MFF rating to accurately reflect the nature of the issue.

B. Tranche Performance

13. **Rating results.** Table 2 provides an overview of tranche performance for each of the five assessment areas as of 31 December 2018 for the 144 tranches being implemented. With regard to overall performance, 113 (78%) were rated *on track*, 21 (15%) were rated *potential problem*, and 10 (7%) were rated *actual problem*.⁶ Disbursements are used as a proxy for progress in physical and nonphysical investments;⁷ 111 tranches (77%) were rated *on track* for disbursement, 16 tranches (11%) were rated *potential problem*, and 17 (12%) were rated *actual problem*. Details on key implementation issues and actions being taken to resolve issues are in the annual MFF progress reports (footnote 2).

Table 2: Number of Tranches by Rating and Country, 2018

Country	Tranche Total	Overall Performance			Financial Management ^a		Contract Award			Disbursement			Safeguards			Technical Criteria	
		■ T	■ P	■ A	■ T	■ A	■ T	■ P	■ A	■ T	■ P	■ A	■ T	■ P	■ A	■ T	■ A
		T	P	A	T	A	T	P	A	T	P	A	T	P	A	T	A
Afghanistan	15	6	6	3	15	0	11	1	3	7	5	3	10	2	3	14	1
Armenia	4	3	0	1	4	0	2	1	1	3	0	1	4	0	0	4	0
Azerbaijan	3	3	0	0	3	0	3	0	0	3	0	0	3	0	0	3	0
Bangladesh	12	11	1	0	12	0	11	1	0	11	0	1	12	0	0	12	0
PRC	6	6	0	0	6	0	6	0	0	6	0	0	6	0	0	6	0
Fiji	1	0	0	1	1	0	0	0	1	0	0	1	1	0	0	1	0
Georgia	13	13	0	0	13	0	12	1	0	13	0	0	13	0	0	13	0
India	41	37	4	0	41	0	37	3	1	34	4	3	39	2	0	41	0
Kazakhstan	1	1	0	0	1	0	1	0	0	1	0	0	1	0	0	1	0
Mongolia	5	2	3	0	5	0	2	2	1	2	2	1	5	0	0	5	0
Pakistan	10	7	1	2	8	2	8	0	2	6	2	2	10	0	0	10	0
PNG	7	6	1	0	7	0	6	0	1	7	0	0	7	0	0	7	0
Sri Lanka	12	9	2	1	12	0	8	2	2	9	2	1	12	0	0	12	0
Uzbekistan	5	3	2	0	4	1	5	0	0	4	0	1	5	0	0	5	0
Viet Nam	8	6	1	1	8	0	6	1	1	5	1	2	8	0	0	8	0
Regional	1	0	0	1	1	0	0	0	1	0	0	1	1	0	0	1	0
Total	144	113	21	10	141	3	118	12	14	111	16	17	137	4	3	143	1

PNG = Papua New Guinea, PRC = People's Republic of China, ■A = *actual problem*, ■P = *potential problem*, ■T = *on track*.

^a The existing financial management (FM) portfolio performance review methodology is being strengthened to help identify potential project implementation issues related to FM. The revised methodology is expected to better reflect actual project implementation status and enable a more robust assessment of future MFF tranche FM performance.

Notes: 1. The table does not include 26 tranches for which legal agreements were closed, 1 tranche which was cancelled and 8 tranches which are active but not made effective on or before 31 December 2018, because these do not have ratings.

2. Excludes two tranches that were wholly financed by ADB-administered cofinancing.

Source: Asian Development Bank estimates.

14. Overall *on track* tranche performance ratings by country for 2016–2018 are in Table 3. Tranches are consistently on track for Azerbaijan, Kazakhstan, and the People's Republic of China (PRC). India currently has the highest number of ongoing tranches at 41, of which 90% are rated *on track*. Significant declines in performance ratings for Afghanistan, Armenia and Mongolia are due to increase in tranches rated *actual problem* for these countries due to delays in contract awards leading to low disbursement ratios.

⁶ Appendix 2, Table A2.4 lists tranches that were rated *actual problem* on overall performance.

⁷ The updated design and monitoring frameworks in the MFF progress report provide the status of output delivery under each of the MFFs.

