

# Project Administration Manual

Project Number: 46436  
Grant Number: GXXXX  
May 2014

Independent State of Samoa: Samoa AgriBusiness Support Project

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### **Project Administration Manual Purpose and Process**

The project administration manual (PAM) describes the essential administrative and management requirements to implement the project on time, within budget, and in accordance with Government and Asian Development Bank (ADB) policies and procedures. The PAM should include references to all available templates and instructions either through linkages to relevant URLs or directly incorporated in the PAM.

The executing and implementing agencies are wholly responsible for the implementation of ADB financed projects, as agreed jointly between the recipient and ADB, and in accordance with Government and ADB's policies and procedures. ADB staff is responsible to support implementation including compliance by executing and implementing agencies of their obligations and responsibilities for project implementation in accordance with ADB's policies and procedures.

At Grant Negotiations the recipient and ADB shall agree to the PAM and ensure consistency with the Grant agreement. Such agreement shall be reflected in the minutes of the Grant Negotiations. In the event of any discrepancy or contradiction between the PAM and the Grant Agreement, the provisions of the Grant Agreement shall prevail.

After ADB Board approval of the project's report and recommendation of the President (RRP) changes in implementation arrangements are subject to agreement and approval pursuant to relevant Government and ADB administrative procedures (including the Project Administration Instructions) and upon such approval they will be subsequently incorporated in the PAM.

## Abbreviations

ADB	=	Asian Development Bank
ADF	=	Asian Development Fund
AFS	=	audited financial statements
ASP	=	Agricultural Sector Plan
CCA	=	Controller and Chief Auditor
CEMP	=	contractor environmental management plan
DMF	=	design and monitoring framework
EA	=	executing agency
ESMS	=	environmental and social management system arrangement
FI	=	financial intermediary
FM	=	facility manager
FMA	=	financial management assessment
GAP	=	gender action plan
IA	=	implementing agency
M&E	=	monitoring and evaluation
NES	=	National Export Strategy
PAM	=	project administration manual
PFM	=	public financial management
PT & I	=	Pacific Trade and Invest
SAME	=	Samoa Association of Manufacturers and Exporters
SCOC	=	Samoa Chamber of Commerce
SDS	=	Strategy for Development of Samoa
SOE	=	Standard operating expenditure
SPS	=	Safeguard Policy Statement
SSC	=	supplemental seed capital
TOR	=	terms of reference



## I. PROJECT DESCRIPTION

### A. Rationale, Location and Beneficiaries

1. Agriculture and fisheries contributed only 9.7% to Samoa's gross domestic product in 2012, down from 20% in the 1990s.<sup>1</sup> Food and agricultural product imports (26–28% of total imports) contribute significantly to Samoa's overall trade deficit. Agriculture-based commodities comprise over 90% of merchandise exports, but have been declining since the 1990s. Although agriculture employs 32.9% of the total employed workforce, rural unemployment or underemployment and food insecurity are rising.

2. Subsistence production dominates Samoa's agriculture, with occasional surpluses for sale in local markets. The 2009 agricultural census<sup>2</sup> shows only 3% of rural households produce "mainly for sale" and only 9% receive more than 75% of their income from selling agricultural produce.<sup>3</sup> In the agribusiness subsector, including commercial farming and agro-industrial enterprises, trade statistics show a food export decline from ST60 million in 2002 to ST45 million in 2012.<sup>4</sup>

3. Agribusinesses are critical for stimulating agricultural production, even though their total number is small. Revitalizing agriculture and increasing exports feature prominently in the government's policy framework including the Strategy for Development of Samoa (SDS), the Agricultural Sector Plan (ASP), and the National Export Strategy (NES).<sup>5</sup> While agribusinesses have little quality or price-based comparative advantages in the international market, they have comparative advantage for distinctive agricultural produce as niche products. Most agribusinesses are small-scale, family-owned with a total 400 employees, mostly in agro-industrial production (e.g., chili sauce, banana chips) and fresh products for export (e.g., taro, Tahitian lime). Turnover levels are \$200,000 for smaller and above \$1 million for a few larger companies. Yet, they provide employment and income earning opportunities for many small-holder families in Samoa as suppliers for raw materials, acting as inclusive businesses. Hence, agribusiness development is essential for promoting agriculture's role in the economy.

4. Sector assessments and value chain analyses<sup>6</sup> confirmed that there is potential for export expansion and/or import substitution, for example in selected root crops, and fresh and processed fruits. The studies also revealed patterns of weaknesses and bottlenecks, which contribute to the low investment and value addition in the sector.

5. The agribusiness survey<sup>7</sup> highlighted financing constraints impeding business expansion or diversification. Loans are difficult to obtain and expensive for small- to medium-sized enterprises due to insufficient acceptable collateral, limited own capital, and the banks' overall

<sup>1</sup> Samoa Bureau of Statistics. 2013. *Gross Domestic Product by Sector*. Apia.

<sup>2</sup> Samoa Bureau of Statistics. 2012. *Agriculture Census Analytical Report 2009*. Apia.

<sup>3</sup> World Bank supports the small holder sector through the Samoan Agricultural Competitive Enhancement Project (SACEP) and associated cyclone recovery programs.

<sup>4</sup> Samoa Bureau of Statistics. 2013. *Annual Trade Statistics 2002-2012*. Apia.

<sup>5</sup> Government of Samoa. 2012. *Strategy for Development of Samoa 2012–2016*. Apia, Government of Samoa. 2011. *Agricultural Sector Plan 2011–2015*. Apia, Government of Samoa. 2009. *National Export Strategy 2008–2010*. Apia.

<sup>6</sup> ADB. 2014. *PPTA Main Report*. Consultant's report. Manila (TA 8231-SAM); Sector Assessment (Summary): Agriculture and Natural Resources (accessible from the list of linked documents in Appendix 2); Value Chain Analysis (accessible from the list of linked documents in Appendix 2).

<sup>7</sup> Agribusiness Survey (accessible from the list of linked documents in Appendix 2), conducted in August 2013, 21 businesses were interviewed.

negative perception of the agriculture sector and enterprise capabilities. Commercial banks require 200% security cover, compared to the regional and global requirement of 150%.<sup>8</sup> Commercial bank loans to agriculture, forestry, and fisheries projects as at October 2013 totaled only 1.3% of total bank loans, and 6% to the manufacturing sector, which includes agribusinesses.<sup>9</sup> Companies face difficulties securing additional equity as there is no local stock exchange or equity/venture capital or provident funds interested in relatively small agriculture/agribusiness projects in Samoa.

6. The agribusiness survey further identified the need for a range of business support services. There are several examples where businesses producing for the local or export markets are failing to achieve the required consistent standards to compete effectively and/or satisfy overseas markets' entry requirements. Common weaknesses include (i) lack of technical skills for effective equipment commissioning, production management, establishment and maintenance of strong supply chains, or achieving food safety standards and/or accreditation; (ii) inadequate export planning and marketing; and (iii) weak business and financial management due to limited experienced internal resources. With only limited technical and business support services available in Samoa's small economy, companies report difficulties in understanding and accessing support from regional, donor-supported programs.<sup>10</sup>

7. With few exceptions, Samoan agribusinesses struggle to procure raw materials in consistent and good quality. Examples include: (i) virgin coconut oil producers who cannot fill existing export orders; (ii) shortages of taro for processing into snack foods and of the appropriate fresh varieties for export; and (iii) exporters of Tahitian limes who cannot procure sufficient limes to supply their customers. Most enterprises procure the raw materials offered to them but do not actively encourage production through supply chain linkages including contract farming, outgrower arrangements, or product collection networks.

8. The project will lessen these constraints while operating within the national strategic and policy frameworks following the SDS, ASP and NES objectives. These emphasize developing commercial farming and export-oriented agribusinesses in parallel with the smallholder subsector. In Samoa, the focus on agriculture is relevant, even though outside Strategy 2020 core areas. The focus on businesses reflects the Asian Development Bank's (ADB) emphasis on private sector development as documented in ADB's Pacific strategy and country operations business plan.<sup>11</sup>

9. The project design reflects lessons learned from other private sector development programs in the Pacific Islands and Samoa.<sup>12</sup> The key lesson was that simply addressing the common constraint of limited access to affordable and appropriate finance was insufficient. Financing must be coupled with technical and business support services to achieve impact. The latter will also reduce banks' concerns about potential borrowers' internal capabilities and will help leverage commercial finance.

10. The multiple constraints, together with the challenging small island-state context, preclude standard solutions and require a more innovative approach. This will need to include

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<sup>8</sup> World Bank (2009) Enterprise Benchmark Survey

<sup>9</sup> Central Bank of Samoa. 2013. *Monetary Survey Report*. Apia.

<sup>10</sup> ADevelopment Coordination (accessible from the list of linked documents in Appendix 2).

<sup>11</sup> ADB. 2013. *Samoa: Country Operations Business Plan (2014-2016)*. Manila, ADB. 2009. *ADB's Approach to Assisting the Pacific (2010-2014)*. Manila.

<sup>12</sup> Alternative Options Analysis, Review of Finance Schemes and Lessons (accessible from the list of linked documents in Appendix 2).



commercial banks as they facilitate private sector development, yet they need initial comfort to lend to 'risky' sectors. In these exceptional circumstances, seed capital for agribusinesses is necessary since it is otherwise unavailable in the market. Such an approach will leverage the resources and expertise of the private sector to provide capital for investment in the sector and will provide capacity building to the sector to ensure this capital is used effectively. The project will therefore support developing the agribusiness sector in three complementary areas: (i) suitable financing instruments for agribusinesses to address the shortage of capital and/or insufficient collateral. Products made available will be cash collateral to partial secure a loan and supplemental seed capital (SSC); (ii) business support services to agribusinesses to address their capacity limitations and improve access to markets; and (iii) improvement of supply chain linkages and out-grower schemes to address the inconsistent raw material supply.

11. The project benefits will include increased agriculture/agribusiness contributions to the economy, improved balance of trade and increased self-employment opportunities in rural areas, and formal employment in the agro-processing enterprises, mainly in urban Apia. The beneficiaries will include 10–15 supported agribusinesses and their employees, suppliers, and contractors. Yet, the trickle-down effect through inclusiveness will be that many Samoan farmers will benefit through participation in structured and inclusive arrangements for supplying inputs for new or expanding agribusinesses.

12. The project will be implemented over seven years (2014–2021). It will be national in scope embracing all parts of the agricultural and agribusiness sectors that are ready and able to engage in profitable partnerships, which also deliver sustainable social and economic benefits to the wider community. The agricultural sector is broadly defined and includes crops, livestock, fisheries, aquaculture, forestry and related agro-industrial and marketing activities. All parts of the value chain may be included from primary production through to consumer.

13. The benefits of the project will include increased agribusiness contribution to the Samoan economy, improvement in the balance of trade and increased self-employment opportunities in rural areas where there are high levels of unemployment and underemployment, as well as formal employment in agro-processing enterprises, mainly in the Apia urban area. The beneficiaries will include the shareholders of agribusiness enterprises participating in the project as well as their employees, suppliers and contractors. There will also be a number of new jobs created in agricultural production, processing and marketing. Large numbers of Samoan farmers are expected to benefit through participation in structured and inclusive arrangements for supplying agro-industrial raw materials such as outgrower and contract farming schemes, as well as increasing demand for primary commodities by exporters.

## **B. Impact and Outcome**

14. The project impact will be that the agriculture sector regains its prominence in the economy. The outcome will be that selected commercial agribusinesses grow sustainably.

15. **Outputs:** The project outputs will be: (i) partner agribusinesses are provided with suitable financing instruments; (ii) partner agribusinesses are provided with business support services; and (iii) the project is efficiently and effectively managed. Financing will be provided through participating commercial banks (financial intermediaries, FIs) to eligible subborrowers (agribusinesses) who are sound and have bankable business plans. The available products will be (i) loans partly secured through a cash collateral to address the constraint of inadequate collateral and to enable bank lending; and (ii) repayable SSC to address inadequate capital and weak balance sheet structure. Samoa's circumstances warrant this innovative approach that

allows the grant's concessionary elements to be passed on to agribusinesses. The remaining funds will provide tailored support services to agribusinesses, linking and coordinating with national and regional programs. These may comprise specific technical or financial management skills and will be identified during due diligence process. A facility manager (FM) will be recruited for this.

## II. IMPLEMENTATION PLANS

### A. Project Readiness Activities

Indicative Activities	Months (2014)							Who responsible
	Feb	Mar	Apr	May	Jun	Jul	Aug	
Advance contracting actions			X					ADB
Establish Project Management Unit			X					Government
ADB Board Approval					X			ADB
Grant agreement Signing					X			ADB and Government
Government legal opinion provided							X	Government
Government budget inclusion				X				Government
Grant Effectiveness							X	Government

16. Project readiness activities may begin following the ADB Management Review Meeting held in February 2014. The most important advance contracting action will be initiating the recruitment of the FM so that the FM will be in place for project commencement. ADB Board approval is scheduled for June 2014 and signing of the grant agreement for June 2014. In readiness for project commencement the government will be required to obtain a legal opinion, incorporate the project costs in the budget for 2014–2015 and fulfil any conditions for grant effectiveness included in the grant agreement.

### B. Implementation Process

17. As shown in Figure 1, the process will be initiated by the identification of FIs (participating commercial banks) according to the selection criteria detailed in the ADB-government grant agreement, completion of respective due diligences of participating FIs and completion of a project agreement between ADB and each of the FIs, as well as a subsidiary financing agreement between the government and each FI. ANZ (Samoa) has been assessed as a FI. Should other banks become interested to participate as FI, the respective due diligence will be conducted by ADB at the start of project implementation. After satisfactory due diligence, the FI will enter into a project agreement with ADB and subsidiary financing agreement with MOF of the same nature.

18. Once the project agreement is effective and disbursement conditions set out in the grant agreement have been satisfied, FIs will then consider financing applications submitted by potential partner agribusiness companies. The FM may also identify potential partner companies and assist them in preparing financing applications, including improvement of bankable business plans, to the FIs. The FM may also directly refer potential partner companies to the FIs. The FM together with the Project Management Unit (PMU) will also promote Project support activities to the private sector. The FIs will undertake initial appraisal (including screening for environmental and social safeguards) of the application and may (i) accept it under normal financing terms; (ii) reject the application outright; or (iii) refer it to the FM for consideration of its eligibility for project financing and business development support. If the FM

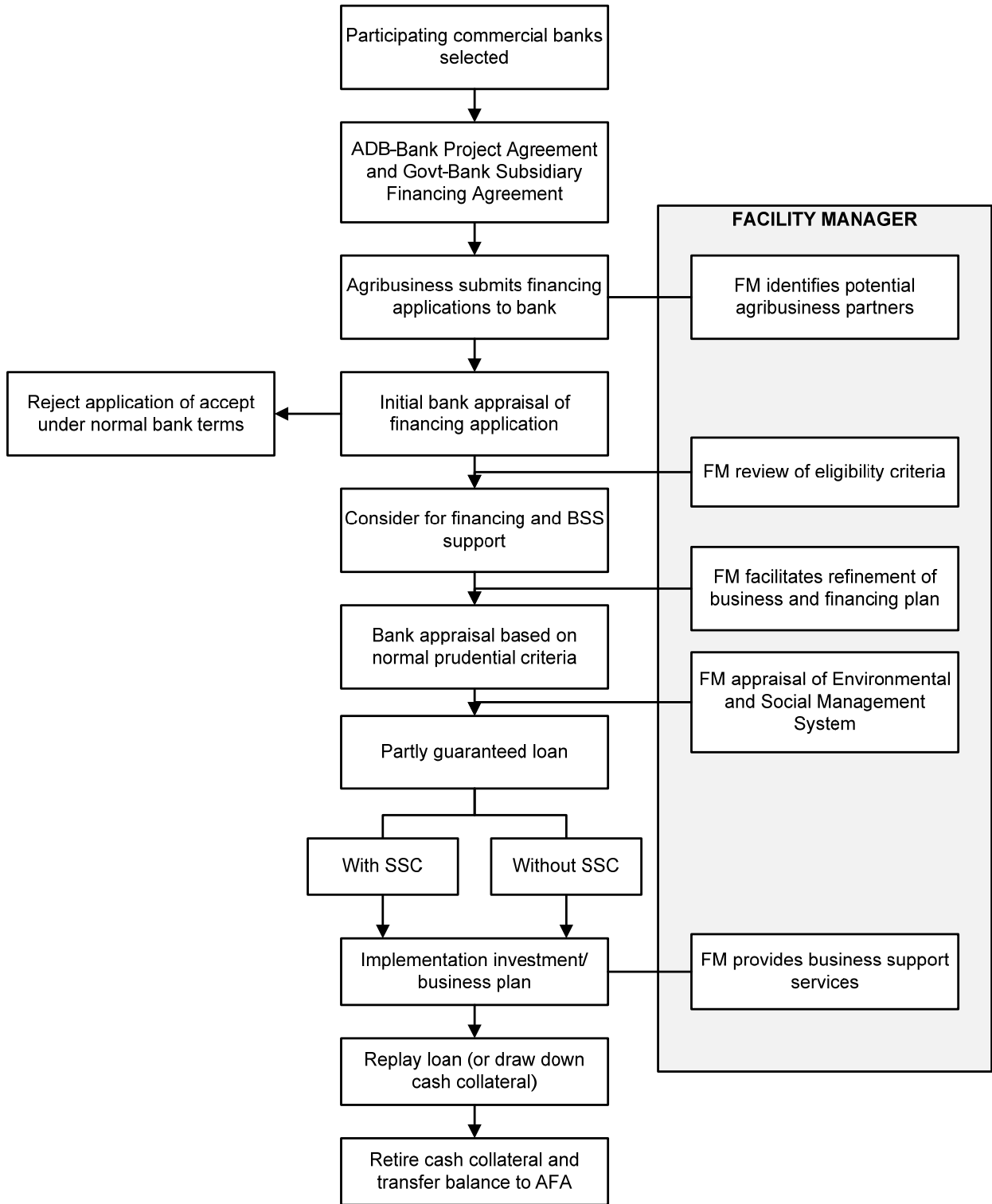
approves the project for consideration, it will offer assistance to the applicant for refinement of the business and financing plan, including an assessment of marketing aspects, if necessary. The business plan will then be appraised by the FI according to its normal prudential criteria. The FM will be involved in the FI's due diligence process of the agribusiness. The FI may then make a decision to finance the project by using the cash collateral instrument, with or without SSC. The client will then proceed to implement the investment/business plan with the help of business support services.

