

Financial Support: Rural Development Bank

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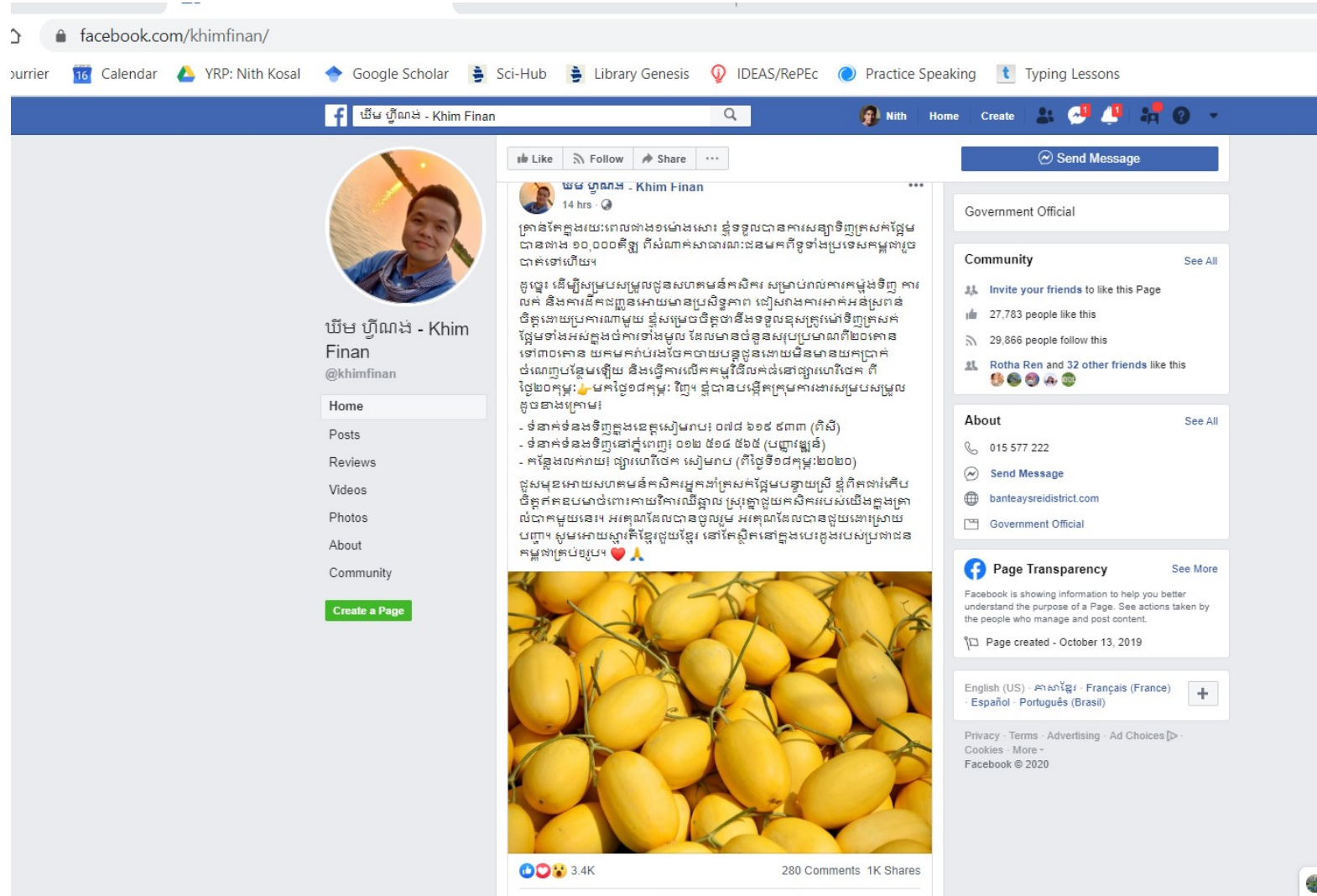
Future Forum, February 25, 2020

Rural Development Bank

- Mission: Providing finance to legal entities such as companies, farmer organizations, agriculture cooperatives which activities involve in agricultural value chain including producing, storing, transforming, distributing, and exporting agricultural products especially rice (RDB, 2018).
- Why is financial support not focused on other agricultural products such as Vegetables, Livestock and Fisheries?
- In 2017, total loans are US\$ 122.07 million, it's contribute to rice sector (61.19%); rubber, maize, cassava, pepper, coffee and sugar cane (14.45%); microfinance (2.56%); animal-raising and others (11.17%) (RDB, 2017).
- Cambodia imported 54,149 tonnes of livestock and meat to meet domestic demand last year (MAFF 2019).

In Example,

Banteay Srei district governor **Khim Finan** has issued fines of 12 million riel (\$3,000) to 10 villages and a formal warning to a village chief for illegal logging in Skun village, Tbeng commune, Banteay Srei district, Siem Reap province (Koemsoeun, S., 2020).



Back to the RDB

- In 2018, total assets is US\$ 178.28 million, grow revenue is US\$ 9.39 million (RDB, 2018).
- The Cambodia Rice Federation (CRF) has asked the state-owned RDB to provide \$200 million in emergency loans to buy paddy from farmers during the ongoing post-monsoon harvest season as falling prices threaten their livelihoods (Vireak, T., 2019).
- RDB CEO Kao Thach told The Post that capital shortage in the rice sector is between \$200 million and \$250 million (Vireak, T., 2019).
- The RGC has allocated US\$ 50 million for RDB to transform to a Rural Development and Agricultural Bank, classified as "commercial". RDB will distribute \$50 million in loans to private rice millers to sustain the paddy market for farmers (Fresh News, 2019).