Table 3: Overall *On Track* Tranche Performance Ratings by Country, 2016–2018

	2016			2017			2018		
	Tranches with <i>On Track</i> Ratings (No.)	Tranches Rated (Total No.)	Tranches rated <i>On Track</i> (%)	Tranches with <i>On Track</i> Ratings (No.)	Tranches Rated (Total No.)	Tranches rated <i>On Track</i> (%)	Tranches with <i>On Track</i> Ratings (No.)	Tranches Rated (Total No.)	Tranches rated <i>On Track</i> (%)
Afghanistan	10	13	77%	12	15	80%	6	15	40%
Armenia	5	5	100%	5	5	100%	3	4	75%
Azerbaijan	9	9	100%	10	10	100%	3	3	100%
Bangladesh	7	10	70%	8	9	89%	11	12	92%
PRC	5	5	100%	6	6	100%	6	6	100%
Fiji	0	0	n/a	0	0	n/a	0	1	0%
Georgia	10	11	91%	10	13	77%	13	13	100%
India	51	57	89%	43	55	78%	37	41	90%
Indonesia	0	1	0%	1	1	100%	0	0	n/a
Kazakhstan	2	2	100%	2	2	100%	1	1	100%
Mongolia	3	4	75%	4	4	100%	2	5	40%
Pakistan	15	16	94%	16	21	76%	7	10	70%
PNG	4	4	100%	7	9	78%	6	7	86%
Sri Lanka	7	8	88%	6	9	67%	9	12	75%
Uzbekistan	9	11	82%	7	10	70%	3	5	60%
Viet Nam	8	12	67%	7	12	58%	6	8	75%
Regional	1	1	100%	1	2	50%	0	1	0%
Total	146	169	86%	145	183	79%	113	144	78%

n/a = not applicable; PNG = Papua New Guinea, PRC = People's Republic of China

Source: Asian Development Bank estimates.

C. Multitranche Financing Facility Performance

15. Table 4 provides an overview of the overall MFF performance for each of the 76 MFFs based on the timeliness of their subsequent tranches, status of compliance with undertakings, and performance of the tranche as of 31 December 2018. This does not include the 29 MFFs that were not subject to performance rating because their first tranches were not made effective or their last tranches were closed on or before 31 December 2018. The results show that MFF performance ratings were generally *on track* except for nine MFFs that were rated *potential problem*.

Table 4: Multitranche Financing Facility by Rating and Country, 2018

Country	No. of MFFs	Rating for Three MFF Parameters											
		MFF performance			Timeliness			Undertakings Compliance			Tranche Performance		
		■T	■P	■A	■T	■P	■A	■T	■P	■A	■T	■P	■A
Afghanistan	5	5	0	0	5	0	0	5	0	0	4	1	0
Armenia	2	2	0	0	0	2	0	2	0	0	1	0	1
Azerbaijan	3	3	0	0	3	0	0	3	0	0	3	0	0
Bangladesh	7	7	0	0	6	1	0	7	0	0	7	0	0
PRC	2	2	0	0	2	0	0	2	0	0	2	0	0
Fiji	1	0	1	0	0	1	0	0	1	0	0	1	0
Georgia	3	3	0	0	3	0	0	3	0	0	3	0	0
India	26	25	1	0	20	3	3	26	0	0	23	2	1
Kazakhstan	1	1	0	0	1	0	0	1	0	0	1	0	0
Mongolia	3	1	2	0	2	0	1	3	0	0	0	2	1
Pakistan	7	6	1	0	4	1	2	6	0	1	5	0	2
PNG	4	4	0	0	2	1	1	4	0	0	4	0	0
Sri Lanka	5	5	0	0	5	0	0	5	0	0	2	3	0
Uzbekistan	2	2	0	0	1	1	0	2	0	0	1	1	0
Viet Nam	4	1	3	0	1	2	1	3	1	0	1	3	0
Regional	1	0	1	0	0	0	1	1	0	0	0	0	1
Total	76	67	9	0	55	12	9	73	2	1	57	13	6

MFF = multitranche financing facility, PNG = Papua New Guinea, PRC = People's Republic of China, ■A = at risk, ■P = potential problem, ■T = on track.

Note: Figures do not include 29 MFFs that were not subject to performance rating because their first tranches were not made effective or their last tranches were closed on or before 31 December 2018.

Source: Asian Development Bank estimates.

16. The number of projects rated *potential problem* increased to 9 in 2018 from 4 in 2017 due to procurement and consultant selection delays, design modifications, delays in land acquisition and delayed counterpart funding. These are further discussed in Appendix 4. Table 5 provides a summary of MFFs with overall performance rated *on track* by country during 2016–2018.