19. The FI and FM will monitor the business in terms of financial/operational performance and social and environmental safeguards during the loan term. If there is a repayment default the FI may recover proportionately a percentage of the arrears via the cash collateral facility according to pre-defined processes. It will continue to make efforts to recover outstanding amounts as per their loan agreement with the borrower. This process is detailed in the subsidiary financing agreement. After the loan has been repaid, (with or without drawing on the cash collateral), the cash collateral and repaid portions of the SSC can be re-used for further loans<sup>13</sup> and will only be retired and the balance transferred to the Agribusiness Finance Account at the end of the project lifetime or loan repayment (whichever is later). After an agribusiness has been approved for support and support services have been identified, the FM will negotiate partnership arrangements. These will include the financing details and conditions as well as the business support services provided and the respective cost sharing arrangements. The FM will arrange for the specific input required, either through (i) available support programs, or (ii) contracting required expertise (in line with ADB procurement guidelines).

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<sup>13</sup> If repaid SSC portions could be used more suitably as cash collateral, provided that the conditions from grant and project agreement as still adhered to, this will be possible. This would also apply for cash collateral to be used as SSC after repayment of loan. However, this option is more unlikely to materialize.

**Figure 1: Overview of Implementation Process**



FM = facility manager, BSS = business support services, SSC = supplemental seed capital, AFA = agribusiness finance account with MOF.

Source: Asian Development Bank.

20. The role of government in project implementation will be confined to coordination and supervision. The FM will be responsible for working with the agribusiness companies and participating FIs to develop partnership arrangements incorporating one or both of the financing instruments and providing and/or arranging the necessary business support services, needed to underpin successful implementation of the business plan. The executing agency, the Ministry of Finance (MOF) will undertake the necessary procurement, monitoring, reporting and financial control activities, as well as convening the project advisory committee. The PMU will monitor/supervise the project activities. MOF will also be the implementing agency (IA) for output 2 and 3.

### C. Project Phasing

21. The project will be implemented over a seven-year period in estimated three phases (see Table 1) with yearly reviews and a comprehensive review at the end of Phase I to guide the implementation of the subsequent phases.

**Table 1: Project Phasing and Principal Activities**

Phase	Years	Principal Activities
I. Investment Phase	1-3	<ul style="list-style-type: none"> <li>• Meeting project effectiveness conditions</li> <li>• Project launch and recruitment of facility manager</li> <li>• FI loans supported by cash collateral arrangement</li> <li>• Provision of repayable supplemental seed capital</li> <li>• Provision of business support services</li> <li>• Undrawn cash collateral or repaid supplemental seed capital can be recycled for further loans</li> <li>• Midterm review year 3</li> </ul>
II. Consolidation Phase	4-5	<ul style="list-style-type: none"> <li>• Continuing mentoring and business support services as needed</li> <li>• Retirement of cash collateral guarantees</li> <li>• Repayment of seed capital.</li> <li>• Undrawn cash collateral or repaid supplemental seed capital can be recycled for further loans, if short-term</li> </ul>
III. Phasing Out Phase	6-7	<ul style="list-style-type: none"> <li>• Retirement of remaining cash collateral and supplemental seed capital</li> <li>• Return of supplemental seed capital, cash collateral and any interest earned to the Agribusiness Finance Account at end of project lifetime or last loan repayment (whichever is later).</li> <li>• Project completion review and impact assessment year 7</li> </ul>

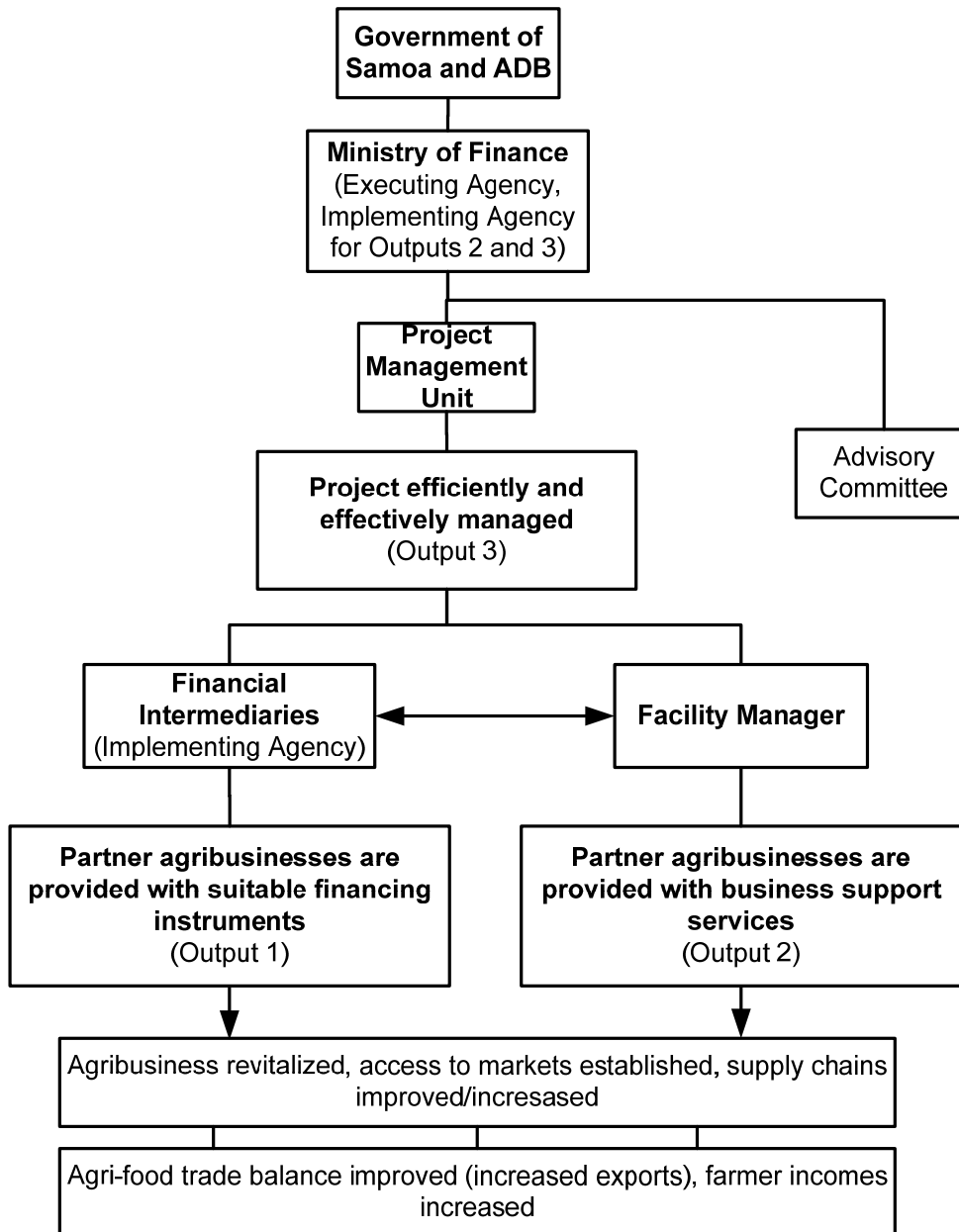
Source: Asian Development Bank.

**D. Overall Project Implementation Plan**

	2014-15				2015-16				2016-17				2017-18				2018-19				2019-20				2020-21			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
<b>A. Design and Monitoring Framework (DMF)</b>																												
<b>Output 1: Partner Agribusinesses Provided with Suitable Financing Instruments</b>																												
1.1 Due diligence on potential partner banks (conducted by ADB)																												
1.2 Partner banks draw down funds for cash collateral and SSC																												
1.3 Develop relationship with partner banks																												
1.4 Meetings organized to promote financing scheme to women business																												
1.5 Identify suitable partner companies																												
1.6 Partner banks/FM finalize eligible partner company list																												
1.7 Partner banks conduct due diligence for potential borrower																												
1.8 Partner banks structure suitable financing deals/loan agreements																												
1.9 Partner banks monitor performance of partner companies																												
1.10 FM collects data from partner banks on use of funds and Co performance																												
1.11 Partner banks provide yearly annual accounts and project related accounts																												
1.12 Partner banks return unused portions of cash collateral																												
<b>Output 2: Partner Agribusinesses Provided with Business Support Services</b>																												
2.1 Negotiate and implement partnership agreements																												
2.2 Participate in due diligences with partner banks																												
2.3 Check and approve ADB safeguard compliance and adherence to criteria																												
2.4 Provide tailored technical, financial management and other support services																												
2.5 Support the establishment of at least two supply chain/outgrower schemes																												
2.6 Monitor implementation of business support services																												
2.7 Establish linkages and collaboration with regional/national support programs																												
2.8 Provide at least two trainings on supply chain linkages and food safety																												
2.9 Support PMU in M&E including progress reports																												
<b>Output 3: Project Management</b>																												
3.1 Establish Project Management Unit																												
3.2 Contract Facility Manager																												
3.3 Establish Project Advisory Committee																												
3.4 Prepare information brochures																												
3.5 Monitor and evaluate (including MTR and PCR) and provide quarterly reports																												
3.6 Contract specialists as needed (e.g. short-term procurement expert)																												
3.7 Arrange annual audit of project accounts																												
3.8 Arrange opinion paper on future use of funds																												
3.9 Conduct gender awareness training to project related staff																												
<b>B. Management Activities</b>																												

### III. PROJECT MANAGEMENT ARRANGEMENTS

#### A. Project Organization Structure



ADB = Asian Development Bank.

Source: Asian Development Bank and Government of Samoa.



## B. Project Implementation Organizations—Roles and Responsibilities

Project implementation organizations	Management Roles and Responsibilities
Ministry of Finance (MOF)	<ul style="list-style-type: none"> <li>• Executing Agency</li> <li>• Representative of the grant recipient</li> <li>• Implementing Agency (IA) of Outputs 2 and 3</li> <li>• Host the PMU (in Aid Coordination and Debt Management Division)</li> <li>• Provide counterpart staff and counterpart funds including provision of in-kind contributions</li> <li>• Submit withdrawal applications and statements of expenditure to ADB</li> <li>• Submit project progress reports, including annual audit reports</li> </ul>
Project Management Unit (PMU)	<ul style="list-style-type: none"> <li>• Prepare the annual workplan and budget</li> <li>• Provide annual audited project accounts</li> <li>• Ensure compliance with the covenants in the ADB-government grant agreement</li> <li>• Compile quarterly and annual progress reports (physical and financial)</li> <li>• Procure services in accordance with government and ADB procedures</li> <li>• Prepare withdrawal applications with supporting documentation and send them to ADB</li> <li>• Monitor and evaluate (M&amp;E) project implementation.</li> <li>• Evaluate outcomes and indicators included in the design and monitoring framework.</li> <li>• Convene meetings of the Project Advisory Committee as needed</li> <li>• Administer agribusiness innovation scheme</li> <li>• Prepare promotional material</li> </ul>
Project Advisory Committee	<ul style="list-style-type: none"> <li>• Provide advice and guidance to the PMU on implementation issues and problems that may arise from time to time</li> </ul>
Facility Manager (FM)	<ul style="list-style-type: none"> <li>• Work with potential partner companies to prepare/refine financing and business plans, with particular attention to market issues, for submission to the participating FIs</li> <li>• Oversee the screening and selection of potential partner companies by the participating FIs to ensure bank compliance with project guidelines and procedures.</li> <li>• Support the participating FIs in their due diligence of referred agribusiness projects to: (i) complete initial</li> </ul>

Project implementation organizations	Management Roles and Responsibilities
	<p>assessment of financing applications in terms of their eligibility criteria and anticipated development impact; (ii) establish the need for business support services; and (iii) ensure that proposed agribusiness projects are compliant with Government of Samoa and ADB safeguard standards.</p> <ul style="list-style-type: none"> <li>• Conduct environmental and social safeguard assessments of project proposals in accordance with ADB and government policies and procedures.</li> <li>• Establish arrangements with approved agribusinesses to define roles and responsibilities for: (i) cost-sharing arrangement for business support services; (ii) the use of and conditions for the supplemental seed capital (SSC), if any; (iii) board or management committee seat; (iv) data provision (on performance, employment, gender statistics); (v) monitoring of businesses performance, and (vi) preparing quarterly progress reports</li> <li>• Establish linkages with other national or regional support programs.</li> <li>• Arrange and coordinate tailored business support services to partner companies in a range of specific areas and working with partner companies to establish/strengthen supply chain linkages and/or outgrower arrangements.</li> <li>• Support the FIs in implementation of the partnerships, collecting data on the utilization of cash collateral and SSC funds, monitoring the performance of partner enterprises, and providing M&amp;E data and quarterly and annual reports to the PMU.</li> <li>• Arrange training on different topics for e.g. supply chains, skills for women working in the sector, marketing etc.</li> <li>• Promote the project to the private sector, relevant business organizations and other relevant parties.</li> </ul>
Participating Bank/s (financial intermediary, FI)	<ul style="list-style-type: none"> <li>• IA of Output 1</li> <li>• Shortlist and refer eligible and relevant agribusiness projects to facility manager for assessment of possible Project support.</li> <li>• Deliver financial services to the selected agribusiness partners companies and, where agreed, using financial instruments funded through the grant agreement.</li> <li>• Check on safeguard standards, and request the FM for approval of eligibility criteria and safeguards requirements.</li> <li>• Request drawdown of funds upon satisfaction of disbursement conditions as per grant agreement and</li> </ul>

Project implementation organizations	Management Roles and Responsibilities
	subsidiary financing agreement.. <ul style="list-style-type: none"> <li>• Negotiate financing agreements, including conditions for use of SSC, if any.</li> <li>• Undertake due diligence on financing applications in conjunction with the FM. The FIs will lead the financial due diligence process, supported by the FM as required. The FM will be responsible for identification of business development support needs.</li> <li>• Monitoring the subborrower during the lifetime of the loan and informing the FM on any issues arising.</li> </ul>
Partner Companies	<ul style="list-style-type: none"> <li>• Prepare initial business plans and financing applications for submission to the FIs.</li> <li>• Contribute their own capital to business plan implementation.</li> <li>• Comply with eligibility and safeguards requirements.</li> <li>• Implement the agreed business plan including, where applicable, establishment of upstream and downstream supply chain linkages</li> <li>• Contribute to the cost of business support services.</li> <li>• Provide agreed monitoring and evaluation data.</li> <li>• Agree to the conditions for receipt of SSC.</li> </ul>
ADB	<ul style="list-style-type: none"> <li>• Financier through the Asian Development Fund grant</li> <li>• Supervise project implementation including mid-term review and project completion report</li> <li>• Coordinate project with related national and regional ADB initiatives</li> </ul>

### C. Key Persons Involved in Implementation

#### Executing Agency

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**D. Proposed Implementation Approach**

22. The proposed approach to supporting private sector development in the agribusiness sector has two main elements. First, it will address the key problem of access to finance through partnerships involving commercial bank (FI) support for selected enterprises; and second, the partnerships will provide management and technical support to these enterprises in areas considered crucial to their success.

23. The key project features entail:

- (i) Provision of funds to participating FIs for cash collateral to partly secure loans to agribusinesses. This will address the problem of insufficient collateral and risk adversiveness of participating FI.
- (ii) Provision of repayable SSC for approved agribusiness subborrowers. This will address the problem of insufficient owner’s funds and weak balance sheets in companies seeking finance for business expansion.
- (iii) Utilization of these instruments will be dependent on a FI’s willingness to provide credit to a particular company through one or both of the financing mechanisms.
- (iv) Tailored business support services to provide increased comfort to the FIs and to ensure the maximum commercial and broader impacts from the supported ventures.
- (v) Collaboration with other private sector development programs/agencies to provide the maximum level of support in a cost-effective manner.

24. This approach addresses the key sector growth constraints in a cost effective manner and, by operating in close collaboration with participating FIs, it will reduce risks and offer the best prospects for a longer term impact on financial institutions’ risk perceptions of agribusiness ventures in Samoa. Additionally, it will leverage funding from the participating FIs so that more funding is available to finance agribusiness investments.

