



# Additional Financing Report

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Project Number: 44321-014  
January 2022

## Proposed Administration of Grant Kingdom of Cambodia: Climate Resilient Rice Commercialization Sector Development Program (Additional Financing)

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## **CURRENCY EQUIVALENTS**

(as of 6 January 2022)

Currency unit	–	riel (KHR)
KHR 1.00	=	\$0.00025
\$1.00	=	KHR4,075

## **ABBREVIATIONS**

ADB	–	Asian Development Bank
COVID-19	–	coronavirus disease
DSF	–	drying and storage facility
GAFSP	–	Global Agricultural and Food Security Program
MEF	–	Ministry of Economy and Finance
WICI	–	weather indexed crop insurance

## **NOTE**

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

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5. The original project addresses problems affecting smallholder rice farmers, including (i) poor seed quality, (ii) weak supply chain and weak market linkages for rice, (iii) indebtedness due to vulnerability to climate shocks, and (iv) limited access to technology. The additional financing will continue to address these problems by (i) supporting targeted agricultural cooperatives to produce affordable quality seeds, (ii) strengthening market linkages between producers and buyers of rice seed and paddy, (iii) mitigating risk through weather insurance, and (iv) promoting mechanization and extension services on new agricultural technologies and practices. The additional financing will reduce the vulnerability of 22,000 additional smallholder rice farmers.

6. The additional financing is aligned with the government's socio-economic impacts of COVID-19 and avoiding disruptions in the agricultural supply chains that threaten food security. It is aligned with the following operational priorities of ADB's Strategy 2030 (Table 1).<sup>5</sup> Building on the lessons from the original project, the additional financing will (i) provide drying and storage facilities (DSF), including warehouses and drying yards, to agricultural cooperatives to preserve quality of seeds produced by government stations; and (ii) continue to work with MEF to implement the weather-indexed climate insurance (WICI) scheme.<sup>6</sup>





<b>Item</b>	<b>Current Amount<sup>a</sup></b>	<b>Additional Financing<sup>b</sup></b>	<b>Total</b>
Output 6: Effective project management	6.15	0.10	6.25
<b>Subtotal (A)</b>	<b>82.04</b>	<b>3.63</b>	<b>85.67</b>
<b>B. Contingencies<sup>e</sup></b>	<b>4.44</b>	<b>0.29</b>	<b>4.73</b>
<b>C. Financing Charges During Implementation</b>			

16. **Financial management.** The additional financing's financial management risk level is *low*. All risks identified during the original project processing have been appropriately monitored and mitigated during implementation. The financial management action plans were updated to include the additional financing's monitoring and implementation.

17. **Safeguards.** The additional financing is classified as category C for environment, involuntary resettlement, and indigenous peoples (World Bank Safeguards Policy Statement (2009)).<sup>10</sup> The provision of DSF for the six additional agricultural cooperatives does not require land acquisition. No subprojects involving involuntary land acquisition, voluntary land donation, or negotiated resettlement will be eligible, which will be confirmed prior to construction. An environmental code of conduct was prepared to address minor environmental and

## REVISED DESIGN AND MONITORING FRAMEWORK

<b>Impact the Project is Aligned with</b>			
Increased net incomes of stakeholders along the rice value chain is aligned with MAFF Instruction No. 152 (measures to boost agricultural production for upcoming rainy season 2020 to ensure food reserve to respond to the risk of COVID-19 outbreak). <sup>a</sup>			
<b>Results Chain</b>	<b>Performance Indicators (Original Project and AF Combined)</b>	<b>Data Sources and Reporting Mechanisms</b>	<b>Risks and Critical Assumptions</b>
<b>Impact</b> Increased net incomes of stakeholders along the rice value chain <b>(unchanged)</b>	By 2025 a. Average farming household incomes increased from \$400 in 2010 to \$700 by 2020 (achieved) b. Revenue of rice exporters increased from \$100 million in 2012 to \$600 million in 2020 (on-track) c. Net profit of rice exporters increased from \$30 million in 2012 to \$180 million by 2020 (on-track)	a . c. National Institute [ -ÅÜcæci • cã& • qÁ Yearbook a . c. Ministry of Commerce annual trade statistics	R: COVID-FJq•Á disruption on logistics and supply chains persist, suppressing trade and rice production
<b>Outcome</b> Enhanced production of quality rice in Cambodia while preserving the natural resource base <b>(unchanged)</b>	By 2025 a. Paddy production increased from 8.0 million tons in 2012 to 9.5 million tons by 2018 (achieved) b. Milled rice exports increased from 200,000 tons in 2011 to 0.70 million tons in 2023 (on-track)	a . b. MAFF annual crop production statistics a . b. Ministry of Commerce annual trade statistics	R: COVID-FJq•Á disruption on logistics and supply chains persist, suppressing trade and rice production.
<b>Outputs</b> 1. Conducive legal and regulatory environment established to facilitate climate-resilient rice commercialization <b>(unchanged)</b>	By 2023 1a. Policy and regulatory framework for local seed production are in place (achieved) 1b. Guidelines for establishing agricultural land use zones are completed (achieved) 1c. Legislation on sustainable management and use of agricultural land are operational (achieved) 1d. Regulatory		

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<b>Results Chain</b>	<b>Performance Indicators (Original Project and AF Combined)</b>	<b>Data Sources and Reporting Mechanisms</b>	<b>Risks and Critical Assumptions</b>
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Results Chain	Performance Indicators (Original Project and AF Combined)	Data Sources and Reporting Mechanisms	Risks and Critical Assumptions
	<p>4e. 10 rice millers in target provinces use independent financial management advisory services by 2021 (2012 baseline: 0) (achieved)</p> <p><b>AF</b></p> <p><u>4f. At least 1,800 tons of quality rice seeds produced and made accessible to farmers (2021 baseline: 0) (OP 5.1.1)</u></p> <p><u>4g. 19 agricultural cooperatives equipped with better pre- and post-harvest technologies (2021 baseline: 0 agricultural cooperatives equipped) (OP 5.3.2)</u></p>		

Results Chain	Performance Indicators (Original Project and AF Combined)	Data Sources and Reporting Mechanisms	Risks and Critical Assumptions
	gender actions included as part of Rice-SDP progress reports. (not achieved)	executing agency	meetings with government staff and stakeholders, group gatherings, and procurement process

#### Key Activities with Milestones

#### 1. Conducive legal and regulatory environment established to facilitate climate-resilient rice commercialization

- 1.1 Establish policy working groups by Q4 2013 (unchanged). (completed)
- 1.2 Produce compliance report for second tranche by Q1 2022 (unchanged). (ongoing)

#### 2. Agricultural land-use zoning improved

- 2.1 Undertake commune AEAs by Q2 2021 (unchanged). (completed)
- 2.2 Incorporate the AEAs into CLUPs by Q2 2021 (unchanged). (completed)
- 2.3 Develop three provincial rice ecosystem maps by Q2 2021 (unchanged). (completed)

#### 3. Climate-resilient rice value chain infrastructure developed

- 3.1



**LIST OF LINKED DOCUMENTS**

<http://www.adb.org/Documents/RRPs/?id=44321-014-2>

1. Grant Agreement
2. Sector Assessment (Summary): Agriculture, Natural Resources, and Rural Development
3. Project Administration Manual
4. Summary of Project Performance
5. Economic and Financial Analysis
6. Summary Poverty Reduction and Social Strategy
7. Risk Assessment and Risk Management Plan
8. Climate Change Assessment
9. Gender Action Plan
10. Environmental Assessment and Review Framework
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