Table 5: Multitranche Financing Facility Performance Rated *On Track* by Country, 2016–2018

	2016			2017			2018		
	MFFs with <i>On Track</i> Ratings (No.)	MFFs Rated (Total No.)	MFFs rated <i>On Track</i> (%)	MFFs with <i>On Track</i> Ratings (No.)	MFFs Rated (Total No.)	MFFs rated <i>On Track</i> (%)	MFFs with <i>On Track</i> Ratings (No.)	MFFs Rated (Total No.)	MFFs rated <i>On Track</i> (%)
Afghanistan	5	5	100%	5	5	100%	5	5	100%
Armenia	2	2	100%	2	2	100%	2	2	100%
Azerbaijan	4	4	100%	4	4	100%	3	3	100%
Bangladesh	5	5	100%	5	5	100%	7	7	100%
PRC	1	1	100%	2	2	100%	2	2	100%
Fiji	0	0	n/a	0	0	n/a	0	1	0%
Georgia	3	3	100%	3	3	100%	3	3	100%
India	31	31	100%	29	29	100%	25	26	96%
Indonesia	1	1	100%	0	0	n/a	0	0	n/a
Kazakhstan	2	2	100%	2	2	100%	1	1	100%
Mongolia	2	3	67%	1	2	50%	1	3	33%
Pakistan	7	8	88%	9	9	100%	6	7	86%
PNG	3	3	100%	3	4	75%	4	4	100%
Sri Lanka	4	4	100%	4	4	100%	5	5	100%
Uzbekistan	4	4	100%	4	4	100%	2	2	100%
Viet Nam	5	6	83%	3	5	60%	1	4	25%
Regional	1	1	100%	0	1	0%	0	1	0%
Total	80	83	96%	76	81	94%	67	76	88%

MFF = multitranche financing facility; n/a = not applicable; PNG = Papua New Guinea, PRC = People's Republic of China.

Source: Asian Development Bank estimates.

17. **Gap between utilization of multitranche financing facility and time lapsed.** Based on an analysis of the gap between the MFF amount converted into tranches and time elapsed since Board approval, Appendix 5 identifies projects likely to face challenges in completing the MFF scope during the maximum 10-year availability period.

IV. SIGNIFICANT CHANGES TO THE INVESTMENT PROGRAMS

18. In 2018, the Board approved major changes to one MFF and extended the availability period for three MFFs beyond 10 years:

- (i) **Azerbaijan: Second Road Network Development Investment Program.**⁸ ADB expanded the scope of the program to include the rehabilitation of two additional national road sections totaling about 125 kilometers in the northwest region of the country and the installation of a tolling system.
- (ii) **Afghanistan: Water Resources Development Investment Program.**⁹ The 3-year extension of the MFF availability period (from 22 September 2019 to 21 September 2022) was approved to allow the project under the second tranche to be completed.
- (iii) **Papua New Guinea: Highlands Region Road Improvement Investment Program.**¹⁰ The Board approved a 2-year extension of the MFF availability period (from the previous end date of 30 June 2018 to 30 June 2020) to enable physical completion of outputs.
- (iv) **Afghanistan: Energy Sector Development Investment Program.**¹¹ The 2-year extension (from 28 November 2018 to 28 November 2020) was approved in order to allow the investment program to be completed.

V. IMPROVING MULTITRANCHE FINANCING FACILITY PROPOSALS

19. Due to their programmatic nature and long-term duration, MFFs continue to play an important role in the ADB lending portfolio. In 2018, as part of SPD's MFF quality review function, six MFF proposals were reviewed, three at the concept paper stage and three at the draft report and recommendation of the President stage. Of these, one MFF was approved by the Board in 2018, while the other proposals are scheduled for Board consideration in 2019 and 2020.

20. In January 2018, SPD issued a revised Operations Manual section D14 and staff instruction on business processes for MFFs.¹² It strengthened outreach activities to boost staff knowledge of the MFF modality by (i) updating training and learning materials, including development of an e-learning video; (ii) revamping the business process webpage to a more modality-focused, user-friendly interface; and (iii) conducting five learning events for approximately 150 staff participants, including introduction of webinar as a learning session format.

⁸ ADB. 2018. *Proposed Major Change in Facility, MFF0071: Second Road Network Development Investment Program (Azerbaijan)*. Manila (R34-18).

⁹ ADB. 2018. *Proposed Extension of Facility Availability Period MFF 0033: Water Resources Development Investment Program (Afghanistan)*. Manila (R152-17).