25. Detailed consultations with stakeholders considered a number of different approaches. It was evident that development of the agribusiness sector would require a combination of improved access to finance and provision of a broad range of business support services to enhance capacity in financial management and the key technical and marketing areas. Table 2 details areas which will be addressed:

**Table 2: AgriBusiness Support Project: Problems and Proposed Approach**

<b>Problem Area</b>	<b>Proposed Approach</b>
1. Agribusiness enterprises generally lack capital resources	<ul style="list-style-type: none"> <li>• The project will facilitate access to finance for selected partner companies to enable them to implement agreed business plans</li> <li>• By risk sharing with FIs, commercial banks’ lending appetite to this sector will be stimulated</li> </ul>
2. Weak financial management and technical skills	<ul style="list-style-type: none"> <li>• The project will provide business support services to improve the financial and general management capacity of the partner companies, as well as improved technical skills</li> </ul>
3. Difficulty in accessing	<ul style="list-style-type: none"> <li>• Business support services will provide technical</li> </ul>

Problem Area	Proposed Approach
export markets	<p>assistance to exporters in food technology, food safety, market access protocols and effective market entry strategies.</p> <ul style="list-style-type: none"> <li>The Project may support investments in facilities able to process and package produce to the quality and hygiene standards required by importers.</li> </ul>
4. Low and irregular supply of raw materials for agro-processing	<ul style="list-style-type: none"> <li>Increased investment in commercial agricultural production and/or strengthened supply chain linkages through inclusive arrangements with outgrowers and contract farmers (as part of project-supported business plans)</li> </ul>

## E. Key Features

26. The project will support successful implementation of agricultural value chains by supporting agribusinesses that can build forward and/or backward linkages and hence increase export and provide employment opportunities for small holder farmers. The participating FIs will refer selected agribusinesses, with the FM responsible for monitoring FI compliance with the agreed eligibility, assessment and safeguard criteria. Other relevant agribusiness projects will be identified by the FM and through referrals from other parties.

27. Eligibility and assessment criteria will ensure that supported agribusinesses generate sustainable flow-on benefits to rural communities and the wider economy. In order to maximize the potential for broader impacts the project will focus on:

- (i) business ventures with the best prospects for positive systemic and indirect impacts—this will require a strategy that supports some larger projects with more extensive reach and impact;
- (ii) successful implementation of projects with the potential to provide models for replication by other private sector actors; and
- (iii) the maximum possible development of viable export or import substitution businesses utilizing local inputs.

28. It is expected that utilization of the cash collateral and seed capital instruments, in combination with well-targeted business and technical support services, will demonstrate the attractiveness of investment in agribusiness activities and that investing in such businesses is less risky than previously assessed, leading to an expansion in the availability of commercial finance. In addition, once the creditworthiness of such ventures has been established, the participating FIs are expected to increase their funding support and other equity investors may be interested, thereby leading to growth in total agribusiness investment. All four commercial banks will be eligible to participate subject to meeting specified eligibility criteria.

29. Responsibility for selection of partner companies and the design of a support package combining financing and business support elements will be shared by the FIs and the FM. The FIs will undertake their normal due diligence in assessing financing applications, with the FM supporting the development and/or refinement of business plans and provision/coordination of business support services, as well as overseeing FI compliance with the agreed eligibility and assessment criteria. The FM will also have a right of veto on safeguards issues as well as anticipated development impacts. In this way the FIs will make the banking decisions with

specialized input from the FM. The PMU will have no role in the financing or business support decision-making process.

## F. Project Components

30. The project will address key financial and capacity limitations in selected agribusinesses that have sound prospects for commercial success and will contribute to the improved forward and/or backward linkages within the agricultural value chain, higher level objectives of value addition, employment, trade and rural incomes. It will focus on two complementary areas (financing and business support services):

(i) **Output 1: Improved Access to Finance** through:

a. A **cash collateral facility** of approximately \$2 million. The project will provide a cash collateral facility to secure up to 50% of the amount lent to eligible agribusinesses for a first-time secured loan and up to 30% for a second-time secured loan. Selection and approval procedures would follow normal banking practice.

b. A **repayable supplemental seed capital (SSC)** facility of approximately \$1 million. A business may be able to receive repayable SSC, max \$100,000 per company, if it would then qualify for bank finance. SSC is limited to 25% of total project costs with the remaining part being contributed through owner's own capital and bank financing.

(i) **Output 2: Business Support Services** to partner companies to help build their capacity in a broad range of areas which are critical to business success. These will be provided on a cost sharing basis.

(ii) **Output 3: Project Management:** The PMU will be responsible for financial control, procurement and reporting.

### 1. Output 1: Improved Access to Finance

#### a. Role of the Participating Banks (FIs)

31. The role of the participating FIs in the selection of prospective agribusiness projects and in the administration of the financing instruments are key features of the Project. This will make use of the extensive local knowledge of the banks about the business environment and the involved companies but will be supplemented by careful screening and selection of proposals that adhere to the Project's eligibility criteria (through the FM). Experience from other initiatives of this nature, and consultations with the banks, indicates that full participation of the FIs will require the following:

- (i) FIs must retain responsibility for credit decision-making based on their own prudential standards, taking into account project support for the proposed agribusiness project.
- (ii) Cash collateral procedures that are simple and allow the FIs to call up the guarantee in a timely and uncomplicated manner.
- (iii) The option of SSC injections in those cases where the subborrower is regarded as offering an insufficient equity contribution.
- (iv) A Project commitment from the outset to the provision of extensive, tailored business and technical support services to subborrowers, commencing with market research and the preparation of business development and financing plans.

## **b. Eligibility of Participating Banks (FIs)**

32. Any commercial bank licensed to operate in Samoa,<sup>14</sup> meeting the specified criteria and financial ratios, and which satisfy ADB's due diligence process, will be eligible to participate in the Project. The Project intends to work with institutions that have an excellent financial standing, reasonable non-performing loan ratios and a good understanding, knowledge and exposure of/to the business sector in Samoa.<sup>15</sup> In order to participate in the Project a bank must satisfy the following criteria:

- (i) corporate, financial, management and governance practices acceptable to ADB and MOF;
- (ii) have satisfied ADB's integrity, anti-money laundering and combating the financing of terrorism due diligence requirements;
- (iii) compliance with all capital adequacy and other prudential requirements mandated by the laws of Samoa;
- (iv) have an environmental and social system management arrangement (ESMS) and qualified personnel to identify, remedy and monitor compliance with national laws and ADB's Safeguards Policy Statement (2009);(SPS)
- (v) adequate management and staff resources and expertise for the management of funds made available under the Project; and
- (vi) acceptable record of corporate lending.

33. In addition to maintaining the criteria specified in above, each participating FI will remain financially sound and be in compliance with applicable corporate governance regulations and guidelines of the Central Bank of Samoa throughout the Project implementation period.

34. Due diligences on participating FIs will be conducted to confirm that criteria are met. Once participation is confirmed, the following legal documents will need to be issued: (i) project agreement between ADB and the FI; and (ii) subsidiary financing agreement between the government and the FI. The respective agreements (including the grant agreement) will determine the amount of funds each FI will receive and their roles and responsibilities, details on eligibility criteria for agribusinesses and details on the different financing products, process for drawing on cash collateral in case of default, repayment of funds (cash collateral and SSC) if not utilized within a specified period and repayment of undrawn portions of cash collateral and/or repaid SSC at end of project lifetime. Funds allocated to the participating FI will depend on reputation and size of the FI, market share and likely use of funds. Once agreements are signed and effectiveness conditions are fulfilled, the participating FI will be able to negotiate agribusiness finance proposals and draw-down the funds as per instructions outlined in section V. Financial Management of this document.

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<sup>14</sup> There are four commercial banks in Samoa, two foreign owned (ANZ (Samoa), Westpac Samoa and two locally owned (Samoa Commercial Bank, National Bank of Samoa).

<sup>15</sup> The ANZ (Samoa) had, at October 2013, a 48.2% share of the credit market. The other foreign owned bank, Westpac, had a 17.5% share and the locally-owned Samoa Commercial Bank had an 18.9% share. Source: Central Bank of Samoa (October 2013) Monetary Survey Report

**c. Responsibilities of Participating Banks (FIs)**

35. The participating FIs will be responsible for delivering financial services to the selected agribusiness partners companies, using financial instruments funded through the Project. The participating FIs will have the following key responsibilities:

- (i) Drawdown of funds once legal documentation has been completed (through the PMU);
- (ii) Referral of selected and eligible agribusinesses to the Project for support consideration;
- (iii) Screen agribusiness project proposals according to their own environment and social safeguard management system;
- (iv) Undertaking due diligence on financing applications in conjunction with the FM. The FIs will lead the financial due diligence process, supported by the FM as required;
- (v) Negotiation of a mutually acceptable agreement with the FM on the financing support provided to shortlisted agribusinesses;
- (vi) Issuance of necessary loan agreements with the subborrower which includes financing details;
- (vii) Monitoring the subborrower during the lifetime of the loan and informing the FM on any issues impacting on the successful implementation of the agribusiness.<sup>16</sup>

**d. Financing Arrangements**

36. The approach allows for considerable flexibility in the financing arrangements for individual agribusinesses. FIs may advance a loan of up to 50% of an investment, of which half could be secured through cash collateral for a first time subborrower, reducing to 30% for a second-time beneficiary of the cash collateral instrument. The agribusinesses' contribution would be at least 50% of the total investment. In those cases where there is insufficient equity in the business to provide this contribution, the repayable SSC instrument could be utilized to fund up to half of the business' 50% contribution. In such cases, an investment of \$100 could be supported by up to \$25 from the cash collateral instrument and up to \$25 of SSC. Table 3 below summarizes the options.

**Table 3: Indicative Financing Arrangements**

<b>Project Cost \$100</b>	<b>Bank loan =&lt; \$50</b>	<b>Guaranteed =&lt; \$25 a/</b>
		<b>Non-guaranteed =&gt;\$25 a/</b>
	<b>Either: Client contribution =&gt; \$50</b>	
	<b>Or: Client contribution =&gt;\$25</b>	<b>Supplemental seed capital =&lt;\$25</b>

a/ For a first-time subborrower. Guaranteed portion reduces to \$15 for a second-time subborrower and non-guaranteed portion increases to \$35.

37. Based on the analysis, maximum loan amount eligible for cash collateralized loans is \$750,000 (i.e. cash collateral portion is \$375,000) with a term not exceeding 7 years. Repayable supplemental seed capital is limited to \$100,000 per customer and to be returned with a bullet repayment within 7 years.

<sup>16</sup> The specific responsibilities of the FM are further detailed under output 2/3.



### **e. Appraisal of Agribusiness Projects**

38. Credit appraisal of agribusiness projects will be according to each FI's normal lending criteria and consider the merits of the business plan, the applicant's track record and credit rating, the applicant's contribution to the project costs, the collateral offered, and the projected cash flow and debt service capacity. However, this will be subject to initial screening of the applicant according to the defined eligibility criteria (see section I. Partnerships in PAM) and according to the FI's own environmental and social safeguard system. Further details are described in section VII. Safeguards in PAM).

### **f. Draw Down of Cash Collateral in Case of Default**

39. In case the subborrower experiences difficulties in project implementation and there is a potential risk of default, the participating FI should inform the FM as early as possible about the potential difficulties and discuss a joint action plan. The FI will continue to make efforts to collect outstanding amounts until a reasonable time has passed, after which it will be able to draw on the cash collateral. The detailed process will be further outlined in the subsidiary financing agreement.

## **2. Output 2: Business Support Services**

40. Facilitating access to finance for carefully selected enterprises will make a significant contribution to revitalization of the agribusiness sector. However this is not sufficient to guarantee success. The managerial weaknesses of Samoan businesses, especially those of small and medium enterprise-scale, underscores the need to provide additional support in financial and general management as well as specialized expertise and capacity building for agribusiness staff at all levels. This will be done through a number of instruments including specialized short-term consultancies, mentoring arrangements (preferably through existing regional mentoring and partnership schemes), overseas work experience, and on-the-job training. The emphasis will be on rapid response to identified needs, and direct assistance from experienced business practitioners. There will need to be flexibility since support services are identified on a case by case basis and cannot be pre-determined. Support services needs can only be defined after respective due diligences of agribusinesses have been completed. Hence, part of the available consulting budget will only be determined once needs have been identified. Section VI. Procurement and Consulting Services in this document describes estimated key consulting terms of references and recruitment process.

41. Required business support services are likely to cover key areas such as strategic business planning, financial management, marketing (possibly including joint venture arrangements) agro-processing, quality control, market access, hygiene and food safety, agricultural technologies, business partnerships and reporting. Expenses incurred in providing these services and the development of business partnerships will be shared by the project and the partner enterprises in parallel. It is anticipated that grant proceeds will be used to finance 100% of the respective consulting costs (remuneration, flight etc.) of the business support services and that the partner enterprise will on a parallel basis shoulder 100% of other supporting costs associated with these services, such as e.g. training room provision, local transport, hotel accommodation. This would work out to be an overall cost sharing of total business support services of approximately 80:20. The need for business support services will be identified by the FM and the partner companies during the business planning and due diligence process, and specified in the partnership arrangement, together with the cost-sharing

arrangements between the business and the Project. Section V. Financial Management in this document provides further details on these arrangements.

42. Whilst the project will have its own budget for providing business support services, there are a number of other facilities and service-providers which could also be accessed. The various agencies and donor programs operating in the Pacific are keen to be involved and with strong prospects for collaboration and cost sharing. The appeal for these agencies is the prospect of working with an adequately financed and properly structured business that can be a useful demonstration model for others.

43. Organizing support services to ensure their timely delivery to partner companies will require both time and resources. The initial support will usually involve refinement of applicants' business plans and funding strategies to ensure the business is both viable and adequately resourced and bankable. In those cases where this process identifies serious shortcomings or barriers to implementation, feedback will be provided to the applicant. The FM will be required to provide the services of well-qualified consultants to provide specialist inputs and advice, to organize relevant donor and similar program support, supplement support with other resources as required and to react quickly to unexpected issues confronting partner companies. These business support services will be available only to partner companies but may be expanded if additional funding is available in the future. The provision and organization/arrangement of business support services is the responsibility of the FM.

44. Additionally, a small agribusiness innovation scheme will be made available to agribusinesses. This will be administered by the PMU. Partner companies will be able to apply for reimbursement of eligible expenditures for specific purposes. These could be small, short-term expenditures related to the agribusiness expansion or operation. For example, research for product improvement, repackaging of products, workshop attendance, etc. The partner company will need to apply to the PMU for approval of expenditure. Expenditure will be approved based on certain criteria. After approval, the partner company will incur the expense and request the PMU for reimbursement which will be on a parallel cost sharing basis.

### **3. Output 3: Project Management**

#### **a. Executing Agency**

45. MOF will be the Executing Agency (EA) for the project and IA for the business support services. The participating FIs will be implementing agencies for the financing instruments. MOF will establish a PMU to be responsible for financial control, procurement and reporting. The PMU will be based in the Aid Coordination and Debt Management Division of MOF and will report to the Assistant CEO of that Division. Initially the PMU will be staffed by a full-time project manager.<sup>17</sup> However from Year 3 onwards, it is anticipated that a part-time project manager is considered sufficient. Duties of the PMU will include:

- (i) preparation of the annual workplan and budget;
- (ii) providing annual project audited accounts;
- (iii) ensuring compliance with the covenants in the ADB-government financing agreement;
- (iv) quarterly and annual progress reports (physical and financial);
- (v) procurement of services in accordance with government and ADB procedures;

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<sup>17</sup> Outline terms of reference for a project manager are detailed in section VI. Procurement and Consulting Services

- (vi) preparation of withdrawal applications with supporting documentation and sending them to ADB;
- (vii) monitoring and evaluation (M&E) of project implementation;
- (viii) evaluation outcomes and indicators included in the design and monitoring framework (see Annex 1); and
- (ix) convening meetings of the project advisory committee as needed.

**b. Project advisory committee**

46. Project implementation will be supported by an advisory committee of approximately seven persons including one each from the four relevant ministries (MOF, Ministry of Agriculture and Fisheries, Ministry of National Resources and Environment, and Ministry of Commerce and Labour) and private sector representatives, one representative from each of the Samoa Chamber of Commerce (SCOC), Samoa Association of Manufacturers and Exporters (SAME) and the Samoa Farmers Association. The committee will have an advisory role and will not be in the direct line of management control. It will be convened as necessary under the chair of MOF to advise the PMU on implementation issues and problems that may arise from time to time.

**c. Facility Manager (FM)**

47. Project implementation will be supported by a FM, contracted by MOF and reporting to the PMU. The FM will be recruited through the ADB's individual consultant selection process (but will be open for firms), and will be expected to play an active role in supporting partner companies to achieve the best possible commercial outcomes. The FM will have the following key responsibilities:

- (i) Promotion of the project to the private sector, relevant business organizations and other relevant parties in Samoa to develop a pipeline of potential agribusiness projects and to ensure the maximum feasible take up of project support.
- (ii) Overseeing the screening and selection of potential partner companies by the participating FIs to ensure FI compliance with project guidelines and procedures.
- (iii) Supporting potential partner businesses to improve business and financing plans before referral to the FIs.
- (iv) Supporting the participating FIs in the due diligence process to: (i) complete initial assessment of financing applications in terms of their eligibility criteria; (ii) refine the business plan, with particular attention to market issues; (iii) establish the need for business support services; and (iv) ensure that partner companies are compliant with ADB safeguard standards.
- (v) Conducting environmental and social safeguard assessments of project proposals in accordance with ADB and government policies and procedures.
- (vi) Establishing partnership arrangements with partner companies to define the roles and responsibilities for, among others: (i) cost-sharing arrangement for business support services; (ii) board or management committee seat; (iii) data provision (on performance, employment, gender statistics); (iv) monitoring of businesses performance, and (v) preparing quarterly progress reports
- (vii) Arranging and coordinating tailored business support services to partner companies in a range of specific areas and working with partner companies to establish/strengthen supply chain linkages and/or outgrower arrangements.
- (viii) Establishing linkages with other national or regional support programs.

- (ix) Supporting the FIs in implementation of the partnerships, collecting data on the utilization of loan guarantee and SSC funds, monitoring the performance of partner enterprises, and providing M&E data and quarterly and annual reports to the PMU.
- (x) Arranging training on different topics for e.g., supply chains, skills for women working in the sector, marketing.