RDB: Types of Loans

- **Credit line:** The loan and repaid at the end of the loan period. Interest is regularly paid on the outstanding principal balance. Period of loan: 3 to 5 years with a review in 18 months. Full payment of the amount of each draw-down within 12 months.
- **Secondary loan:** On-lend the funds to secondary borrowers which retail the funds to end-borrowers.
- **Institutional credit:** The institutional development and capacity building programs of partners to strengthen their organizational capacity.
- **Overdraft loan:** A short term loan for the micro-finance institutions and companies related to the agriculture sector for using when facing any cash flow problem.
- **Long-term loans:** The agriculture industry planting or production in long-term mandates.

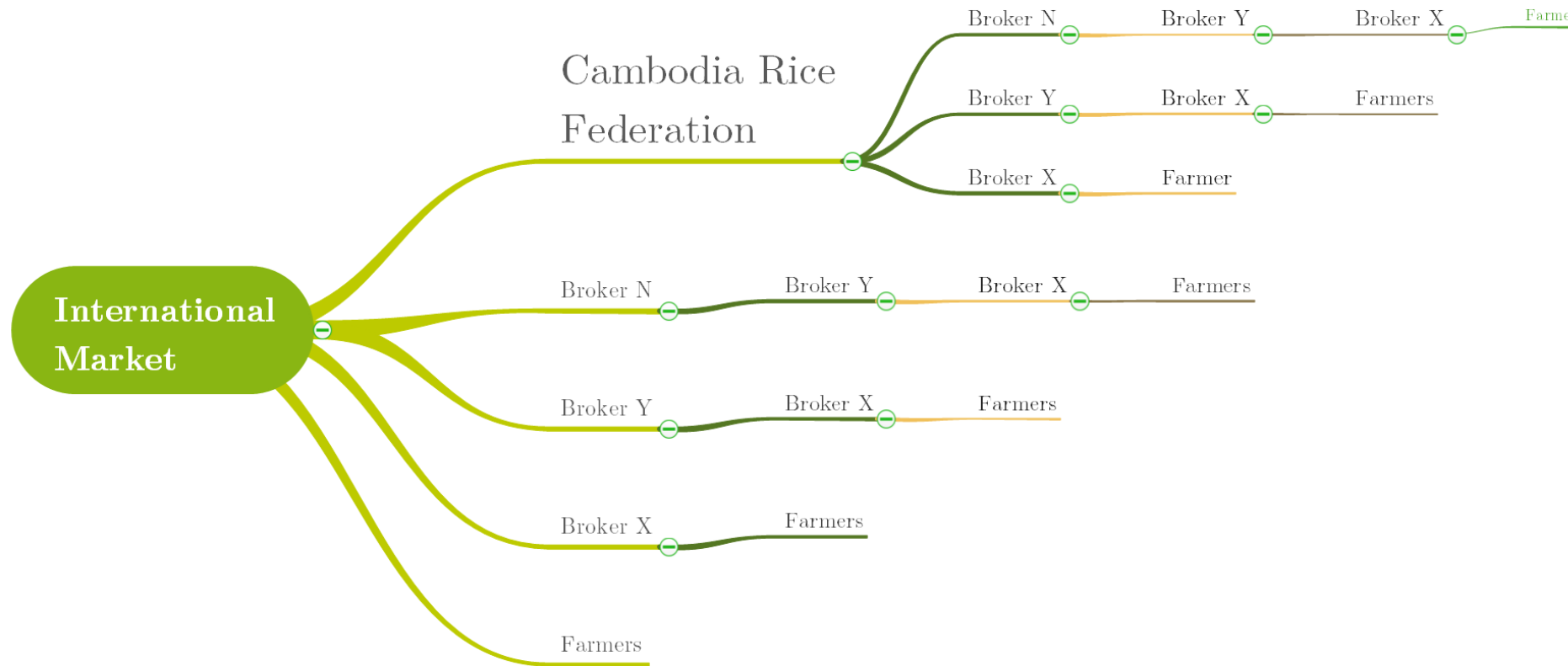
So now,

- So now, the **SME Bank** will soon operate in the hope of stimulating agro-processing and SMEs linked to FDI, tourism and technology start-ups with an **initial capital of US\$ 100 million** (Kimsay, 2019).
- The **MAFF** has requested the **Ministry of Interior** and the **MoEF** to intervene and prevent the import of fruits and vegetables that contain pesticides into Cambodia, to **improve food safety** and **increase local cultivation** (Sotheary, P., 2020).
- In Greece, the **LEADER +** initiative focused on smaller budgets in specific areas related to rural area activities, such as **agriculture**, **tourism** and **manufacture of local products** (Karafolas, S., 2013).

Why does a firm or a farmer need support from the government?

- Government support have various impacts on firm financial performance. Specifically, technical support of government for trade activities, for human training and for technology support has no influence statistically significant on firms' financial performance. (Trong, N., Van, H., Bartolacci et al 2017).
- The interventions which have been investigated most frequently are the imposition of taxes, subsidies and government-enforced trade and price controls which directly affect prices in the final market for the commodity (Trong, N., Van, H., Bartolacci et al 2017 & Westlake, M. J., 1987).

Raw Material Process



Price uncertainty: production decisions have to be made far in advance of realizing the final product. The price of the output is typically not known at the time the production decisions are taken. Inelastic demand is often cited as a main explanation for [agricultural price variability](#) (AUAS., SNEC., 2019).

Opinion Questions

- What are the effects of financial use of the Rural Development Bank to promote agriculture and agro-processing in Cambodia?

Win-Win Policy?

- a) The Cambodia Rice Federation won?
 - b) Broker won?
 - c) Financial institute won?
 - d) Farmer won?
- What other agricultural products should the RDB should consider to support rather than rice?