

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risk Description	Risk Assessment	Mitigation Measures or Risk Management Plan
Severe adverse weather or natural disasters disrupt raw material supplies. Could result in failure of supported agribusiness projects or delayed commercial sustainability.	Medium	<ul style="list-style-type: none"> • Business plan to take account of possible disruptions. • Separate regional technical assistance to support risk mitigation on those aspects.
Malpractice and/or poor business performance of partner companies for a range of unexpected reasons, undermining commercial viability of supported ventures, placing funding support at risk, and limiting broader impacts.	Medium	<ul style="list-style-type: none"> • Careful due diligence, assessment, and development of business plan prior to support provision. • Business support services tailored to the needs of individual business projects, with amendments and additional support if required based on ongoing monitoring by facility manager. • Improvement of supply chain arrangements through business support services.
Inconsistent raw material supply disrupts business process.	Medium	<ul style="list-style-type: none"> • Careful constraints analysis during due diligence process. • Support in establishment of contractual arrangements with raw material producers (supply chain development). • Coordination with World Bank Samoa Agriculture and Competitive Enhancement Project.
Non-repayment of loan due to poor business performance.	Medium	<ul style="list-style-type: none"> • Legal enforcement of loan agreements that would allow sale of assets, if necessary. • Banks share part of the risk of lending and are eager to receive full loan repayment. Banks and facility manager will monitor business progress and intervene to rectify management shortcomings and/or technical or external market challenges, where possible. • Cash collateral will only be used pro rata of default, i.e., banks still share part of the default.
Difficulty in securing suitably qualified and/or experienced facility manager with extensive relevant experience and negotiation and collaboration skills.	Medium	<ul style="list-style-type: none"> • Extensive recruitment process to select most qualified person. • Remuneration package to attract qualified candidates. • Selective use of external technical support agencies to complement skills for business support services. • 6-month review of performance against key performance indicators with option of replacement.
Exogenous economic and market shocks (including global economic downturns) undermine profitability of supported business projects.	Low	<ul style="list-style-type: none"> • Careful assessment of external threats to business undertaken by partner commercial bank prior to credit assessment and contingency plans incorporated in business plan. • Supportive interventions by facility manager as

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Some supported companies do not adhere to partnership agreements.	Low	<p>required.</p> <ul style="list-style-type: none"> Partner commercial bank and facility manager to monitor business project implementation on ongoing basis. Interventions to rectify and address shortcomings, with legal action as last resort.
Moral hazard of agribusinesses perceiving project support as a government grant.	Low	<ul style="list-style-type: none"> Channeling of funds through commercial banks distances funding support from government. Legal contracts between banks and agribusinesses to enforce repayment of loan, including supplemental seed capital, will reinforce commercial basis of funding support. Close monitoring during loan term by bank and facility manager.
Moral hazard of participating banks due to overreliance on cash collateral.	Low	<ul style="list-style-type: none"> Clear specification of roles and responsibilities of participating bank outlined in subsidiary financing agreement between government and bank. Clear outline of process on when and under what condition cash collateral can be drawn on (in subsidiary financing agreement). Clear responsibility of bank to continue to follow up on repayments and share any additional funds received with government (outlined in subsidiary financing agreement). Facility manager will be involved in due diligence process. Facility manager and bank share responsibility of monitoring agribusiness during loan term.
Delegation of credit decision to commercial banks undermines development impact.	Low	<ul style="list-style-type: none"> Facility manager is involved in initial screening of agribusinesses to ensure development objectives are adhered to.
Commercial banks stop lending to the sector once project is finished.	Low	<ul style="list-style-type: none"> Long-term commitment to risk-sharing approach and business support services should result in change of perception about the agriculture sector. Decreasing risk sharing over time stimulates bank's own risk taking in lending to the sector.
Changes in target markets' standards make it impossible for some supported business projects to secure required export sales volumes.	Low	<ul style="list-style-type: none"> Careful due diligence and business planning to consider possible market entry barriers; where barriers are insurmountable, do not proceed with support. Facility manager to utilize relevant support services to address entry barriers and/or assist business project to overcome these barriers.
Number of acceptable and bankable companies (referred by partner commercial bank) and/or companies willing to participate is below	Low	<ul style="list-style-type: none"> Facility manager to approach relevant companies to explain available support and encourage initial approach to their banks. Support preparation of business plan and financial projections of eligible companies to increase bank

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expectations.		<p>referrals.</p> <ul style="list-style-type: none"> • Tailored funding and business support packages to stimulate companies' interest in participating. • Barriers to bank finance and commercial viability to be addressed by business support services. • Facility manager to increase focus on business support services to revitalize industry sector. • Increase banks' comfort to lend to companies through tailored business support services, risk sharing mechanisms, and streamlined processes.
Political or other interference in decision-making process.	Low	<ul style="list-style-type: none"> • Banks will undertake independent due diligence of partner business with no outside influence. • Level and types of funding and services to companies dependent on (i) bank's positive assessment and willingness to lend, and (ii) fulfillment of eligibility and assessment criteria, to be verified by facility manager. • Direct payment of grant proceeds for financing to participating banks.
Partner business projects do not achieve systemic impacts or lead to revitalization of industry sector.	Low	<ul style="list-style-type: none"> • Facility manager to broaden business support services to areas with greatest systemic impact potential.
Supported companies do not comply with environmental, social safeguard, or work safety standards.	Low	<ul style="list-style-type: none"> • All participating companies to agree to environmental and social compliance standards. Initial compliance assessment by bank, specialists (as required), and facility manager. • Regular monitoring of compliance by bank and facility manager, with breaches a possible trigger for termination of support.
Delays in procurement hinder implementation of key project activities.	Low	<ul style="list-style-type: none"> • Key positions advertised through advance contracting. • Prequalified experts and/or firms contracted through indefinite delivery contracts.
Investment benefits take longer to materialize.	Low	<ul style="list-style-type: none"> • Business support services will assist to bring produce to markets as soon as possible.
Public financial management, procurement, and corruption risks.	Very low ^a	<ul style="list-style-type: none"> • The project will be subject to regular performance evaluation, supervision, and audits, which will provide early warning of any anomalies. • All procurement will be undertaken in accordance with government procurement rules with prior approval and no objection clearance by the Asian Development Bank.
Overall	Medium	

^a Samoa has received favorable assessments regarding governance, accountability, and corruption from a number of sources: (i) the Asian Development Bank's 2012 Country Performance Assessment ratings scored Samoa 4.0/5.0 for transparency, accountability, and corruption in the public sector; and (ii) the 2013 Public Financial Management review facilitated by the International Monetary Fund concluded that Samoa meets the standards of the Fiscal Transparency Code in most areas.