48. Detailed terms of reference are outlined in section VI. Procurement and Consulting Services.

## **G. Partnerships**

### **1. Eligible Agribusinesses**

49. The partnership selection system will be integrated within the FIs' normal lending operations, using the FI's own prudential criteria, but will give priority to projects with broader rural development impacts through employment creation and benefits to disadvantaged communities, positive externalities (such as adoption of new technologies and consequent demonstration effects) or improving value chain integration and removing supply chain bottlenecks. Moreover, the participation of FIs in the process should also provide them with better knowledge of financing agribusiness activities and once the success and creditworthiness of such ventures has been established this may lead to better financing conditions and availability. Finally, the system of project appraisal with agribusiness experts (FM) supporting the FIs' own evaluation processes, should guarantee that only viable and sustainable proposals are accepted for support.

50. Any agribusiness enterprise will be eligible to become a partner company provided it satisfies the minimum eligibility criteria:

- (i) an enterprise in the agriculture or agribusiness sectors, eligible to carry out business in Samoa.
- (ii) meets all relevant conditions and requirements stipulated in the Foreign Investment Act, 2000, as amended;
- (iii) meets appropriate credit and other risk-related criteria as determined and applied by the participating FI;
- (iv) agrees to use financing for a qualified subproject in accordance with the conditions spelt out in the loan agreement with the participating FI;

51. Businesses on ADB's exclusion list (see box below) including those engaged in tobacco, alcohol, gambling or in activities with possible negative social or environmental impacts will be ineligible.

**The following do not qualify for ADB financing:**

- Production or activities involving harmful or exploitative forms of forced labor or child labor.
- Production of or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements or subject to international phase-outs or bans, such as (a) pharmaceuticals, pesticides, and herbicides; (b) ozone-depleting substances; (c) polychlorinated biphenyls and other hazardous chemicals; (d) wildlife or wildlife products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora; and (e) transboundary trade in waste or waste products.
- Production of or trade in weapons and munitions, including paramilitary materials.
- Production of or trade in alcoholic beverages, excluding beer and wine.
- Production of or trade in tobacco.
- Gambling, casinos, and equivalent enterprises.
- Production of or trade in radioactive materials, including nuclear reactors and components thereof.
- Production of, trade in, or use of unbonded asbestos fibers.
- Commercial logging operations or the purchase of logging equipment for use in primary tropical moist forests or old-growth forests.
- Marine and coastal fishing practices, such as large-scale pelagic drift net fishing and fine mesh net fishing, harmful to vulnerable and protected species in large numbers and damaging to marine biodiversity and habitats.

52. Participation of foreign investors will be given due consideration, possibly in joint venture with local companies.<sup>18</sup> It is expected that the process of identifying partnership opportunities will also involve liaison with New Zealand government agencies and Pacific Trade and Invest (PT & I) offices to consider foreign companies as potential candidates. The New Zealand government e.g. runs a agribusiness partnership program and supports a business mentoring program which could be beneficial for the agribusiness to be able to tap into. The PT & I offices provide support for export marketing of Pacific products. The FM will also provide initial briefings through business associations such as the SCOC and SAME.

## **2. Agribusiness Project Assessment Criteria**

53. An eligible agribusiness project that can be supported by the Project needs to meet at least the following criteria:

- (i) it is found to be commercially viable based on due diligence conducted by the participating FI in accordance with its policies and procedures;
- (ii) it is not categorized as Category A in terms of environmental and A or B in terms of, resettlement or indigenous peoples/ethnic minority impacts within the meaning of the SPS;

<sup>18</sup> These joint ventures need to be in compliance with the conditions and requirements stipulated in Samoa's Foreign Investment Act, 2000.

- (iii) at least 25 percent of the qualified subproject costs will be met by a cash or in kind contribution from the agribusiness and the participating FIs is committed to lend up to 50% of project costs;
- (iv) it contributes to diversification and/or expansion of agribusinesses.
- (v) makes a beneficial contribution to the agriculture sector, economy or employment.

54. In essence, these would be projects that involve the production and/or purchase of raw or processed agro-industrial materials from rural areas, and/or operations in rural areas. It is also anticipated that this will be new funding and does not involve refinancing. The FM will be required to monitor the FIs' compliance with these applicant assessment criteria.

55. The criteria for assessing projects will also follow FI procedures and will be based on the likelihood of the project achieving commercial sustainability and being able to service the loan. To qualify for project support the FIs will also be required to take into consideration: (i) the importance of bank finance in enabling the project to proceed in the absence of funding from other sources; (ii) the availability of the required business management and technical support services and the prospects for collaboration with other private sector support programs; (iii) the likely improvement in the incomes, livelihoods, opportunities, or living standards of local men and women; (iv) the extent to which other businesses could replicate the project's model in the same or similar environments; and (v) the likelihood of the project resulting in general improvements in the conditions for doing business in Samoa.

### **3. Anticipated Number and Phasing of Partnerships**

56. Depending on the participating FI's credit appraisal and financing arrangements, the project could support around 10-15 agribusiness projects. This would depend on: (i) the size of the individual investments; (ii) the mix of large, medium and small projects; (iii) the size of the bank loans and the amount covered by cash collateral; and (iv) the number of projects qualifying for SSC.

57. It is envisaged that all of the partnerships will be selected and formed during the first three years of the project. During the life time of the project the cash collateral funds can be re-used for new loans. The un-drawn portion of the cash collateral, repaid supplemental seed capital and any interest earned will be returned by the FIs as the loans are repaid or at the end of the project lifetime, whichever is later. The funds will be paid into an Agribusiness Finance Account held by MOF. The balance in this account at project completion will be available for future support to agribusiness investment.

## IV. COSTS AND FINANCING

### A. Overview

58. The total cost of the project over seven years is estimated to be \$10.34 million, which includes price contingencies to allow for inflation. The financing arrangements are as follows:

- (i) \$5.00 million will be financed by an ADB grant to fund the cash collateral facility, SSC, facility management, business support services and a share of the project management costs.
- (ii) \$3.17 million will be financed by the private sector through equity contributions to agribusiness investments and contribution to business support services and agribusiness innovation scheme (the latter two on a parallel financed cost-sharing basis).
- (iii) \$2.00 million will be financed by the participating FIs in the form of the non-guaranteed portion of loans to partner companies.
- (iv) \$0.17 million will be financed by government to cover the cost of operating the PMU and undertaking annual audits

59. The relatively small cost allocation for project management (government counterpart funding) is attributable to the fact that the participating FIs, with support from the FM, will undertake most of the work in screening and assessing financing applications from potential partner companies, in return for the project sharing up to half of the risk associated with FI lending, as well as contributing seed capital in some cases which will enhance the creditworthiness of the subborrowers.

#### 1. Agribusiness Support (Base Cost \$8.65 million)

60. This includes estimated \$8 million for financing (with contribution from the private sector and the FIs) and estimated \$0.65 million for business support services with contribution from the private sector. Financing: Out of the \$8 million approximately \$2 million is allocated to cash collateral and approximately \$1 million to providing repayable SSC, the remaining being private sector own contribution to project costs and FI financing. The cost estimates are based on partial security (as cash collateral) for: two large projects (\$1.5m), four medium-sized projects (\$0.75m) and five small projects (\$0.4m). On this basis, there would be about 11 partner companies benefiting from the cash collateral, generating additional loan financing through participating FIs. In each case the amount to be secured by cash collateral is suggested to be one half of the FI's 50% share of financing or a quarter of the total project costs. The allocation between large, medium and small projects is indicative only and will depend to a large extent on the mix of funding applications submitted to the FIs and the final financing structure. Larger numbers of small project applications may emerge in which case the allocation to large and medium projects would have to be reduced. It is estimated that about half of the projects would qualify for the SSC, but this is indicative as well.

#### 2. Project Management (Base Cost \$1.47 million)

61. The cost of the FM would amount to \$974,000 over 7 years, most of which represents the cost of an internationally-recruited FM and an administration assistant. There is also

provision for transport allowance, office furniture and equipment, office rental and utilities, and miscellaneous operating costs.

62. Since all operational functions will be performed by the participating FIs, the project management costs are quite modest. The PMU will be headed by a project manager, full time initially, but reducing to part time in Years 4–5. There will also be funding for a project launch workshop, production of brochures and printing materials, office furniture and equipment, communications and office consumables. All PMU costs apart from the project launch workshop will be financed by the government.

63. M&E will be funded by ADB and will include allocations for M&E system design, preparation of annual M&E reports, a midterm review and project completion report, and project review workshops. This is included in the project management cost for an amount of \$178,000.

64. Project management costs also include an allocation of \$150,000 for the agribusiness innovation scheme which will be administered by the PMU.

65. Audit of project accounts will be undertaken by the Controller and Chief Auditor (CCA) directly. An allocation of \$25,000 has been made in case outsourcing is necessary. This will be financed through the ADB funds.



## B. Detailed Cost Estimates by Expenditure Category

Item	(ST '000) <sup>a</sup>			(US '000) <sup>a</sup>			% of Total Base Cost
	Foreign Exchange	Local Currency	Total Cost	Foreign Exchange	Local Currency	Total Cost	
<b>A. Investment Costs</b>							
1 Financing Services							
a. To ANZ	2,724	4,540	7,264	1,200	2,000 <sup>b</sup>	3,200	31%
b. To selected PFIs	4,086	6,810	10,896	1,800	3,000 <sup>c</sup>	4,800	47%
2 Business Support Services							
a. Consulting Services	1,176	0	1,176	518	0	518	5%
b. Support Costs	0	295	295	0	130	130	1%
3 Project Management <sup>d</sup>							
a. Project Management Costs	2,685	0	2,685	1,183	0	1,183	12%
b. Agribusiness Innovation Scheme	341	0	341	150	0	150	1%
c. Agribusiness Innovation Scheme Support Cost	0	0	0	0	38	38	0%
<b>Subtotal (A)</b>	<b>11,012</b>	<b>11,645</b>	<b>22,657</b>	<b>4,851</b>	<b>5,168</b>	<b>10,019</b>	
<b>B. Recurrent Costs</b>							
1 PMU office operation <sup>e</sup>	0	318	318	0	140	140	1%
<b>Subtotal (B)</b>	<b>0</b>	<b>318</b>	<b>318</b>	<b>0</b>	<b>140</b>	<b>140</b>	
<b>Total Base Cost</b>	<b>11,012</b>	<b>11,963</b>	<b>22,975</b>	<b>4,851</b>	<b>5,308</b>	<b>10,159</b>	<b>100%</b>
<b>C. Contingencies<sup>f</sup></b>							
1 Physical	0	0	0	0	0	0	
2 Price	338	70	409	149	35	184	
<b>Subtotal (C)</b>	<b>338</b>	<b>70</b>	<b>409</b>	<b>149</b>	<b>35</b>	<b>184</b>	
<b>Total Project Cost (A+B+C)</b>	<b>11,350</b>	<b>12,033</b>	<b>23,383</b>	<b>5,000</b>	<b>5,339</b>	<b>10,343</b>	

\$1.00 = ST 2.27

<sup>a</sup> Figures may not tally due to rounding. Includes taxes and duties of \$264,000 to be financed from ADB grant resources. The principles stated in OM H3/OP were applied in determining the amount of taxes and duties applied in financing the project.

<sup>b</sup> Includes financial intermediary (bank) lending.

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<sup>c</sup> Includes contribution by the private sector.

<sup>d</sup> Project Management costs include facility manager, admin officer, monitoring and evaluation specialist, possible audit costs..

<sup>e</sup> PMU office operation costs include counterpart staff salaries, office furniture, office supplies, equipment, domestic transportation.

<sup>f</sup> Price contingencies computed at 3% p.a. on foreign exchange costs, applied to output 2 and 3 (ADB cost escalation factor average for 2014–2016 is 2.6%).

Source: Asian Development Bank.

**C. Allocation and Withdrawal of Grant Proceeds**

<b>Allocation and Withdrawal of Grant Proceeds</b> (Samoa AgriBusiness Support Project)				
Category		ADB Financing		
Number	Item	Total Amount Allocated for ADB Financing (\$)		Percentage and Basis for Withdrawal from the Grant Account
		Category	Subcategory	
1	Financing Services**	3,000,000		
1a	To ANZ		1,200,000	100% of total expenditure claimed
1b	To selected PFIs		1,800,000	100% of total expenditure claimed
2	Business Support Services— Consulting Services	518,000		100% of total expenditure claimed
3	Project Management	1,333,000		
3 a	PM Consulting Services		1,183,000	100% of total expenditure claimed
3 b	Agribusiness Innovation Scheme		150,000	100% of total expenditure claimed
4	Unallocated	149,000		
	<b>Total</b>	<b>5,000,000</b>		

\*\*Subject to the conditions for withdrawal described in the Grant Agreement paragraph 5 of Schedule 2.

**D. Detailed Cost Estimates by Financier**

Item	(\$ '000) <sup>a</sup>								
	ADB		Banks		Government		Private Sector <sup>b</sup>		Total Cost
	Amount	% of Cost Category	Amount	% of Cost Category	Amount	% of Cost Category	Amount	% of Cost Category	
<b>A. Investment Costs</b>									
1 Financing Services									
a. To ANZ	1,200	38%	800	25%	0	0	1,200	38%	3,200
b. To selected PFIs	1,800	38%	1,200	25%	0	0	1,800	38%	4,800
2 Business Support Services									
a. Consulting Services	518	100%	0	0	0	0	0	0	518
b. Support Costs	0	0	0	0	0	0	130	100%	130
3 Project Management <sup>c</sup>									
a. Project Management Costs	1,183	100%	0	0	0	0	0	0	1,183
b. Agribusiness Innovation Scheme	150	100%	0	0	0	0	0	0	150
c. Agribusiness Innovation Scheme Support Cost	0	0	0	0	0	0	38	100%	38
<b>Subtotal (A)</b>	<b>4,851</b>	<b>48%</b>	<b>2,000</b>	<b>20%</b>	<b>0</b>	<b>0</b>	<b>3,168</b>	<b>32%</b>	<b>10,019</b>
<b>B. Recurrent Costs</b>									
1 PMU office operation <sup>d</sup>	0	0	0	0	140	100%	0	0	140
<b>Subtotal (B)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>140</b>	<b>100%</b>	<b>0</b>	<b>0</b>	<b>140</b>
<b>Total Base Cost</b>	<b>4,851</b>	<b>48%</b>	<b>2,000</b>	<b>20%</b>	<b>140</b>	<b>100%</b>	<b>3,168</b>	<b>31%</b>	<b>10,159</b>
<b>C. Contingencies<sup>e</sup></b>	<b>149</b>	<b>81%</b>	<b>0</b>	<b>0</b>	<b>35</b>	<b>17%</b>	<b>0</b>	<b>0</b>	<b>184</b>
<b>Total Project Cost (A+B+C)</b>	<b>5,000</b>	<b>49%</b>	<b>2,000</b>	<b>19%</b>	<b>175</b>	<b>2%</b>	<b>3,168</b>	<b>30%</b>	<b>10,343</b>
<b>% Total Project Cost</b>		<b>49%</b>		<b>19%</b>		<b>2%</b>		<b>30%</b>	

<sup>a</sup> Figures may not tally due to rounding. Includes taxes and duties of \$264,000 to be financed from ADB grant resources. The principles stated in OM H3/OP were applied in determining the amount of taxes and duties applied in financing the project.

<sup>b</sup> The private sector will provide cash or in-kind contributions to finance A1 or A3 in the form of equity to project costs and e.g., workshop space, transportation

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costs for business support services and agribusiness innovation scheme.

<sup>c</sup> Project Management costs include facility manager, administration assistant, monitoring and evaluation specialist, audit costs.

<sup>d</sup> PMU office operation costs include counterpart staff salaries, office furniture, office supplies, equipment, domestic transportation, and other in-kind contributions.

<sup>e</sup> Price contingencies computed at 3% p.a. on foreign exchange costs, applied to output 2 and 3 (ADB cost escalation factor average for 2014–2016 is 2.6%).

Source: Asian Development Bank.

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### E. Detailed Cost Estimates by Outputs/Components

Item	Total Cost	(\$ '000) <sup>a</sup>					
		Output 1		Output 2		Output 3	
		Amount	% of Cost Category	Amount	% of Cost Category	Amount	% of Cost Category
<b>A. Agribusiness Partnerships</b>							
1 Private sector contribution	3,168	3,000	35	168	2	0	0
2 Bank finance	2,000	2,000	23	0	0	0	0
3 Financing Services							
a. Cash Collateral Facility	2,000	2,000	23	0	0	0	0
b. Supplemental Seed Capital	1,000	1,000	12	0	0	0	0
4 Business Support Services	518	0	0	518	6	0	0
<b>Subtotal (A)</b>	<b>8,686</b>	<b>8,000</b>	<b>92</b>	<b>686</b>	<b>8</b>	<b>0</b>	<b>0</b>
<b>B. Project Management</b>							
1 Project Management Unit	146	0	0	0	0	146	10
2 Monitoring and Evaluation	178	0	0	0	0	178	12
3 Annual Audits	25	0	0	0	0	25	2
4 Facility Management	974	0	7	0	0	974	66
5 Agribusiness Innovation Scheme	150	0	0	150	10	0	0
<b>Subtotal (B)</b>	<b>1,473</b>	<b>0</b>	<b>0</b>	<b>150</b>	<b>0</b>	<b>1,323</b>	<b>100</b>
<b>Total Base Cost</b>	<b>10,159</b>	<b>8,000</b>	<b>79</b>	<b>836</b>	<b>6</b>	<b>1,323</b>	<b>13</b>
<b>C. Contingencies</b>							
1 Physical	0	0	0	0	0	0	0
2 Price <sup>b</sup>	184	40	22	88	48	56	30
<b>Subtotal (C)</b>	<b>184</b>	<b>40</b>	<b>22</b>	<b>88</b>	<b>48</b>	<b>56</b>	<b>30</b>
<b>Total Project Cost (A+B+C)</b>	<b>10,343</b>	<b>8,040</b>	<b>78</b>	<b>924</b>	<b>9</b>	<b>1,379</b>	<b>13</b>

<sup>a</sup> Figures may not tally due to rounding. Includes taxes and duties of \$264,000 to be financed from ADB grant resources. The principles stated in OM H3/OP were applied in determining the amount of taxes and duties applied in financing the project.

