SPECIAL STUDY

Evaluation of the 2010 Agribusiness Sector Strategy

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EBRD EVALUATION DEPARTMENT

European Bank
for Reconstruction and Development

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Contents

Annexes available on request

Abbreviations

GAFF	Georgia Agricultural Financing Facility
SEMED	Southern and Eastern Mediterranean (An EBRD region of operations)
TurAFF	Turkey Agribusiness Financing facility
TC	Technical Cooperation
MAPFU	Ukrainian Ministry of Agrarian Policy and Food
UN FAO	United Nations Food and Agriculture Organisation

Defined terms

The EBRD or the Bank	The European Bank for Reconstruction and Development
The EBRD's Early transition countries	Armenia, Azerbaijan, Belarus, Georgia, Kyrgyz Republic, Moldova, Mongolia, Tajikistan, Turkmenistan and Uzbekistan
The EBRD's Early Transition Countries Initiative	The Early Transition Countries Initiative aims to stimulate economic activity in the Bank's countries which still face the most significant transition challenges – see website here.
the EastAgri network	Created by the Bank and UN FAO in 2002 as an informal platform with three communication channels – dedicated website, annual meetings and ad hoc meetings and workshops. EastAgri grew to include membership of over 25 organisations including the World Bank, International Fund for Agricultural Development, the European Commission, the International Financial Corporation, the Organisation for Economic Cooperation and Development and private banks (Rabobank, Credit Agricole). It has been a forum for public-private debates, as well as smaller workshops.
EBRD Integrated Approach	A purposeful and coordinated sequence of investment projects, technical assistance (TC) and policy dialogue that aim to deliver measurable sector reforms and contribute to addressing important transition challenges
EvD	The Evaluation department
Evaluation Team	EvD staff conducting the study, together with a sector consultant
Agribusiness Team or the Team	The EBRD sector team responsible for the preparation and implementation of agribusiness projects

Executive Summary

This study evaluates the relevance, efficiency and effectiveness of the European Bank for Reconstruction and Development's (EBRD's) 2010 Agribusiness Sector Strategy ("the 2010 Strategy") as implemented from 2011 to 2013.

The 2010 Strategy was shaped by both global considerations and Bank-specific priorities. Global food security – the main theme – provided a wider context for strengthening food supply/security in the Bank's region; while Bank-wide initiatives (such as early transition countries and sustainable energy) were incorporated to overlay the main theme. The food security theme was largely an expansion of the food value chain financing theme of the previous strategy, however it was justified by the food crisis of 2007 to 2008 and the large unrealised agricultural potential of many of the EBRD's countries of operation, particularly Ukraine.

The 2010 Strategy identified the sector's transition challenges well. However, they were only partially reflected in the operational priorities actually set. Since the food security theme was not very specifically defined it provided little basis for selectivity in the choice of projects. On the contrary, such a broad definition allowed the Bank to follow its traditional demand-driven approach and to react to market and harvest changes as they occurred, which was considered to be an important facet of a strategy in a volatile sector such as agribusiness. The strategy lacked sufficient performance metrics and a results framework to aid monitoring and evaluation. The remaining three strategic themes (regional differentiation, sustainability and policy dialogue) were very well aligned with the Bank's strategic initiatives. The overall relevance of the 2010 Strategy is rated *good* (on a four category scale of: *excellent, good, satisfactory and unsatisfactory*).

In terms of implementing the 2010 Strategy, the agribusiness team eventually reorganised itself along four regional lines, devolving business development responsibilities to newly appointed regional heads. It established a dedicated unit for Technical Cooperation (TC) and business advice, through which most of the team's policy dialogue-related TCs have been channelled. Externally, it continued cooperation with the specialised United Nations technical agency, the Food and Agriculture Organisation (UN FAO) with whom it has a memorandum of understanding for cooperation. Within the EBRD, it worked closely with the energy efficiency and climate change, financial institutions and legal transition teams, the Office of the Chief Economist, and to a certain extent with the transport team. However, the evaluation considers that cooperation with the latter could have been more extensive, given that the 2010 Strategy highlighted addressing storage and shipping infrastructure bottlenecks as critical for improving food security in the region. The efficiency of the 2010 Strategy implementation is rated *good*.