¹⁰ ADB. 2018. *Proposed Extension of Facility Availability Period MFF 0029: Highlands Region Road Improvement Investment Program (Papua New Guinea)*. Manila (R15-18).

¹¹ ADB. 2018. *Proposed Extension of Facility Availability Period of MFF 0026: Energy Sector Development Investment Program (Afghanistan)*. Manila (R119-18).

¹² ADB. 2018. *Multitranchise Financing Facility. Operations Manual. OM D14*. Manila; and ADB. 2018. *Staff Instructions on Business Processes for Multitranchise Financing Facilities. Compendium of Staff Instructions*. Manila.

21. The experience of ADB in design and implementation of MFFs will be captured in a forthcoming guidance note, which will serve as a useful document to share indicative success factors and past lessons learned. This will also help in strengthening the rationale for selecting MFF as the modality, in improving assessment of the MFF preconditions, in improving clarity regarding the scope of investments and in ensuring continuity of ADB's longer-term engagement under the MFF. Training modules are under development related to MFFs and will be delivered both for ADB staff and DMC clients as part of SPD's expanded outreach program.

VI. CONCLUSIONS

22. The Multitranche Financing Facility Annual Report and the annual progress reports show that (i) 113 (78%) out of 144 tranches were rated *on track* based on overall performance, 21 (15%) were rated *potential problem*, and 10 (7%) were rated *actual problem*; (ii) no MFF was rated *at risk* in overall performance, however 9 (12%) out of 76 were rated *potential problem*; and (iii) changes in circumstances or material fact necessitated a major change to one MFF while extension to the availability period beyond 10 years of three MFFs were approved.

LIST OF LINKED DOCUMENTS

[http://www.adb.org/Documents/LinkedDocs/?id=2018-MFF Annual Report](http://www.adb.org/Documents/LinkedDocs/?id=2018-MFF%20Annual%20Report)

1. Annual Multitranche Financing Facility Progress Reports

- (i) Afghanistan
- (ii) Armenia
- (iii) Azerbaijan
- (iv) Bangladesh
- (v) China, People's Republic of
- (vi) Fiji
- (vii) Georgia
- (viii) India
- (ix) Kazakhstan
- (x) Mongolia
- (xi) Pakistan
- (xii) Papua New Guinea
- (xiii) Regional
- (xiv) Sri Lanka
- (xv) Uzbekistan
- (xvi) Viet Nam

KEY FINANCIAL TABLES

Table A2.1: Multitranche Financing Facility and Tranche Approvals by Year

Year	Amount (\$ million)				Number			
	MFFs ^a	Tranches Approved ^b			MFFs ^c	Tranches Approved ^d		
	Approved	Loans	Grants	Total	Approved	Loans	Grants	Total
2005	1,520	0	0	0	2	0	0	0
2006	3,610 ^e	780	0	780	8	9	0	9
2007	3,902 ^f	1,440	0	1,440	7	18	0	18
2008	5,658	1,592	218	1,809	12	19	2	21
2009	6,190	3,148	168	3,316	12	24	2	26
2010	4,436	2,866	130	2,996	12	28	1	29
2011	6,116 ^h	3,700	231	3,931	13	32	2	34
2012	2,735	2,663	349	3,012	7	25	2	27
2013	2,060	3,111	369	3,481	5	28	3	31
2014	3,305	2,583	109	2,692	9	28	1	29
2015	2,193	2,582	110	2,692	3	26	1	27
2016	4,493	2,278	153	2,431	7	23	1	24
2017	5,106	2,843	45	2,888	7	24	1	25
2018	500	1,785	143	1,929	1	12	1	13
Total	51,824	31,370	2,025	33,395	105	296	17	313

ADF = Asian Development Fund, MFF = multitranche financing facility, OCR = ordinary capital resources, US = United States

Note: Numbers are based on the inputs gathered in the year of the report and may not sum precisely because of rounding.

^a Yearly MFF approval amounts net of cumulative cancellations as of 31 December 2018 include regular and concessional OCR loans and ADF grants. Cofinanced loans and grants are not included.

^b Amounts relate to regular and concessional OCR loan and ADF grant approvals under tranches related to MFFs that are not necessarily in the same year the facility was approved. Loan and grant amounts are stated in US dollars or their US dollar equivalent using the period-end booking rate, net of cumulative cancellations, as of 31 December 2018.

^c Total number of MFF approvals per year funded by regular OCR, concessional OCR, and the ADF. Cofinanced loans and grants are not included.