<sup>b</sup> Price contingencies computed at 3% p.a. on foreign exchange costs, applied to output 2 and 3 (ADB cost escalation factor average for 2014–2016 is 2.6%).

Source: Asian Development Bank.

## F. Detailed Cost Estimates by Year

(\$ '000) <sup>a</sup>									
Item	Total Cost	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	
<b>A. Investment Costs</b>									
1	Agribusiness Investments	8,000	1,000	3,500	3,500	0	0	0	0
2	Business Support Services	648	81	178	219	143	28	0	0
3	Project Management <sup>b</sup>	1,371	175	316	222	175	218	158	107
	<b>Subtotal (A)</b>	<b>10,019</b>	<b>1,256</b>	<b>3,994</b>	<b>3,941</b>	<b>318</b>	<b>246</b>	<b>158</b>	<b>107</b>
<b>B. Recurrent Costs</b>									
1	PMU office operation	140	30	30	30	25	25	0	0
	<b>Subtotal (B)</b>	<b>140</b>	<b>30</b>	<b>30</b>	<b>30</b>	<b>25</b>	<b>25</b>	<b>0</b>	<b>0</b>
	<b>Total Base Cost</b>	<b>10,159</b>	<b>1,286</b>	<b>4,024</b>	<b>3,971</b>	<b>343</b>	<b>271</b>	<b>158</b>	<b>107</b>
<b>C. Contingencies<sup>c</sup></b>									
		<b>184</b>	<b>17</b>	<b>31</b>	<b>52</b>	<b>45</b>	<b>39</b>	<b>0</b>	<b>0</b>
	<b>Total Project Cost (A+B+C)</b>	<b>10,343</b>	<b>1,303</b>	<b>4,055</b>	<b>4,023</b>	<b>388</b>	<b>310</b>	<b>158</b>	<b>107</b>
	<b>% Total Project Cost</b>	<b>100%</b>	<b>13%</b>	<b>39%</b>	<b>39%</b>	<b>4%</b>	<b>3%</b>	<b>2%</b>	<b>1%</b>

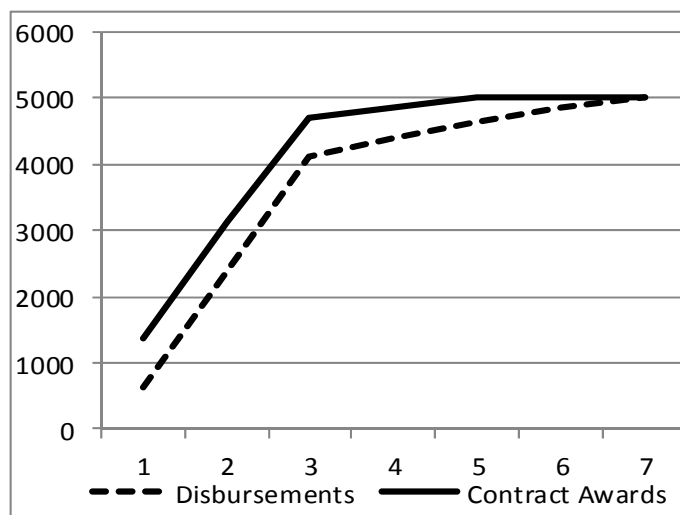
<sup>a</sup> Figures may not tally due to rounding. Includes taxes and duties of \$264,000 to be financed from ADB grant resources. The principles stated in OM H3/OP were applied in determining the amount of taxes and duties applied in financing the project.

<sup>b</sup> Project Management costs include facility manager, administration assistant, monitoring and evaluation specialist, audit costs.

<sup>c</sup> Price contingencies computed at 3% p.a. on foreign exchange costs, applied to output 2 and 3 (ADB cost escalation factor average for 2014–2016 is 2.6%).

Source: Asian Development Bank.

### G. Contract and Disbursement S-curve



### H. Fund Flow Diagram

66. As shown below, there will be two main channels for the disbursement of ADB grant proceeds: (i) direct payment and (ii) reimbursement.

#### 1. Output 1: Financing of Agribusinesses

67. There will be two legal agreements specifying use of grant proceeds: (i) project agreement between ADB and each of the participating FIs, and (ii) subsidiary financing agreement between the government and each of the participating FIs.

68. The subsidiary financing agreements will specify the total amount of funds which are allocated to the respective participating FI and the conditions for use of it. The respective allocation will depend on the outcome of the due diligence, the size and reputation and market share of the participating FI.

69. Un-drawn portions of the cash collateral or repaid SSC, including interest earned, will be returned to the government at the end of the project lifetime or last loan repayment, whichever comes later to an Agribusiness Finance Account with MOF.

#### 2. Output 2: Business support services

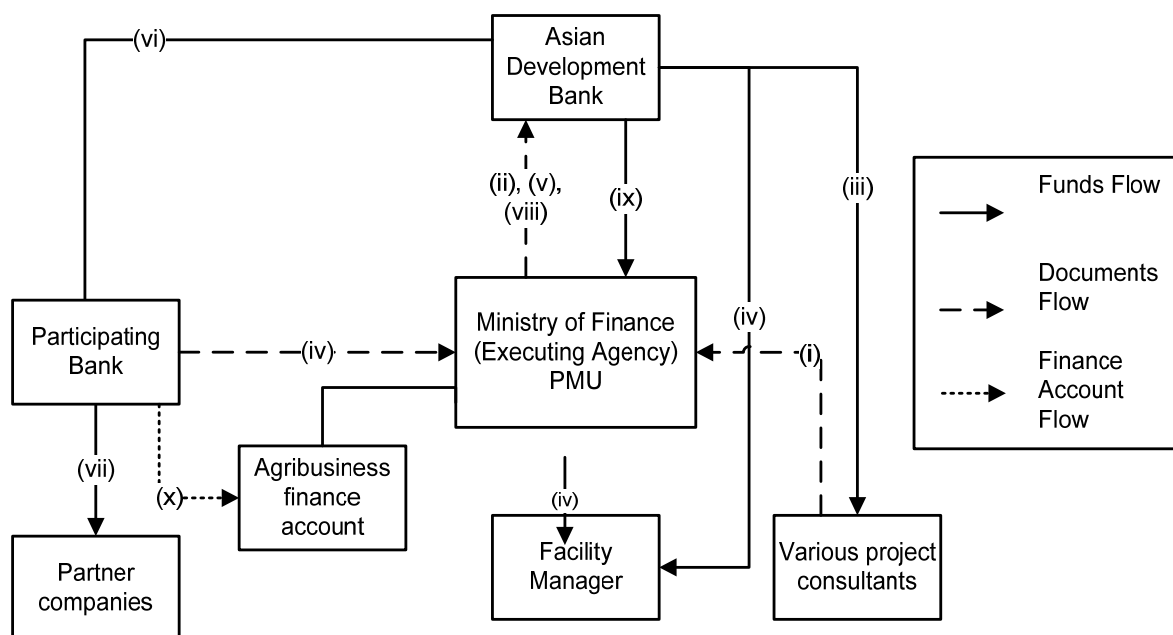
70. These will be primarily costs for consulting contracts for specific expertise to be provided to agribusinesses. These will be individual and firm contracts. Agribusinesses will cost share for these services but pay directly since costs are financed on a parallel basis.



### **3. Output 3: Project Management**

71. Project management unit operating costs will be paid mainly out of government counterpart funds. The FM and monitoring and evaluation expert will be recruited on an individual consulting contract basis. Expenses for the agribusiness innovation scheme will be paid from ADB to the government on a reimburseable basis.

72. ADB will pay the suppliers and consultants by direct payment upon receipt of a withdrawal application from MOF requesting payment. This will include up-front payments to the FIs for on-lending purpose into a special financing account for cash collateral or SSC funds, payments to the FM, and payments to other consultants. Smaller items will be pre-financed by the government and reimbursed by ADB upon submission of a withdrawal application and statements of expenditure to the ADB.



#### Direct Payment Procedure:

- (i) The various consultants issues an invoice to the PMU.
- (ii) The PMU checks the invoice, prepares and submits the withdrawal application for direct payment to ADB with supporting documents.
- (iii) ADB makes the direct payment to the consultant.

#### Special Financing Account Procedure:

- (iv) The participating bank fulfills the conditions for disbursement as stated in the legal agreements and requests the PMU for the financing.
- (v) The PMU prepares a withdrawal application and submits this to ADB.
- (vi) ADB makes the payment to a special financing account with the participating bank.
- (vii) The participating bank holds the cash collateral in the bank and transfers the supplemental seed capital to the partner companies.

#### Reimbursement Procedure:

- (viii) The PMU prepares a withdrawal application for reimbursement of trainings, seminars, and conferences, and business innovation scheme to ADB.
- (ix) ADB reimburses the government.

#### Agribusiness finance account:

- (x) If the participating bank is unable to use the cash collateral and supplemental seed capital within the period allotted in the legal agreements, the participating bank will return the financing to MOF for use by other participating banks. At the end of project life, the banks will return any undrawn cash collateral and repaid supplemental seed capital to an agribusiness finance account.

After Year 3, ADB and the government will decide how the funds in the agribusiness finance account will be used.

ADB = Asian Development Bank, PMU = project management unit.

Source: Asian Development Bank.

## V. FINANCIAL MANAGEMENT

### A. Financial Management Assessment

73. A financial management assessment (FMA) was completed for the project in accordance with ADB's guidelines for *Financial Management and Analysis of Projects* and the publication *Financial Due Diligence A Methodology Note*. The FMA was carried out for the MOF, the EA and IA for output 2 and 3, and received a "very low" risk score.<sup>19</sup> The Aid Coordination and Debt Management Division within the MOF will house the PMU. A project manager is yet to be appointed. A due diligence, including a financial management assessment, was conducted for the participating FIs as implementing agencies for output 1. The FMAs were satisfactory. In addition, Samoa undertook comprehensive reviews of public financial management (PFM) in April 2010 and October 2013<sup>20</sup> which identified significant improvements across a number of public expenditure and financial accountability assessment criteria the latter with technical support from the Pacific Finance Technical Assistance Centre. ADB's latest Samoa country partnership strategy considered Samoa's public financial management system to be robust, in terms of incorporating all revenue and expenditure into government accounts and documenting fiscal risks.

74. **Assessment of Financial Management Capacity of Ministry of Finance.** The project will build on experience and lessons learnt from other development partner projects implemented by the MOF. The assessment does not show any major concerns. MOF's Accounting Services and Financial Management Department are fully functional and experienced. Due to stretched human resource capacities, support staff for PMU for project implementation and monitoring and evaluation will need to be recruited. This will be in particular the FM and a monitoring and evaluation consultant. Staff will need to participate in ADB in-country training on project management. Consultant positions have been identified and terms of reference are detailed in section VI. Procurement and Consulting Services.

75. Corruption is not generally seen as a problem in PFM in Samoa and the 2010 and 2013 PFM reviews do not mention corruption as an issue. ADB's Country Performance Assessment ratings (2012) scored Samoa 4.0/5.0 for transparency, accountability and corruption in the public sector.<sup>21</sup> A 2013 PFM review, facilitated by the International Monetary Fund, concluded that Samoa meets the standards of the Fiscal Transparency Code in most areas.

76. Regulations require that the CCA shall audit all public accounts. Public bodies are required to submit their audited financial statements to the MOF by 31 October in each year. However the 2013 Public Financial Management assessment noted that some delays are experienced. The main reason for the delays in the submission of the annual report/audited financial statements is the resourcing issues in the office of the CCA. To address this issue, outsourcing of audits to private firms is increasing. Recent initiatives have, however, allowed clearance of much of the backlog of the National Audit Office, and this institution is now better-resourced, which should help improve timeliness in future years.

<sup>19</sup> ADB. 2014. *PPTA Main Report*. Consultant's report. Manila (TA 8231-SAM); Risk Assessment and Risk Management Plan (accessible from the list of linked documents in Appendix 2).

<sup>20</sup> Samoa: Public Financial Management Performance Report. Final Report April 2010; Samoa: Public Financial Management Performance Report. Draft Report October 2013.

<sup>21</sup> Samoa is not covered by the Transparency International corruption perceptions index.

77. Strict auditing requirements will be imposed at several levels. The partner companies will be required to submit financial statements to the participating FIs. The FM will also be required to maintain documents and files for project activities under the contract. The PMU will provide quarterly and annual project progress reports with financial updates. The CCA will audit the project accounts and financial reports produced by the PMU.

## **B. Disbursement**

78. The grant proceeds will be disbursed in accordance with ADB's *Loan Disbursement Handbook* (2012, as amended from time to time),<sup>22</sup> and detailed arrangements agreed upon between the government and ADB.

79. Pursuant to ADB's SPS,<sup>23</sup> ADB funds may not be applied to the activities described on the ADB Prohibited Investment Activities List set forth at Appendix 5 of the SPS. All financial institutions will ensure that their investments are in compliance with applicable national laws and regulations and will apply the prohibited investment activities list to subprojects financed by ADB.

80. Direct payment and reimbursement procedures will be used. Disbursements from the grant proceeds under the consulting services contracts will be by direct payment procedure. The PMU will review the claims submitted under the contracts and prepare the withdrawal applications with complete supporting documents, and submit to ADB for processing of payments.

81. Upon satisfaction of the disbursement conditions stated in the grant agreement and subsidiary financing agreement, the participating FI will request the funds from the PMU. The PMU will then prepare a withdrawal application and request ADB to make a direct payment to a special financing account with the participating FI. The funds will be placed in an interest-earning account to ensure sustainability of the account. The funds will be used for (i) cash collaterals and (ii) SSC. While the cash collateral would remain with the FI to secure part of the subloans disbursed with the FI's own funds, the SSC would be transferred to the subborrower in line with respective subloan agreements. If the participating FI fails to use the funds according to the legal agreements, i.e. make subloans (secured by cash collateral or provided as SSC) for financing of partner agribusinesses within the period of time stipulated in the subsidiary financing agreement, the funds (for SSC and cash collateral) will be returned to MOF for use by other participating FIs for the same purpose as specified in the legal agreements. ADB will be notified by the participating FI of such a return and MOF will advise on the receipt of the funds. Reallocation will be done in agreement with ADB. Should subloans be repaid, without drawing on the cash collateral, and SSC be repaid during the project lifetime, the participating FI will be able to re-use these funds for new subloans (footnote 14).

82. At the end of the project lifetime or end of subloan repayment, whichever is later, any interest earned<sup>24</sup>, repaid seed capital or undrawn funds from the cash collateral portion will be deposited by the participating FI to an Agribusiness Finance Account overseen by MOF. In year 3, ADB and MOF will decide on the recycling of remaining funds after project lifetime for the same or similar purpose.

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<sup>22</sup> Available at: <http://www.adb.org/documents/loan-disbursement-handbook>

<sup>23</sup> Available at: <http://www.adb.org/Documents/Policies/Safeguards/Safeguard-Policy-Statement-June2009.pdf>

<sup>24</sup> Interest earned on the amounts deposited with the participating FI will not be used for onlending during project lifetime.

83. The agribusiness innovation scheme (\$150,000) will be paid on a reimbursement basis. The partner company will need to apply to the PMU for approval of their expenditure by submitting their proposal and cost estimate. After incurring the expense, the partner company will submit supporting documents (e.g., invoice, boarding pass, flight tickets, etc.) to the PMU and request a reimbursement according to the agreed cost sharing arrangement. The PMU will maintain a separate account for these expenditures together with supporting documents. The PMU will ask ADB for reimbursement of these expenditures.

84. The statement of expenditure (SOE) procedure may be used for reimbursement of eligible expenditures. The ceiling of the SOE procedure is the equivalent of \$100,000 per individual payment. Supporting documents and records for the expenditures claimed under the SOE should be maintained and made readily available for review by ADB's disbursement and review missions, upon ADB's request for submission of supporting documents on a sampling basis, and for independent audit. Reimbursement of individual payments in excess of the SOE ceiling should be supported by full documentation when submitting the withdrawal application to ADB.

85. Before the submission of the first withdrawal application, MOF will submit to ADB sufficient evidence of the authority of the person(s) who will sign the withdrawal applications on behalf of the recipient, together with the authenticated specimen signatures of each authorized person. The minimum value per withdrawal application is US\$100,000 equivalent, unless otherwise approved by ADB. Individual payments below this amount should generally be paid by the EA/IA and subsequently claimed to ADB through reimbursement. ADB reserves the right not to accept WAs below the minimum amount.

86. The PMU will prepare annual contract awards and disbursement projections and will be responsible for requesting budgetary allocations for counterpart funds. The government contribution will likewise be paid by MOF according to the financing percentages specified in the agreed financing plan.

### **C. Accounting**

87. The MOF will maintain separate project accounts and records by funding source for all expenditures incurred in the Project. This includes documentation for the business support services, the agribusiness innovation scheme and the Agribusiness Finance Account, once established (the account is expected to be used only for reallocation of returned funds by a participation FI during project lifetime and towards the end of the project lifetime for return of undrawn cash collateral, repaid SSC and interest incurred). Project accounts will follow international accounting principles and practices or the national equivalent acceptable to ADB.<sup>25</sup> FIs will need to maintain internal accounting reports for the special finance account to document the use, inflows and outflows of cash collateral and seed capital and respective interest accrued. These will need to be forwarded to the PMU on a quarterly basis.

