

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risk Description	Risk Assessment	Mitigation Measures or Risk Management Plan
<p>Public Financial Management Loan disbursement could be delayed.</p>	Low	MOF will ensure the timely release of counterpart funds in accordance with loan covenants.
<p>Governance Weaknesses in the CGFM's governance, internal controls, and financial management could negatively affect implementation of the project and compromise the sustainability of the CGFM after project completion.</p>	High	The TA linked with the loan will support improvements in financial management, governance, and the operational and risk management capacity of the CGFM during the first 2 years of the project. Amendments will be proposed to strengthen the current law governing the CGFM. The roadmap developed during project preparatory TA will be used as a guide for making the necessary improvements at the CGFM.
<p>Political instability or failure to secure new and amended laws and regulations needed regarding the credit guarantee system and the CGFM could negatively affect the project outcome.</p>	Low	Stakeholder workshops and outreach conducted during the project preparatory TA showed strong support for the project and a firm commitment to amend or create new laws and regulations as needed. A working group for legislative review is already in place and supported by the CGFM, MOF, and the MOI.
<p>Project-Specific Demand from SMEs to support capital investment financing may be lacking.</p>	Medium	<p>The CGFM and PFIs will market new guarantee products linked to supporting capital investment financing and help educate SMEs on the benefits of properly aligning the term of investment needs with the tenor of financing.</p> <p>CGFM outreach to SMEs in both urban and rural areas will ensure awareness raising and publicity for the availability of capital investment loan guarantees helping to create demand.</p>
<p>SMEs and PFIs may not avail of credit guarantees offered by the CGFM due to poor perception of CGFM as a financial services provider. Demand for credit guarantees may be curtailed.</p>	Medium	The CGFM will conduct regular outreach and create a marketing program to promote the use of guarantee products and the new credit guarantee program. The PSC will support promotion of the credit guarantee system and the enhancements to the CGFM's governance and operations.

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Others Economic instability could reduce the willingness of PFIs to lend to SMEs and damage the ability of SMEs to repay.	Medium	<p>The CGFM's credit risk management and underwriting capacity will be enhanced to ensure that selection of the SMEs to be issued guarantees is sound. PFIs will receive criteria guidance and training in best practices found globally under the TA program linked with the loan project to improve their project screening.</p> <p>The government recognizes that SMEs can play a key role in creating sustainable economic growth, and that their development can help diversify the economy beyond the mining sector and help build a more inclusive and stable economy.</p>
Overall	Medium	

ADB = Asian Development Bank, CGFM = Credit Guarantee Fund of Mongolia, MOF = Ministry of Finance, PFI = participating financial institution, PIU = project implementation unit, PSC = project steering committee, SMEs = small and medium-sized enterprises, TA = technical assistance.

Source: Asian Development Bank.