^d Number of loan and grant approvals under tranches related to MFF, not necessarily in the same year the facility was approved.

^e Net of \$200 million reduction in OCR facility amount.

^f Net of a \$121.6 million reduction in OCR to be financed by the Department for International Development of the United Kingdom.

^g Net of the unutilized portion under the first tranche of the Road Network Development Investment Program in Afghanistan totaling \$6.4 million after it was financially completed in Sep 2013.

^h Net of an \$88 million reduction in the ADF portion to be financed by the Afghanistan Infrastructure Trust Fund.

Source: Asian Development Bank Loan and Grant Financial Information Systems.

Table A2.2: Utilization of Multitranche Financing Facilities and Tranches by Country
(\$ million)

Country	MFFs Approved^a (\$ million)	Tranches Approved^{a,b} (\$ million)	MFF Converted to Tranches^{a,b} (%)	Cumulative Disbursements^c (\$ million)	Disbursed from Tranches^{b,c} (%)
Afghanistan	2,656 ^d	2,025	76%	941	46%
Armenia	900	484	54%	270	56%
Azerbaijan	2,350	1,728	74%	1,504	87%
Bangladesh	5,461	2,672	49%	1,329	50%
China, People's Republic of	1,600	1,429	89%	1,128	79%
Fiji	153	42	27%	2	4%
Georgia	1,300	994	76%	599	60%
India	15,491	10,811	70%	7,838	73%
Indonesia	500	42	8%	42	100%
Kazakhstan	2,000	1,700	85%	1,590	94%
Mongolia	546	339	62%	127	38%
Pakistan	8,048	3,719	46%	2,462	66%
Papua New Guinea	1,680	1,196	71%	536	45%
Sri Lanka	2,753	1,651	60%	564	34%
Uzbekistan	1,900	1,447	76%	1,248	86%
Viet Nam	4,467	3,097	69%	1,641	53%
Regional	19	18	97%	4	22%
Total	51,824	33,395	64%	21,825	65%

Note: Numbers include closed loans for reporting purposes and exclude cofinancing. Figures may not sum precisely due to rounding.

^a Multitranche financing facility (MFF) and tranche approvals net of cumulative cancellations as of 31 December 2018 and funded by regular ordinary capital resources (OCR), concessional OCR, and the Asian Development Fund. Cofinanced loans and grants are not included.

^b Tranche approvals as a proportion of MFF approvals, net of cancellations.

^c Percentage disbursed of approved net tranche.

^d Net of \$118 million reduction in ADF allocation to be financed by the Afghanistan Infrastructure Trust Fund.

Source: Asian Development Bank Loan and Grant Financial Information Systems.

Table A2.3: Cofinancing Approved for Multitranche Financing Facility Tranches by Country (\$ million)

Country	2005–2017	2018	Total (2005–2018)
Afghanistan	584.5	0.0	584.5
Armenia	237.1	0.0	237.1
Bangladesh	1,838.1	528.5	2,366.6
Fiji	57.6	0.0	57.6
Georgia	170.0	0.0	170.0
India	1,717.9	121.9	1,839.8
Kazakhstan	2,363.0	0.0	2,363.0
Mongolia	53.22	0.0	53.2
Pakistan	229.1	4.0	233.1
Papua New Guinea	36.3	0.0	36.3
Sri Lanka	180.0	0.0	180.0
Uzbekistan	100.0	0.0	100.0
Viet Nam	1,676.0	0.0	1,676.0
Regional	1.5	0.0	1.5
Total	9,244.2	654.4	9,898.6

Source: Asian Development Bank's Office of Cofinancing Operations Cofinancing Database.

Table A2.4: Tranches with Actual Problem Overall Performance Ratings

Country	Project Name	Financial Management	Contract Awards	Disbursement	Safeguards	Technical Criteria
Afghanistan	Transport Network Development Investment Program, Tranche 2	■T	■P	■A	■P	■T
Afghanistan	Energy Supply Improvement Investment Program, Tranche 1	■T	■A	■A	■T	■T
Afghanistan	Energy Supply Improvement Investment Program (Solar), Tranche 3	■T	■A	■A	■T	■T
Armenia	Sustainable Urban Development Investment Program, Tranche 2	■T	■A	■A	■T	■T
Fiji	Urban Water Supply and Wastewater Management Investment Program, Tranche 1	■T	■A	■A	■T	■T
Pakistan	Second Power Distribution Enhancement Investment Program, Tranche 1	■A	■A	■A	■T	■T
Pakistan	Central Asia Regional Economic Cooperation Corridor Development Investment Program, Tranche 1	■T	■A	■A	■T	■T
Sri Lanka	Second Integrated Road Investment Program, Tranche 1	■T	■A	■A	■T	■T
Viet Nam	Ho Chi Minh City Urban Mass Rapid Transit Line 2 Investment Program, Tranche 1	■T	■A	■A	■T	■T
Regional	Higher Education in the Pacific Investment Program, Tranche 2	■T	■A	■A	■T	■T