### **D. Auditing**

88. The MOF will (i) prepare annual financial statements for the project in accordance with accounting principles acceptable to ADB; and (ii) have such financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are

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<sup>25</sup> The Government of Samoa uses the International Financial Reporting Standards.

acceptable to ADB, in accordance with international standards for auditing or the national equivalent acceptable to ADB; and (iii) furnish to ADB, no later than 6 months after the end of each related fiscal year, copies of the audited financial statements, audit report and management letter, all in the English language, and other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

89. The annual audit report will include an audit management letter and audit opinions which cover (i) whether the project financial statements present a true and fair view or are presented fairly, in all material respects, in accordance with the applicable financial reporting framework; (ii) whether grant proceeds were used only for the purposes of the project or not; (iii) the level of compliance for each financial covenant contained in the legal agreements for the project; and (iv) compliance with use of the SOE procedure certifying (a) to the eligibility of those expenditures claimed under SOE procedures, and (b) proper use of the procedure in accordance with ADB's Loan Disbursement Handbook and the project documents. This will also include audited information on the Abrugusiness Finance Account on returned funds from participating FIs and on re-allocation of funds to another participating FI.

90. Compliance with financial reporting and auditing requirements will be monitored by review missions and during normal program supervision, and followed up regularly with all concerned, including the external auditor.

91. The Government of Samoa and the executing and implementing agencies have been/will be made aware of ADB's approach to delayed submission, and the requirements for satisfactory and acceptable quality of the audited project financial statements. ADB reserves the right to require a change in the auditor (in a manner consistent with the constitution of the recipient, or for additional support to be provided to the auditor, if the audits required are not conducted in a manner satisfactory to ADB, or if the audits are substantially delayed. ADB reserves the right to verify the project's financial accounts to confirm that the share of ADB's financing is used in accordance with ADB's policies and procedures.

92. Public disclosure of the project financial statements, including the audit report on the project financial statements, will be guided by ADB's Public Communications Policy (2011).<sup>26</sup> After review, ADB shall disclose the annual audited financial statements for the Project and the opinion of the auditors on the financial statements within 30 days of the date of their receipt by posting them on ADB's website. The Project Audit Management Letter and the EA's and IAS' Audited Financial Statements will not be disclosed.

93. Each participating FI shall (i) provide its annual financial statements prepared in accordance with national accrual-based financing reporting standards acceptable to ADB; (ii) have its financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with international standards for auditing or the national equivalent acceptable to ADB; (iii) as part of each such audit, have the auditors prepare a report (which includes the auditors' opinion on the financial statements, use of the Grant proceeds and compliance with the financial covenants of the Grant Agreement) and a management letter (which sets out the deficiencies in the internal control of the Project that were identified in the course of the audit, if any); and (iv) furnish to ADB, no later than 6 months after the close of the fiscal year to which they relate, copies of such audited financial statements, audit report and management letter, all in the English language, and such

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<sup>26</sup> Available from <http://www.adb.org/documents/pcp-2011?ref=site/disclosure/publications>

other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

94. Each participating FI shall disclose its annual audited financial statements and the opinion of the auditors on the financial statements within 30 days of the date of their receipt by posting them on their website.

## VI. PROCUREMENT AND CONSULTING SERVICES

### A. Advance Contracting and Retroactive Financing

95. A procurement capacity assessment of the executing agency, MOF, has established that procedures and policies are in place and there is experience in implementing external assistance. Government procurement systems and procedures are well defined as detailed in the recent ADB/Organisation for Economic Co-operation and Development review of public procurement.<sup>27</sup> Whilst there have been some weaknesses identified in the implementation of public procurement, these are being addressed under Public Financial Management Review Phase II and will no doubt continue to improve. MOF has its independent procurement unit which seems to understand ADB procurement processes. Apart from few individual consulting contracts, no larger procurement packages are foreseen for the project. These do not need to go through the Samoan Tenders Board.

96. All advance contracting will be undertaken in conformity with ADB's *Procurement Guidelines* (2013, as amended from time to time) (ADB's *Procurement Guidelines*)<sup>28</sup> and ADB's *Guidelines on the Use of Consultants* (2013, as amended from time to time) (ADB's *Guidelines on the Use of Consultants*).<sup>29</sup> The issuance of invitations to bid under advance contracting will be subject to ADB approval. The recipient, executing, and implementing agencies have been advised that approval of advance contracting does not commit ADB to finance the Project.

97. The government has requested ADB to assist in the process of advertisement, evaluation of expressions of interest and shortlisting for the FM and selected key consultant positions under advance action to facilitate commencement of the project. No other advance contracting is envisaged.

### B. Procurement of Goods and Consulting Services

98. All procurement of goods and works will be undertaken in accordance with ADB's *Procurement Guidelines*. Procurement of goods will be limited to shopping method for off-the-shelf goods up to \$99,999 value. The PMU will be responsible for the procurement of goods and related services under the project.

99. An 18-month procurement plan indicating threshold and review procedures, goods, works, and consulting service contract packages and national competitive bidding guidelines is in Section C.

100. All consultants and nongovernment organizations will be recruited according to ADB's *Guidelines on the Use of Consultants*.<sup>30</sup> The terms of reference for all consulting services are detailed in Section D.

101. An estimated 89 person-months (40 international, 49 national) of consulting services are required to (i) facilitate project management and implementation (including monitoring and

<sup>27</sup> Source: ADB/OECD Anti-Corruption Initiative for Asia and the Pacific: Thematic review on provisions and practices to curb corruption in public procurement. Self-assessment report Samoa

<sup>28</sup> Available at: <http://www.adb.org/Documents/Guidelines/Procurement/Guidelines-Procurement.pdf>

<sup>29</sup> Available at: <http://www.adb.org/Documents/Guidelines/Consulting/Guidelines-Consultants.pdf>

<sup>30</sup> Checklists for actions required to contract consultants by method available in e-Handbook on Project Implementation at: <http://www.adb.org/documents/handbooks/project-implementation/>



evaluation), and (ii) strengthen the institutional and operational capacity of the executing agency and (iii) implement output 2 (Business Support Services). Since partner agribusinesses are not yet known, separate additional consulting services for business support services, estimated at 32 person-months, will be determined after the inception phase and business support services needs for potential partner companies have been identified. Consultants (prequalified firms for specific service contracts or individual consultants) will be engaged through on indefinite delivery contract basis. ADB will support the government in the recruitment of consultants. Final selection and contract negotiation will remain with the government.

### C. Procurement Plan

Item	Method	Comments	Budget in USD
<b>Agribusiness Partnerships</b>			
Facility Manager	ICS	<ul style="list-style-type: none"> <li>• FM engaged on individual basis, open for individuals or a firm (international source)</li> <li>• Several contracts: 1. 20 months contract with built-in performance reviews (full-time). 2. 16 months intermittent</li> <li>• Schedule of payments to include payment for time based input, reimbursable expenses and performance-based payments according to specified milestones</li> <li>• Total input for FM: 36 person months, intermittent over 7 years</li> </ul>	<ul style="list-style-type: none"> <li>• \$911,000</li> </ul>
Admin/Accountant	ICS	<ul style="list-style-type: none"> <li>• Expert engaged on individual basis (national source) for a total input of 42 person months, intermittent over 7 years</li> </ul>	<ul style="list-style-type: none"> <li>• \$63,000</li> </ul>
Business Support Services	IDC	<ul style="list-style-type: none"> <li>• Individual and/or firms (international and national) consulting services for business support services, to be defined after inception phase. Specialized firms will be recruited under indefinite delivery contract modality for provision of certain services, such as related to food safety, quarantine and import regulations. Indefinite delivery contract assignments will be depending on the actual demand for the services.</li> <li>• Total input up to 16 national and 16 international person months input, intermittent</li> </ul>	<ul style="list-style-type: none"> <li>• \$518,000</li> </ul>
<b>Project Management</b>			
Office furniture and equipment	Shopping	<ul style="list-style-type: none"> <li>• PMU to request three quotes from local suppliers</li> </ul>	<ul style="list-style-type: none"> <li>• \$29,000</li> </ul>
Printing and stationery			
Workshops			

Item	Method	Comments	Budget in USD
and meetings			
Consultancy services	ICS	<ul style="list-style-type: none"> <li>For design and operation of the monitoring and evaluation system.</li> <li>Total input up to 7 national and 2 international person-months input.</li> </ul>	<ul style="list-style-type: none"> <li>\$178,000</li> </ul>
Audit	LCS	<ul style="list-style-type: none"> <li>Audit services to be outsourced by the Chief Auditor (if required) to accredited local audit firms</li> </ul>	<ul style="list-style-type: none"> <li>\$25,000</li> </ul>

FM = facility manager; ICS = individual consultant selection; IDC = indefinite delivery contract; LCS = least cost selection; PMU = project management unit.

#### D. Consultant's Terms of Reference

##### 1. Project Manager for PMU (Government counterpart; National; 46 person-months over 7 years)

102. **Background.** MOF will establish a Project Management Unit (PMU) to be responsible for financial control, oversight of project implementation and reporting. The PMU will be based in the Aid Coordination and Debt Management Division of MOF and will report to the Assistant CEO of that Division. The Project Manager will be recruited as a Samoan Civil Servant or will be assigned from within MOF's existing professional staff resources. It is anticipated that the position will be full time for the first three years and part time thereafter.

##### 103. Scope of Work and Detailed Tasks:

- (i) Prepare the annual workplan and budget and submit it to MOF and ADB for approval.
- (ii) Oversee project implementation
- (iii) Oversee the preparation of annual project audited accounts.
- (iv) Organize and facilitate the project launch workshop in Year 1 of the project.
- (v) Ensure compliance with the covenants in the ADB-government financing agreement.
- (vi) Oversee procurement of services in accordance with government and ADB procedures.
- (vii) Prepare withdrawal applications with supporting documentation and forward them to ADB.
- (viii) Oversee monitoring and evaluation (M&E) of project implementation, with sex-disaggregated data, with the assistance of the M&E Consultant (see separate TORs).
- (ix) In conjunction with the M&E Consultant ensure timely completion of the mid-term review and project completion report.
- (x) Evaluate outcomes and indicators included in the design and monitoring framework.
- (xi) Ensure GAP is implemented.

- (xii) Arrange for gender awareness training to project related staff and partner agribusinesses
- (xiii) Convene meetings of the Project Advisory Committee as needed and prepare agendas and minutes for these meetings.
- (xiv) Prepare quarterly and annual progress reports (physical and financial) for submission to MOF and ADB.

104. **Qualifications and Experience.** The project manager will have at least 5 years' experience in the planning, management, administration and implementation of programmes and projects within the Samoan government system. He/she will be expected to have appropriate qualifications in finance or administration and strong communication and administration skills. Familiarities with gender issues in Samoa, especially in the agriculture and private sector would be beneficial.

## **2. Facility Manager (36 person-months, international, full time 20 months, balance intermittent)**

105. **Background.** The project will address key financial and capacity limitations in selected agribusinesses in Samoa that have sound prospects for commercial success with the support of the project. The specific objective is to facilitate agribusiness development through suitable financing instruments and associated business support services.

106. The project's financing instruments will operate through participating FIs in Samoa. These will include: (i) a cash collateral facility to address the constraint of inadequate collateral among agribusinesses and facilitate FI lending to agribusinesses proposing sound and otherwise bankable business plans; and (ii) a repayable SSC facility to address weak balance sheet structures in some local companies. An eligible agribusiness may be able to receive this SSC if it would then qualify for bank finance.

107. Business support services will also be provided to partner companies to help build their capacity in a broad range of areas which are critical to business success, including establishment/improvement of supply chain linkages and adherence to environmental and social safeguards.

108. **Scope of Work and Detailed Tasks.** The FM will support the PMU in project implementation and be responsible for the implementation and management in particular of output 2 of the project, with the support from one administration assistant. The FM will be supported by short-term technical experts for various activities. The facility manager will be responsible for:

- (i) Overall management of the project output 2.
- (ii) Support to PMU in reporting to stakeholders, including preparation of progress reports.
- (iii) Promotion of the project to the private sector, relevant business organizations and other relevant parties in Samoa to develop a pipeline of potential agribusiness projects and to ensure the maximum feasible take up of project support.

- (iv) Development/refinement of business plans for qualified enterprises to ensure, where feasible, that the proposed agribusiness project can be presented as a bankable proposal to commercial lenders. This might include market studies.
- (v) Support in the negotiation of credit support from participating FIs, taking into account the business support services to be provided and the funding support instruments that may be required.
- (vi) Direct provision of general and, where possible, more specific business support services to partner agribusinesses.
- (vii) Management and coordination of technical and general business support services to agribusinesses through pre-qualified, contracted consultants and other agencies.
- (viii) Monitoring of performance of supported agribusinesses and collection of relevant data.
- (ix) Management and supervision of the Environmental and Social Management System Arrangement to ensure all supported agribusiness projects adhere to Government of Samoa and ADB requirements.
- (x) Support in the management of the monitoring and evaluation plan, including sex-disaggregated data
- (xi) Support to PMU to ensure that gender action plan is implemented.
- (xii) Preparation of materials that can be used for dissemination of the lessons learned to stakeholders and other interested parties in Samoa and elsewhere.

**109. Qualifications and Experience:**

- (i) Academic qualifications in agribusiness related disciplines and a proven track record in assisting such businesses to develop commercially viable projects, preferably in a Pacific Island or similar environment.
- (ii) Track record in preparing business plans incorporating realistic, market assessment based financial projections.
- (iii) Proven ability to work in collaboration with financial institutions.
- (iv) Experience in identifying the business and technical support services required by proposed agribusinesses and an understanding of the resources available from the private sector, donor supported organizations and government.
- (v) Track record in managing an industry sector development project, reporting on outcomes and the associated financial management.
- (vi) An understanding of environmental and social safeguards likely to be relevant to agribusinesses and the associated risk management and audit procedures.
- (vii) Understanding of best practice M&E procedures and preferably practical experience in undertaking related baseline and update surveys, as well as associated reporting.
- (viii) Successful track record in disseminating information on private sector development programs and the lessons learned.

- (ix) Familiar with gender issues relevant to Samoa, especially in agriculture and private sectors.

### **3. Monitoring and Evaluation Consultants (National, 7 person-months over 7 years; International, 2 person-months over 7 years)**

110. **Background.** Project Monitoring and Evaluation (M&E) will be overseen by the PMU with the support of two M&E Consultants, one national and one international.

111. The M&E system will be based on self-monitoring arrangements defined in each of partnership arrangements. The partnership applications will define the initial status of the enterprise including important metrics such as the number of employees, number of raw material suppliers etc. In some cases it will also be necessary to conduct a special-purpose baseline survey to capture additional information on the pre-investment situation, which can later be used to assess outcomes and impacts. This work will be undertaken by a contracted M&E service provider and will address the output and outcome indicators specified in the Design and Monitoring Framework (DMF). Baseline survey requirements will vary from project to project but will need to include the company details, employment and expected beneficiaries. The responsibility for regular monitoring of these indicators will be defined in the partnership arrangement. The participating FIs will also be required to submit quarterly monitoring reports showing the number of new subborrower financing agreements and the terms thereof (amount lent, utilization of cash collateral, SSC etc.); as well as progress on loan disbursements and repayments, claims from the cash collateral facility etc.

#### **112. Scope of Work and Detailed Tasks: (National)**

- (i) During the first quarter of Year 1 design the project M&E system to gather and analyze information on the gender disaggregated indicators specified in the DMF, and ensure that systems are in place to capture and store this information for later analysis.
- (ii) Document the monitoring and evaluation system in the form of a project monitoring and evaluation manual.
- (iii) Provide a briefing to the project launch workshop on how the M&E system will work and who is responsible for its various components.
- (iv) Ensure that all project participants, including the facility manager, the participating FIs and partner companies understand their responsibilities for collecting and supplying information to the PMU.
- (v) Within three months of the completion of each years' work program, assemble and analyze the M&E information and prepare an annual M&E report detailing implementation progress, project achievements as measured by the DMF indicators, and lessons learned to guide future implementation activities.
- (vi) Working in partnership with the International M&E Consultant contribute to the preparation of the mid-term review and project completion report.
- (vii) Contribute to the two project review workshops.

**113. Scope of Work and Detailed Tasks:** (International)

- (i) The International M&E Consultant working in partnership with the National M&E Consultant will be responsible for coordinating the conduct of the midterm review in Year 3 of the project, as well as the PCR in Year 7.
- (ii) The International Consultant will coordinate production of the midterm review report documenting project achievements at output, outcome and impact levels and the lessons learned to guide implementation during the remaining project life.
- (iii) The project completion report, will document project performance and achievements over the full five-year project implementation period and make recommendations about future support for development of Samoa's agribusiness sector.

**114. Qualifications and Experience.** The M&E Consultants should possess a degree in relevant Social Science or Economics. Experience in the design and operation of project M&E systems is essential. A post-graduate qualification in M&E would be an advantage.

**Additional consulting expertise for business support services will be recruited after due diligence of selected agribusinesses. Terms of Reference for key expertise that is likely to be needed is outlined below.**

**4. Safeguards Specialist (International, 3 person-months, intermittent)**

**115. Background.** The project is categorized as FI and an environmental and social management system arrangement (ESMS) has been prepared as the framework for safeguards screening, assessment, implementation and monitoring. Due diligence in the selection and funding of investments is undertaken as per the provisions of the ESMS. A safeguards specialist will be included in the facility management team to assist the FM in reviewing the screening and, if required, assessment, of investment proposals, as well as coordinating with Planning and Urban Management Authority (PUMA) which will clear the assessments in accordance with the rules and procedures of the PUM Act 2004 and confirm the investment proposals for which development consent is required.