■A = actual problem; ■T = on track; ■P = potential problem;

Note: Excludes details for India: Solar Rooftop Investment Program, Tranche 1, which is a wholly cofinanced loan.

Source: Asian Development Bank estimates.

TRANCHE PERFORMANCE RATING METHOD

1. Multitranche financing facility (MFF) tranche performance is assessed based on a scorecard system using the following criteria:

- (iv) **Financial management:**¹ compliance with audit and/or account covenants and the acceptability of the audit report.
- (v) **Procurement:** the difference between the cumulative actual and the projected contract award values starting at loan effectiveness over the life of the tranche.
- (vi) **Disbursement:** the difference between the cumulative actual and projected disbursements starting at loan effectiveness over the life of the tranche.
- (vii) **Safeguards:** compliance with safeguard covenants on the environment, resettlement, and indigenous peoples.
- (viii) **Technical:** management of a problem identified by a review mission, if any.

2. The performances for each of these five areas are rated *actual problem*, *potential problem*, or *on track* based on criteria provided in the following table.

Tranche Performance Ratings Criteria

Rating	Five Areas and Criteria				
	Financial Management	Procurement ^a	Disbursement ^a	Safeguards Compliance	Technical ^b
Actual problem	Not complied with	Below 75% of original projection		unsatisfactory	less than 0.7
Potential problem	Not applicable ^c	75% or more but below 90% of original projection		partially satisfactory	0.7 or more but less than 0.9
On track	Complied with	Exceeds 90% of original projection		satisfactory	0.9 or more

^a Refers to the figures for (i) actual disbursement or (ii) contract award.

^b Refers to the average technical rating.

^c Financial management does not have a *potential problem* rating; it is either *on track* or *actual problem*.

Source: Asian Development Bank. 2018. Project Performance Monitoring. *Project Administration Instructions*. PAI. No. 5.08. Manila.

3. The five ratings are aggregated into a single rating by generating an average rating score for the project. A numerical value is assigned to each rating: *on track* is given 1 point, *potential problem* 0.5 points, and *at risk* 0 points. The assigned values for each of the five indicators are summed and divided by 5 to produce an overall project rating score between 0 and 1. A tranche with a total rating score of 0.9 or more is rated *on track*, 0.7 or more but below 0.9 is rated *potential problem*, and below 0.7 is rated *actual problem*. The aggregated rating for each tranche becomes the basis for determining the MFF performance as described in paras. 11–12 of the main text.

¹ The existing financial management (FM) portfolio performance review methodology is being strengthened to help identify potential project implementation issues related to FM. The revised methodology is expected to better reflect actual project implementation status and enable a more robust assessment of future MFF tranche FM performance.

MULTITRANCHE FINANCING FACILITIES WITH OVERALL PERFORMANCE RATINGS OF *POTENTIAL PROBLEM*

1. Each multitranche financing facility (MFF) is rated based on three parameters: (i) the timeliness of new tranche processing, (ii) compliance with undertakings, and (iii) tranche performance. Below are the MFFs rated *potential problem* in overall performance for 2018. The list includes three MFFs (Mongolia: Western Regional Road Corridor Investment Program, Viet Nam: Ho Chi Minh City Urban Mass Rapid Transit Line 2 Investment Program and Viet Nam: Water Sector Investment Program) that were also rated *potential problem* in the 2017 Annual Report. Further details for each MFF are in the respective annual progress reports (Appendix 1).