**116. Scope of Work and Detailed Tasks:**

- (i) Support and coordinate the facility management (FM) to review investment proposals for environmental and social risks as per the ESMS.
- (ii) Based on the screening and categorization of proposals and investments proposed by partner companies, conduct due diligence in the selection and funding of investments as per the provisions of the ESMS.
- (iii) Advise partner companies as to ESMS requirements and assist in preparing terms of reference, as required, for engagement of specialists to prepare the necessary safeguards documentation on behalf of the partner companies.
- (iv) Liaise with government agencies responsible for implementing the country safeguards system including PUMA, and the Ministry of Natural Resources and Environment (MNRE) to ensure that safeguard measures under the Project comply with national safeguard requirements.

- (v) Review safeguards plans and/or assessments prepared by or on behalf of partner companies for activities and/or investments categorized as B according to ADB's SPS for environment, involuntary resettlement or indigenous people prior to submission to PUMA, MNRE and ADB for clearance.
- (vi) For activities or investments categorized as B ensure that all requisite safeguards measures are suitably incorporated in any construction and/or development tender/contract documentation. This includes requirements for draft method statement/contractor environmental management plan (CEMP) and other management plans as required, health and safety, grievance redress, gender action plan implementation measures etc.
- (vii) Ensure that approved resettlement plans, as required, prepared for any activity or investment have been effectively implemented prior to commencement of construction and/or physical development of any activity or investment.
- (viii) Assist the partner companies (developing activities/agri-businesses categorized as B) to establish safeguards monitoring and reporting systems as per ESMS requirements. Contribute to overall project quarterly progress reports - including compilation of relevant items from reports prepared by partner companies (and their subcontractors as relevant) - to be prepared by the FM for the EA and ADB.
- (ix) Carry out spot-checks of partner company/subcontractor's compliance with approved CEMPs (and other plans), and review contractor's regular monitoring reports.
- (x) Ensure compliance with all assurances under the Project.

117. **Qualifications and Experience.** The SS will have appropriate academic qualifications and at least ten years' experience in environmental and social safeguards assessment and management including in project implementation. Experience in the agribusiness sector, Samoa and/or other Pacific countries will be an advantage.

#### **5. Agricultural Supply Chain Specialist (xx person-months, international, intermittent)**

118. **Background.** The project will provide financial and technical support to selected partner agribusinesses to implement their business investment and development plans. On the basis of detailed consultations with agribusinesses in Samoa, access to adequate and reliable supplies of agro-industrial raw materials was identified as a constraint affecting almost all agribusiness enterprises. It is therefore expected that many of the business plans presented by applicants will incorporate measures to promote and organize production of primary agricultural commodities, to be processed and marketed by the partner companies. Some companies may elect to invest in primary agricultural production themselves, but the opportunities to do this are constrained by the generally small and fragmented nature of landholdings. Given the predominance of smallholder farming in Samoa, there are opportunities to develop contract farming and outgrower schemes to assist partner companies in securing adequate and consistent supplies of raw materials for processing. The project will therefore supply the services of an Agricultural Supply Chain Specialist to assist in the design and implementation of such schemes.

#### **119. Scope of Work and Detailed Tasks:**

- (i) Assist the facility manager and the potential partner companies in the preparation of business plans with special emphasis on the arrangements for accessing

agro-industrial raw materials of the required specifications, volumes and consistency.

- (ii) Undertake consultations with rural communities, commercial farmers and farmer organizations to identify opportunities for establishing formal supply chain arrangements to link primary producers and agribusiness enterprises.
- (iii) Review transport, storage and handling logistics covering all stages between the farm and the processing facility and identify where improvements may be needed to ensure smooth operation of the supply chain arrangements.
- (iv) Recommend approaches to establish structured contract farming or outgrower schemes under which smallholder farmers would undertake primary production activities in order to supply raw materials to the partner company.
- (v) Consider the need of farmers for technical support, training, financing and input supplies (seed, fertilizer, packaging etc.) and identify sources of these items.
- (vi) Recommend arrangements for scheduling/coordinating production and delivery in line with requirements.
- (vii) Propose contractual arrangements which incorporate pricing systems which provide incentives to farmers for quality and consistency of supply.
- (viii) Identify the role of intermediaries such as village based agents or collection centers and how these should be remunerated.
- (ix) Provide ongoing support to the partner companies in the implementation of their business plans to ensure that they obtain the required quantities of raw materials of the correct specifications.

120. **Qualifications and Experience.** The specialist will have appropriate academic qualifications in agriculture or marketing and at least ten years' experience in the analysis and development of agricultural supply chains including contract farming and outgrower schemes. Experience in the agribusiness sector in Samoa and/or other Pacific countries will be an advantage.

## **6. Export Marketing Specialist (xx person-months, international, intermittent)**

121. **Background.** The project will provide financial and technical support to selected partner agribusinesses to implement their business investment and development plans. On the basis of detailed consultations with agribusinesses in Samoa, access to export markets for fresh and processed agricultural products was identified as a constraint affecting almost all agribusiness enterprises. It is therefore expected that many of the business plans presented by partnership applicants will incorporate measures to develop export markets within the region or further afield. Many Samoan agribusiness companies lack knowledge and expertise about export marketing. Market access problems have contributed to the failure of a number of previous ventures. The project will therefore supply the services of an Export Marketing Specialist to assist in the design and implementation of export marketing arrangements for partner companies.

## **122. Scope of Work and Detailed Tasks**



- (i) Assist the facility manager and the potential partner companies in the preparation of business plans with special emphasis on the arrangements for accessing profitable export markets.
- (ii) Assist partner companies in obtaining market information, market research and other sources of market development support such as Pacific Trade and Invest (PT&I).
- (iii) Facilitate assessment of the partner companies' sources of competition and competitive advantage, taking into consideration Samoa's remote location and relatively high cost base.
- (iv) Recommend products, product specifications, packaging requirements and delivery schedules required by importers.
- (v) Assist the partner companies to develop compliance systems for food safety and quality assurance protocols.
- (vi) Identify opportunities for product and market diversification.
- (vii) Identify potential customers and determine their requirements in terms of volumes, specifications and pricing.
- (viii) Assist the partner companies to assess the market demand for their product(s) and identify the most profitable markets and marketing channels.
- (ix) Review sea/air transport, storage and handling logistics covering all stages between the partner company and export markets and identify where improvements may be needed to ensure smooth operation of the marketing arrangements.
- (x) Review product pricing arrangements, including consideration of price seasonality where relevant.
- (xi) Assess the opportunities and costs of export market promotion and branding options.
- (xii) Recommend arrangements for scheduling/coordinating production and delivery in line with market requirements.
- (xiii) Identify the role of intermediaries such as import agents or wholesalers and distributors.
- (xiv) Provide ongoing support to the partner companies in the implementation of their business plans to ensure that they are able to maintain access to profitable export markets.

123. **Qualifications and Experience.** The specialist will have appropriate academic qualifications in agriculture or marketing and at least ten years' experience in the analysis and development of export markets for agricultural and food products. Experience in the agribusiness sector in Samoa and/or other Pacific countries will be an advantage.

#### **7. Project Administration Assistant (National, 42 person-months)**

#### **124. Scope of Work and Detailed Tasks**

- (i) Provide administrative and clerical support to the facility manager;

- (ii) Assist in business support services;
- (iii) Assist the facility manager in the processing of contractual claims;
- (iv) Carryout internal verifications as well as controls of the project accounts;
- (v) Prepare payment vouchers; and
- (vi) Maintain files and records.

125. **Qualifications and Experience.** The administration assistant will have a degree in Business, Accounting or similar field. Experience in working for an international organization would be an advantage.

## VII. SAFEGUARDS

126. **Environment.** The project is categorized as FI and an ESMS has been prepared as the framework for safeguards screening, assessment, implementation and monitoring. The project will finance investments in selected agribusinesses to address the shortage of capital in the sector, and provide business support services to help build their capacity in a broad range of areas that are critical to business success. The agro-industrial enterprises to be selected for participation in partnerships are not known at this stage. However, few of the possible investments present significant environmental challenges and should have no problems satisfying national and ADB requirements provided that due diligence in the selection and funding of investments is undertaken as per the provisions of the ESMS. A safeguards specialist will be included in the management team to assist the FM in reviewing the screening and, if required, assessment, of investment proposals, as well as coordinating with Planning and Urban Management Authority (PUMA) which will clear the assessments in accordance with the rules and procedures of the PUM Act 2004 and confirm the investment proposals for which development consent is required. The ESMS is presented in the Report and Recommendations of the President to the Board of Directors' linked documents.

127. **Involuntary Resettlement and Indigenous Peoples.** The project has been classified as category FI (treated as category C) for both involuntary resettlement and indigenous peoples following ADB's SPS. The project is not expected to involve physical displacement or involuntary acquisition of land. Any purchase/lease of freehold land or leasing of customary land for agricultural production will be undertaken through voluntary agreements between private agribusiness enterprises and landowners on a willing-buyer/willing-seller basis or with full consent of the landowners. The project is not expected to impact any distinct and vulnerable group of indigenous peoples, as defined under SPS. The beneficiaries in the project areas are part of mainstream Polynesian society. The outputs will be delivered in a culturally appropriate manner.

128. While the location of agribusiness enterprises to be supported under the project will be identified during the project implementation, the project's ESMS provides guidelines for screening and management of any unanticipated IP and IR impacts. No activities will be funded that involve involuntary resettlement and/or have an adverse impact on distinct and vulnerable group of indigenous people.

## VIII. GENDER AND SOCIAL DIMENSIONS

### A. General

129. The project objectives are defined at sector level and do not specify poverty, social or gender-oriented impacts, outcomes or outputs.<sup>31</sup> However it is expected to have generally positive impacts in all of these areas. The beneficiaries will include the shareholders of partner enterprises as well as their employees, suppliers and contractors. Large numbers of Samoan farmers are expected to benefit through participation in structured arrangements for supplying agro-industrial raw materials such as outgrower and contract farming schemes, as well as increasing demand for primary commodities by exporters.

130. Project impacts will be direct for agricultural entrepreneurs who participate in partnerships to grow their businesses and thereby create market and employment opportunities for other beneficiaries. The impacts will be significant but indirect for poor and vulnerable groups, but with likely cumulative medium-term benefits: (i) by increasing market opportunities to grow and sell produce, and (ii) by increasing opportunities for formal employment in agro-industries.

### B. Poverty

131. Any measures to strengthen private sector growth in agriculture, fisheries and forestry will benefit rural households in Samoa, especially where it involves sourcing agro-industrial raw materials in rural areas, as is the case here. A stronger agribusiness sector will increase opportunities for rural people especially adults in disadvantaged households, and male and female school leavers, by: (i) creating more opportunities for wage employment; and (ii) creating more markets for agricultural products. There are currently limited opportunities for most rural households to earn sufficient cash from agriculture to pay for the goods and services needed or, in some cases, even to pay for basic needs. There is significant underemployment due to limited opportunities in the formal sector, especially for those leaving school without employment skills. A recent study<sup>32</sup> considered that a large proportion of women who stated their occupation as home duties, or men who stated farming as theirs, would accept paid employment should it become available.

132. Agribusinesses engaged in partnerships will be assisted, where appropriate, to strengthen supply chain linkages with rural households as raw material suppliers including formal contract growing and outgrower arrangements. Such arrangements will be developed in close consultation with rural communities and farmer organizations with special emphasis on opportunities for participation of poor and disadvantaged groups. Information about opportunities for rural households to supply agro-industrial raw materials will be disseminated to village mayors and women's representatives through the Ministry of Women, Community and Social Development. The design and monitoring framework (see Section IX. Performance Monitoring, Evaluation, Reporting and Communication) includes an indicator which measures the number of farmers (by gender) engaged in formal and informal supply arrangements.

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<sup>31</sup> All indicators will however be sex-disaggregated.

<sup>32</sup> Samoa Bureau of Statistics and UNDP Pacific Centre, Samoa (2010): A report on the Estimation of Basic Needs Poverty Lines, and the incidence and Characteristics of Hardship and Poverty: Analysis of the 2008 Household Income and Expenditure Survey

### C. Gender Issues

133. Both women and men will benefit from project activities: (i) by creating market opportunities for households to grow and sell agro-industrial raw materials; and (ii) by increasing opportunities for formal employment in agro-processing. In the formal economy women are active participants in the private sector, and many medium sized businesses are owned and operated by women (however, not in the agribusiness sector). According to traditional Samoan values, women do not play a direct role in agricultural production, which is defined as a masculine activity. Increased employment or self-employment in agricultural production is therefore likely to be mainly male. However women are likely to participate more in downstream activities of marketing and processing (e.g. employed in agribusinesses as clerical staff) where they traditionally play a more prominent role. A survey in 2012<sup>33</sup> indicated that men and women have control over their own income streams but that unmarried working children both male and female are expected to give a portion or all of their earnings to their parents. The Gender Action Plan (GAP) provides for the equitable participation of women in the project by:

- (i) ensuring that women participate in and benefit from training activities to improve technical skills in business management, and improvement of the supply chain for primary production activities and agro-processing;
- (ii) ensuring that women benefit from increased formal employment opportunities in agribusiness enterprises; and
- (iii) ensuring that the project is managed and monitored with sensitivity to gender outcomes.

134. A GAP matrix will be prepared for the quarterly progress reports from MOF/PMU to ADB to monitor GAP implementation and achievement or targets and indicators.

### D. Gender Action Plan

Project Outputs	Proposed Activities (targets)	Primary responsibility
<b>Output 1</b> Partner agribusinesses are provided with suitable financing instruments	<ul style="list-style-type: none"> <li>• Organize at least four meetings during the first 2 years of project commencement (two meetings per year) to promote financing schemes for agribusinesses to women managed/owned businesses and encourage their application for financing with viable business plan preparations.</li> <li>• Prepare and disseminate information materials on new financing schemes for agribusinesses through a network of women's business groups, the women's division of the Ministry of Women, Social and Community Development, and its network of village women's representatives.</li> <li>• Conduct gender awareness training to participating banks (FIs) to encourage participating FIs to give</li> </ul>	<p>PMU project manager and facility manager</p> <p>PMU project manager and facility manager</p> <p>Facility manager and</p>

<sup>33</sup> Banthia A, Schoeffel P and Tyroler C (2012) Assessing Women's Access and Control of Financial Services in Papua New Guinea and Samoa. Women's World Banking. New York. Draft unpublished report.

Project Outputs	Proposed Activities (targets)	Primary responsibility
	due consideration to financing proposal from women owned/ managed agribusinesses. (If equal commercial viability at least 20% of proposals come from women owned and/or managed agribusinesses).	participating FIs
<b>Output 2</b> Partner agribusinesses are provided with business support services	<ul style="list-style-type: none"> <li>• Prepare information brochure about the project (both about financing schemes and business support services) for promotion to the private sector, relevant business organizations including women's business organizations, and through village women's representatives (within 1 year of project commencement)</li> <li>• At least 20% of agribusinesses selected for business support services (without financing instrument) will be women managed/owned businesses.</li> <li>• At least two trainings (in year 2015–2016)) are provided to agribusinesses and small holder farmers on supply chain linkages and food safety standards, with at least 40% of women participants. Based on the experience, 2017 onwards more training could be considered or organized in collaboration with regional/national programs or women support organizations.</li> <li>• Ensure that monitoring and evaluation plan keeps track of sex-disaggregated data for all training sessions and by type of training.</li> <li>• Ensure that monitoring and evaluation plan keeps sex-disaggregated data for partner agribusinesses receiving business support services, including the number of female and male employees and descriptions of their work, and female/male ownership of supply chain businesses as much as possible.</li> </ul>	Facility manager  Facility manager  Facility manager  Facility manager and M&E consultants  Facility manager and M&E consultants
<b>Output 3</b> Project is efficiently and effectively managed	<ul style="list-style-type: none"> <li>• The qualification criteria for facility manager will include his/her familiarity of gender issues in Samoa, especially in agriculture and private sectors.</li> <li>• The PMU project manager and facility manager will become familiarized with requirements for project performance reporting, including implementation and monitoring of gender action plan (GAP).</li> <li>• The project will provide gender awareness training to all project-related staff and partner agribusiness organizations, by sourcing/linking with a gender specialist through the Ministry of Women, Social and Community Development or through women's</li> </ul>	PMU project manager and ADB  MOF and ADB  PMU project manager and facility manager

Project Outputs	Proposed Activities (targets)	Primary responsibility
	NGO. <ul style="list-style-type: none"> <li>• Make sure to gather sex-disaggregated data for all project related baseline indicators and monitoring of performance indicators.</li> <li>• For annual M&amp;E reports detailing implementation progress and project achievements, incorporate analysis of project's impacts on women's work opportunities in overall agribusinesses, including smallholder farming and primary producers in the supply chain.</li> <li>• Ensure that all annual and quarterly progress reports include reporting on the status of GAP implementation with its progress matrix.</li> </ul>	PMU project manager, facility manager, M&E specialists  PMU project manager, facility manager, M&E specialists   PMU project manager
<b>Implementation Arrangements</b>		
The GAP will be implemented by the PMU project manager, supported by facility manager. Both project manager and facility manager will be required to familiarize with GAP implementation and monitoring as recommended by ADB, and be responsible for reporting on progress matrix for GAP implementation together with all sex-disaggregated performance indicators. Monitoring & evaluation specialists will be responsible for gathering and monitoring sex-disaggregated data for all project performance indicators and GAP proposed indicators. The PMU project manager will include progress on GAP activities in regular progress reports to the Government and ADB.		