- (i) **Fiji: Urban Water Supply and Wastewater Management Investment Program.** The investment program in Fiji has converted 24% of its MFF amount into a project design advance (\$2.6 million) and one tranche (\$42 million) since 2016.¹ The second and final tranche was planned for approval in late 2019. Timeliness, compliance with undertakings and tranche performance are rated *potential problem*. A 12-month delay in consultant recruitment and works procurement has resulted in tranche 1 implementation delays. Notably, the main civil works contracts under tranche 1 were awarded in March 2019, and scheduled works is expected to improve performance metrics considerably by end 2019.
- (ii) **India: Solar Rooftop Investment Program.** The investment program in India has converted 20% of its approved MFF amount into one tranche (\$100 million) since 2016.² Timeliness was rated *potential problem* because the estimated tranche 2 approval projected in the report and recommendation of the President was June 2018. Tranche performance was rated *at risk* because a cumulative contract award of only \$12.10 million and liquidation of only \$0.51 million was achieved (against an advance of \$25 million for tranche 1).
- (iii) **Mongolia: Urban Transport Development Investment Program.** The investment program in Mongolia has converted 26% of its MFF amount into one tranche (\$57 million) since 2012.³ Timeliness and tranche performance were rated *at risk* due to delays in contract awards and disbursement for tranche 1. This resulted in delayed processing of Periodic Financing Request 2, which was planned for approval in 2014.
- (iv) **Mongolia: Western Regional Road Corridor Investment Program.** The investment program in Mongolia has converted 98% of its MFF amount into two tranches (\$167 million) since 2011.⁴ Tranche performance was rated *potential problem* due to a termination of one civil works package.
- (v) **Pakistan: Second Power Distribution Enhancement Investment Program.** The investment program in Pakistan has converted 40% of its MFF amount into one tranche (\$400 million) since 2015.⁵ Timeliness and tranche performance were rated *at risk*. Delays in tranche 1 loan effectiveness and procurement, and unmet contract awards and disbursement projections earned it an *actual problem* rating and caused scheduled approval of tranche 2 to be moved to 2019 from the original schedule of October 2017.

¹ The [MFF](#) was approved on 9 December 2016 for an amount up to \$184 million.

² The [MFF](#) was approved on 30 Sep 2016 for an amount up to \$500 million.

³ The [MFF](#) was approved on 18 September 2012 for an amount up to \$217 million.

⁴ The [MFF](#) was approved on 9 December 2011 for an amount up to \$170 million.

⁵ The [MFF](#) was approved on 20 November 2015 for an amount up to \$990 million.

- (vi) **Regional: Higher Education in the Pacific Investment Program.** The investment program originally focused on Fiji, Kiribati, and Solomon Islands, and has converted 97% of its MFF amount into two tranches focused on Kiribati and Solomon Islands (\$18 million) since 2012.⁶ While tranche 1 in Kiribati was completed successfully after some delays, timeliness and tranche performance for tranche 2 are rated at risk. Tranche 2 is rated *actual problem* due to (i) initial delays of 2 years related to campus site selection, and (ii) later delays in procurement of civil works for the Solomon Islands campus that had to be re-tendered. Changes to the tranche 2 campus plans require approval of the University of the South Pacific Council, which will discuss project progress in May 2019; an extension may be required.
- (vii) **Viet Nam: Ho Chi Minh City Urban Mass Rapid Transit Line 2 Investment Program.** The investment program in Viet Nam has converted 100% of its MFF amount into two tranches (\$540 million) since 2010.⁷ Timeliness was rated *at risk* while the other two parameters were rated *potential problem*. Implementation of the investment program has been delayed by more than 5 years because of substantial modifications to the fundamental designs and development of bidding documents customized for design–build civil works contracts. Tranche 1 was rated *at risk* due to low contract awards and disbursement ratios. A reset of baseline projections at approval of loan extension brought tranche 2 on track.
- (viii) **Viet Nam: Greater Mekong Subregion Ben Luc-Long Thanh Expressway Project.** The investment program in Viet Nam has converted 100% of its MFF amount into two tranches (\$636 million) since 2010.⁸ Timeliness and tranche performance were rated *potential problem*. Land acquisition and handover in Ben Luc and Binh Chanh districts has caused delays in civil works progress for both tranches. Overall implementation progress is lagging behind the target due to delays in achieving counterpart funding, recruitment of consultants, and procurement of civil works; and a protracted decision-making process by the executing agency.
- (ix) **Viet Nam: Water Sector Investment Program.** The investment program in Viet Nam has converted 39% of its MFF amount into three tranches (\$390 million) since 2011.⁹ Timeliness and tranche performance were rated *potential problem*. Slow contract implementation under tranche 1 will place timely construction completion within the MFF implementation period at risk. The project team is developing realistic timelines of how much can be achieved on or before the end of the MFF availability period in December 2020 and will prepare recommendations for the government to prepare financing of the remaining works using counterpart funds.

⁶ The [MFF](#) was approved on 11 June 2012 for an amount up to \$19 million.

⁷ The [MFF](#) was approved on 14 December 2010 for an amount up to \$540 million.

⁸ The [MFF](#) was approved on 14 December 2010 for an amount up to \$636 million.

⁹ The [MFF](#) was approved on 22 February 2011 for an amount up to \$1,000 million. PFR 4 was cancelled without signing the loan agreement.

GAP BETWEEN UTILIZATION OF MULTITRANCHE FINANCING FACILITY AND TIME LAPSED

1. The 2017 Annual Report identified six multitranche financing facilities (MFFs) that were likely to face challenges in completing the MFF scope before the end of the maximum 10-year availability period.¹ The selection criteria were based on the assumption that the percentage of the MFF amount already converted to tranches should be close to the percentage of the time lapsed toward the end of the maximum MFF availability period.

- (i) **Time lapsed**, i.e., the MFF is in its 9th or 10th year of implementation by 31 December 2018; and
- (ii) **multitranche financing facility amount converted**,² i.e., the MFF amount converted to tranches is 70% or less.

2. Of the six MFFs identified in the 2017 Annual Report, four were closed in 2018,³ while two are ongoing. The Highlands Region Road Improvement Investment Program (PNG) is now on track following the extension of its availability period and having converted 78% of the approved MFF amount (\$314 million), while the MFF Sindh Cities Improvement Investment Program in Pakistan is included in the table above for 2018.

3. The main explanation for the bigger gap between the MFF amount converted and time lapsed was project implementation delays. When ongoing tranches face implementation delays, ADB generally advises that implementing agencies achieve reasonable progress before seeking new tranches. This slows the pace of converting the MFF amount into subsequent tranches.

4. The preceding criteria were also applied in 2018, with nine ongoing MFFs that met both criteria identified (table).⁴

¹ ADB. 2018. *Multitranche Financing Facility Annual Report 2017*. Manila.

² Amounts are excluding cancellations and cofinancing.

³ These are: (i) Pakistan: [Renewable Energy Development Sector Investment Program](#), (ii) Pakistan: [National Trade Corridor Highway Investment Program](#); (iii) India: [Uttarakhand State-Road Investment Program](#); and (iv) India: [Uttarakhand Urban Sector Development Investment Program](#).

⁴ These criteria are not absolute and cannot capture some unique cases of the MFF implementation. For example, an MFF, which was in its 9th year in December 2018 with 69% of the MFF amount converted to tranches, will be selected, even if the additional 1% or more of the MFF amount will be converted to a new tranche in the 1st quarter of 2019. Likewise, an MFF in its 9th year in 2018 with 100% of the MFF amount converted into multiple tranches will not be selected even if the aggregated disbursement amount under these tranches is only 10% of the MFF amount.

Multitranche Financing Facilities Meeting the Gap Criteria in 2018

MFF Title	Approval Year	Years Lapsed	MFF Amount (\$ million)	Tranches Approved (\$ million) ^a	MFF Amount Converted to Tranches
Afghanistan: Water Resources Development Investment Program ^b	Sep 2009	9th year	303	187	62%
Afghanistan: Road Network Development Investment Program	Nov 2008	10th year	400	184	46%
Armenia: North-South Road Corridor Investment Program	Sep 2009	9th year	500	327	65%
Georgia: Road Corridor Investment Program	Sep 2009	9th year	500	256	51%
India: Orissa Integrated Irrigated Agriculture & Water Management Investment Program	Sep 2008	10th year	158	88	56%
India: Himachal Pradesh Clean Energy Development Investment Program	Oct 2008	10th year	800	444	56%
Pakistan: Power Transmission Enhancement ^c	Dec 2006	12th year	800	506	63%
Pakistan: Sindh Cities Improvement Investment Program	Dec 2008	10th year	300	65	22%
Pakistan: Energy Efficiency Investment Program	Sep 2009	10th year	780	45	6%

MFF = multitranche financing facility.

^a Excluding cancellations and cofinancing.

^b A 3-year extension of the MFF's availability period was approved by the Board in 2017, with the availability period extended until September 2022.

^c A 3-year extension of the MFF's availability period was approved by the Board in 2016, with the availability period extended until December 2019.

Note: 1. All MFFs listed in the table have at least one tranche that has not yet been financially closed, according to records in ADB's eOperations.

2. Two projects that met the gap criteria and were extended beyond the maximum 10-year availability continue to be included in the table and will be reviewed in the subsequent Annual Reports.

Source: Asian Development Bank estimates.