## E. Customary Land Tenure

135. Land tenure issues arise in most agricultural development initiatives in Samoa. Although land tenure no longer complies with traditional customs, no new laws have been established that define property rights in land classified as customary. However, initiatives are under way to facilitate economic use of land, such as through leasing arrangements. A separate ADB TA supports this matter. Therefore land and questions of authority over it are very common sources of disputes within extended families, and of conflicts within villages. Recognition of these issues, and provisions for overcoming any obstacles they present to private enterprise, will therefore be an essential for success for agribusinesses that depend on village land or smallholders.

## IX. PERFORMANCE MONITORING, EVALUATION, REPORTING AND COMMUNICATION

### A. Project Design and Monitoring Framework

Design Summary	Performance Targets and Indicators with Baselines <sup>a,b</sup>	Data Sources and Reporting Mechanisms	Assumptions and Risks <sup>c</sup>
<p><b>Impact</b> Agriculture sector regains its prominence in the Samoan economy</p>	<p>Value of total agri-food exports increases from ST45 million in 2012 to ST53 million by 2021</p> <p>Agriculture sector<sup>d</sup> contribution to gross domestic product increased from 10% in 2012 to 13% by 2021</p> <p>Household income of rural population increased from ST650 per week in 2008 to ST800 per week in 2018</p>	<p>National income accounts</p> <p>Official trade statistics</p> <p>Household income and expenditure survey</p> <p>Census data</p>	<p><b>Assumption</b> Government implements policies and strategies as planned</p> <p><b>Risk</b> Exogenous economic and market shocks</p>
<p><b>Outcome</b> Selected commercial agribusinesses grow sustainably</p>	<p>Number of farmers receiving main income from selling agricultural produce increases from 730 in 2009 to 1,200 by 2021</p> <p>Return on equity for supported agribusinesses increases by 2% by year 7 of support provision</p>	<p>Official employment statistics</p> <p>Agriculture Census</p> <p>Partner company reports</p>	<p><b>Assumption</b> Stable macroeconomic conditions amenable to business investment</p> <p><b>Risks</b> Global economic downturn reduces demand for Samoan export products</p> <p>Political or other interference in decision-making process</p> <p>Commercial banks stop lending to the sector</p>
<p><b>Outputs</b> 1. Partner agribusinesses are provided with suitable financing services</p>	<p>Cash collateral funds fully committed by end of 2019</p> <p>Participating banks provide adequate financing to at least seven agribusinesses by the end of 2021 (assuming equal commercial viability, at least 20% of proposals come from agribusinesses owned or managed by women)</p>	<p>Financing records provided by participating banks</p> <p>Company audited accounts</p> <p>Regular reports provided by partner companies to facility manager</p>	<p><b>Assumptions</b> Financially sound agribusiness enterprises willing to participate in partnerships</p> <p>Support will leverage additional bank finance</p> <p><b>Risks</b> Malpractice and/or poor business performance in partner companies</p> <p>Non-repayment of loans by agribusinesses</p>
<p>2. Partner agribusinesses are provided with business support services</p>	<p>100% companies that receive financing also receive business support services, if required, either directly or through linkage or collaboration programs by 2021</p> <p>At least two companies establish and/or improve</p>	<p>Data collected through provision of advisory services</p> <p>Reports on linkage or collaboration programs for business support services</p>	<p><b>Assumption</b> Businesses willing to receive business advice on a cost-sharing basis</p> <p><b>Risks</b> Partner companies do not comply with environmental</p>



Design Summary	Performance Targets and Indicators with Baselines <sup>a,b</sup>	Data Sources and Reporting Mechanisms	Assumptions and Risks <sup>c</sup>
	<p>formal supply chain linkages or outgrower schemes by 2019</p> <p>At least 20% of agribusinesses selected for business support services will be businesses managed or owned by women by 2021</p> <p>At least two trainings provided to agribusinesses and smallholder farmers on supply chain linkages and food safety standards by 2019, with women comprising at least 40% of participants</p>	Training reports	<p>and social safeguards and work safety standards as well as partnership arrangements</p> <p>Inconsistent raw material supply disrupts business processes</p>
3. Project is efficiently and effectively managed	<p>Procurement of goods and services completed in accordance with government and ADB regulations</p> <p>Quarterly and annual progress reports delivered on time, including reporting on the GAP implementation with its progress matrix</p> <p>Quarterly monitoring and evaluation plan documents sex-disaggregated data for all baseline indicators and performance indicators</p> <p>Unqualified annual audit reports delivered on time</p> <p>PMU and partner institutions undergo gender awareness training by 2016</p>	<p>Procurement records</p> <p>Annual work plans, budgets, and reports provided to the Ministry of Finance and ADB</p> <p>Audited project financial statements</p>	<p><b>Assumption</b></p> <p>Counterpart staff is appropriately qualified to implement project</p> <p><b>Risks</b></p> <p>Lack of suitably qualified facility manager</p> <p>Delays in procurement hinder implementation of key project activities</p>

Activities with Milestones	Inputs
<p><b>1. Partner agribusinesses are provided with suitable financing services</b></p> <p>1.1 Partner banks draw down funds for cash collateral and supplemental seed capital.</p> <p>1.2 Facility manager develops relationship with partner banks (2014).</p> <p>1.3 Identify suitable partner agribusinesses (2014–2017).</p> <p>1.4 Facility manager organizes at least four meetings during the first 2 years of project commencement (two meetings per year) to promote financing schemes to women managed and/or owned agribusinesses.</p> <p>1.5 Partner banks and facility manager finalize eligible partner agribusiness list (2015).</p> <p>1.6 Partner banks conducts due diligence for potential borrower (2014–2019).</p> <p>1.7 Partner banks structure suitable financing deal for agribusiness, and negotiate and sign loan agreements (minimum seven agribusinesses).</p> <p>1.8 Partner banks monitor performance of borrower during loan period (2014–2021).</p>	<p><b>Grant</b></p> <p>ADB: \$5,000,000</p> <p>Participating Banks: \$2,000,000</p> <p>Government: \$170,000</p> <p>Private sector: \$3,170,000</p>

<p>1.9 Facility manager collect data from partner banks on use of funds and performance of financed partner agribusinesses (2014–2021).</p> <p>1.10 Partner banks provide annual accounts as well as project-related accounts.</p> <p>1.11 Partner banks return undrawn portions of cash collateral and repaid supplemental seed capital to the Ministry of Finance.</p> <p><b>2. Partner agribusinesses are provided with business support services</b></p> <p>2.1 Negotiate and implement at least seven partnership arrangements that include details and conditions on seed capital (provided through partner banks) and business support services until 2019, which promote gender balanced employment.</p> <p>2.2 Participate in due diligence with partner banks for evaluation of business support services for partner companies (2014–2016).</p> <p>2.3 Check and approve ADB safeguard compliance and adherence to eligibility and assessment criteria for potential partner companies.</p> <p>2.4 Provide tailored technical, financial management, and managerial support services, including support in preparation of business plans, to enhance capacity of partner companies (2014–2018).</p> <p>2.5 Support the establishment of at least two supply chain linkages or outgrower schemes (2014–2019)</p> <p>2.6 Monitor implementation of business support services (2014–2021).</p> <p>2.7 Establish linkages and collaboration with regional and national support programs (2014).</p> <p>2.8 Provide at least two trainings on supply chain linkages and food safety standards to partner businesses and small holder farms, with women comprising at least 40% of participants (2015–2019). Based on the experience, consider conducting more training from 2017 onwards if there is demand.</p> <p>2.9 Support PMU in monitoring and evaluation of project initiatives, including progress reports.</p> <p><b>3. Project is efficiently and effectively managed</b></p> <p>3.1 Establish PMU (2014).</p> <p>3.2 Contract facility manager (2014) and have business support services available (Q1 2015).</p> <p>3.3 Establish project advisory panel (2014).</p> <p>3.4 Prepare information brochure about the project support for promotion to the private sector, relevant business organizations (including women's business organizations), networks of women's business groups, and the women's division of the Ministry of Women, Social and Community Development (2014–2015).</p> <p>3.5 Monitor and evaluate (including through a yearly review, midterm review, and project completion report) the development of partner businesses, and provide quarterly progress reports that include progress on GAP implementation through a GAP matrix.</p> <p>3.6 Contract specialists as needed (e.g., short-term monitoring and evaluation expert).</p> <p>3.7 Supervise implementation of the GAP.</p> <p>3.8 Arrange annual audit of project accounts (2014–2021).</p> <p>3.9 Arrange opinion paper for future use of funds (2017).</p> <p>3.10 Conduct and/or arrange gender awareness training to all project-related staff, including participating banks and partner agribusinesses.</p>	
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ADB = Asian Development Bank, GAP = gender action plan, PMU = project management unit, ST = Samoan tala.

<sup>a</sup> All indicators to be sex-disaggregated.

<sup>b</sup> All values are expressed in constant 2013 prices, expressed in talas.

<sup>c</sup> Risk Assessment and Risk Management Plan (accessible from the list of linked documents in Appendix 2).

<sup>d</sup> This excludes agribusinesses but relates to smallholder and commercial farming.

Source: Asian Development Bank.

## B. Monitoring

136. **Supervision.** The FM will be tasked to perform a quarterly review of all partnership arrangements covering the financing instruments, the overall performance of each supported enterprise and the outcomes from the business support activities. This will confirm adherence by the participating FIs to the agreed approach and allow judgments to be made about the portfolio of partnership arrangements that might warrant adjustments. The FM will maintain a database that includes details of the partnership arrangements.

137. **Transparency.** Since the financial support is to be provided to privately-owned enterprises and will be limited in availability, transparency in allocation is crucial. Three measures will be employed to ensure this transparency. First, information about the cash collateral and SSC schemes will be disseminated to prospective users through industry organizations such as SAME and the SCOC. Second, the participating FIs will be expected to make their clients and prospective clients aware of the availability of these instruments.

138. **Project performance monitoring:** A monitoring and evaluation specialist will design a project M&E framework at the inception of the project. This will capture disaggregated baseline data for output and outcome indicators and define specific indicators, as necessary, for annual or episodic points in the project cycle. Information obtained will be updated quarterly through the PMU's quarterly progress reports and after ADB review missions, if appropriate. These quarterly reports will provide information necessary to update ADB's project performance reporting system. Targets and indicators will be monitored and reported as described in the DMF. Each partnership arrangement will define self-monitoring arrangements. The partnership applications will define the initial status of the enterprise including important metrics such as the number of employees, number of raw material suppliers etc. In some cases it will also be necessary to conduct a special-purpose baseline survey to capture additional information on the pre-investment situation, which can later be used to assess outcomes and impacts. Baseline survey requirements will vary from project to project but will need to include the company's financial status and employment of expected beneficiaries. The responsibility for regular forwarding of necessary data will be defined in the partnership arrangements.

139. The participating FIs will also be required to submit quarterly monitoring reports showing the number of new financing agreements and the terms thereof (amount lent, cash collateral, SSC, etc.); as well as progress on loan disbursements and repayments, claims from the guarantee facility etc.

140. **Compliance monitoring:** Compliance of the participating FIs and partner companies with the project covenants will be monitored through quarterly progress reports and reviews. The PMU and the FM will be responsible for monitoring compliance in accordance with the ADB-government grant agreement, issuing warnings to the FIs or partner companies when covenants are breached, and informing ADB.

141. **Safeguards monitoring:** The project is classified as environmental category FI but is not expected to have significant environmental impact. The project is classified as category FI for involuntary resettlement and indigenous people impact. It is expected that the project will have positive impacts for a broad section of the population. The FM will be responsible for monitoring compliance with environmental, indigenous peoples and involuntary resettlement safeguards by the FIs and the partner companies.

142. **Gender and social dimensions monitoring:** The DMF indicators require measurement of the number of farmers included in formal supply chains or outgrower schemes, the number of partner companies owned or managed by women, and the number of smallholder farmers (male and female) receiving training, with sex-disaggregated data. Project performance against these indicators will be monitored through the M & E system of quarterly and annual reporting. A GAP matrix will be attached to the quarterly progress reports to this respect.

### **C. Evaluation**

143. The government and ADB will jointly review the project at least biannually. This includes (i) the performance of the PMU and consultants, (ii) the effectiveness of business support services, (iii) compliance with grant assurances; and (iv) performance of the FIs and financed subborrowers, including compliance with safeguard measures. In addition to the regular reviews, the government and ADB will undertake a comprehensive midterm review will be conducted in Year 3 of the project. Specific items to be reviewed will include (i) appropriateness of scope, design, implementation arrangements, and schedule of activities, (ii) assessment of implementation pace, (iii) effectiveness of business support services, (iv) compliance with safeguard measures; and (v) lessons learned and changes recommended. Latest in year 4, ADB and the government will reach agreement on the re-use of funds after project lifetime.

### **D. Reporting**

144. The MOF will provide ADB with (i) quarterly progress reports in a format consistent with ADB's project performance reporting system, including a GAP matrix; (ii) consolidated annual reports including (a) progress achieved by output as measured through the indicator's performance targets, (b) key implementation issues and solutions; (c) updated procurement plan; and (iii) a project completion report within 6 months of physical completion of the Project. To ensure projects continue to be both viable and sustainable, project accounts and the executing agency audited financial statements, together with the associated auditor's report, should be adequately reviewed.

### **E. Stakeholder Communication Strategy**

145. The primary objectives of the communication strategy are to ensure that all potentially eligible agribusinesses, financial institutions and business service-providers are aware of the opportunities for participating in the project. A second objective is to generate awareness of the project among a broader group of stakeholders in the business community, government, development partners and civil society organizations regarding the projects wider social and economic development objectives.

146. The project communication strategy will focus on liaison with the agribusiness community, particularly actual and potential partner companies, FIs, business development service providers, and representative organizations such as the SCOC, the SAME and the Samoa Farmers Association. Responsibility for communications will rest with the PMU and the FM. Specific communication activities will include:

- (i) A project launch workshop will be conducted during the first quarter of Year 1.
- (ii) There will be project review workshops which will involve consultations with all key stakeholders.
- (iii) Regular communication between the PMU, the advisory committee, the implementing agencies to ensure a coordinated and broadly considered implementation of the project.

- (iv) FM liaison with the participating FIs and agribusinesses in order to identify partnership opportunities.
- (v) Development of collaborative arrangements with national and regional business support service-providers.
- (vi) Regular briefings by the FM for representative organizations
- (vii) Publicizing success stories through the media (subject to agreement by partner companies).

147. The PMU will provide quarterly progress reports to ADB and the government, reporting technical and financial matters, progress achieved, challenges managed and monitoring of indicators against the DMF as well as a narrative on the implementation of the risk management plan and the GAP (through a GAP matrix). The FIs and partner companies will provide quarterly up-date reports which provide input for the progress reports.

148. ADB will communicate the achievements of the project at outcome and impact levels through its periodic newsletters, publications, presentations and website. ADB will also communicate with MOF and the participating FIs during the course of its regular project review missions. The FM and the participating FIs will be required to provide quarterly reports to both MOF and ADB. The findings and recommendations of the midterm review and the project completion assessment will also be widely publicized.

#### **F. Risks and Mitigation Measures**

149. The risk management plan proposes mitigation and risk management measures to deal with assessed risk factors. The PMU will provide quarterly updates on these. Public financial management, procurement and corruption risks are considered to be low since 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 ADB.

## X. ANTICORRUPTION POLICY

150. ADB reserves the right to investigate, directly or through its agents, any violations of the Anticorruption Policy relating to the Project.<sup>34</sup> All contracts financed by ADB shall include provisions specifying the right of ADB to audit and examine the records and accounts of the executing agency and all project suppliers, consultants and other service providers. Individuals/entities on ADB's anticorruption debarment list are ineligible to participate in ADB-financed activity and may not be awarded any contracts under the Project.<sup>35</sup>

151. To support these efforts, relevant provisions are included in the grant agreement/regulations, project agreements, and the bidding documents for the project. All contracts financed by ADB shall include provisions specifying the right of ADB to audit and examine the records and accounts of the executing and implementing agencies and all project contractors, suppliers, consultants and other service providers.

152. Consultant selection will adopt ADB's Guidelines on the Use of Consultants (2013, as amended from time to time), and disbursement will be made in accordance with ADB's disbursement policies, guidelines, practices, and procedures.

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<sup>34</sup> Available at: <http://www.adb.org/Documents/Policies/Anticorruption-Integrity/Policies-Strategies.pdf>

<sup>35</sup> ADB's Integrity Office web site is available at: <http://www.adb.org/integrity/unit.asp>

## **XI. ACCOUNTABILITY MECHANISM**

153. People who are, or may in the future be, adversely affected by the project may submit complaints to ADB's Accountability Mechanism. The Accountability Mechanism provides an independent forum and process whereby people adversely affected by ADB-assisted projects can voice, and seek a resolution of their problems, as well as report alleged violations of ADB's operational policies and procedures. Before submitting a complaint to the Accountability Mechanism, affected people should make a good faith effort to solve their problems by working with the concerned ADB operations department. Only after doing that, and if they are still dissatisfied, should they approach the Accountability Mechanism.<sup>36</sup>

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<sup>36</sup> For further information see: <http://www.adb.org/Accountability-Mechanism/default.asp>.

## **XII. RECORD OF PAM CHANGES**

154. All revisions/updates during course of implementation should be retained in this Section to provide a chronological history of changes to implemented arrangements recorded in the PAM. Changes will need to be agreed between the government and ADB.