In terms of effectiveness of the 2010 Strategy implementation, the Bank took a careful approach to financing crop farming operations (most directly associated with food security), signing eight such projects accounting for 11 percent of total volume. However, the value of projects supporting more broadly defined primary agriculture (such as grain trading, supply of implements, livestock production) accounted for about a third of the team's total volume. The Bank made important contributions to food security enhancement in selected countries, mainly in Ukraine, where it was able to combine well-targeted projects with effective policy dialogue and TC initiatives, and to some extent in Serbia, financing an estimated 15 to 18 per cent of the total agribusiness sector foreign direct investment in each. It also supported projects elsewhere which directly contributed to enhanced food security, but they were modest in scale, while policy dialogue there has not yet yielded tangible results. Nearly a third of the Bank's financing was directed to retail projects (as much as 44 per cent in Russia), which had marginal impact on food security enhancement.

Almost all agribusiness projects had a strong regional focus, while those in the early transition countries and Western Balkans grew by 20 and 24 per cent respectively. The volume of agribusiness projects under the EBRD's Sustainable Energy Initiative nearly quadrupled. However, the evaluation notes that some of the energy efficiency components were delayed, changed or not implemented. Sustainability was also targeted through a dedicated EBRD facility, the Agriculture Sustainable Investment Facility; however only six projects were signed under it and only half of those can be considered *successful*. Good progress was achieved on compliance with national environmental standards, although more ambitious objectives set in the environmental and social action plans (for example meeting the European Union's Integrated Pollution Control Bureau best available techniques), were often missed or delayed.

The agribusiness team pursued policy dialogue in partnership with the UN FAO and the EBRD's legal transition team, achieving tangible results in Ukraine and Serbia, including through facilitating and participating in numerous working groups, which brought private and public sectors together – the EBRD is uniquely well-placed to facilitate such a dialogue. The Bank's policy dialogue in Ukraine, pursued in the framework of the Integrated Approach for the Grain Sector, contributed to the removal of Ukrainian grain trade barriers. The Bank's engagement also resulted in the introduction of geographic indicators for selected local food products and helped improve food safety standards in Western Balkans. In cooperation with the legal transition team, the agribusiness team contributed to the preparation of numerous crop receipt legislations, which were enacted in Serbia, Ukraine and recently in Russia (although warehouse receipt programmes in these countries are not yet fully operational). Importantly, together with the EBRD's Office of the Chief Economist, the agribusiness team launched the Private Sector for Food Initiative, which consolidated financing, TC and policy dialogue activities to strengthen the impact of the Bank's efforts towards sector reforms. The strategic-level (top-down) effectiveness of the 2010 Strategy's implementation is rated *good*.

Project-level (or bottom-up) effectiveness of the 2010 Strategy's implementation (assessed based on performance of a sample of 26 projects, representing 22 per cent of the total number) is rated *satisfactory* to *good,* primarily due to a very close split between projects rated *successful* (53 per cent) and *partly successful/unsuccessful* (47 percent); and 47 per cent of them rated *satisfactory/marginal/unsatisfactory* for transition impact.

Overall, based on its relevance (doing the right things) and efficiency and effectiveness (doing things right) the performance of the 2010 strategy is rated *successful* (based on a four-category rating scale of: *highly successful, successful, partly successful or unsuccessful*).

The agribusiness team has been one of the Bank's most prolific in terms of operational volume and most of its projects fit well within the (broadly drawn) strategy. The team effectively leveraged its own resources and cooperated closely with the UN FAO and other EBRD teams, pursuing multi-level operations (investments, policy dialogue and TCs) in selected priority markets (mainly Ukraine and Western Balkans). However, due to this geographic focus, evidence of achievements in enhancing food security in a larger number of countries is as yet limited. That said, the evaluation acknowledges that a long time may be required to produce tangible results in improved food security and that efforts carried out during the strategy period may lead to positive outcomes in the future.

The evaluation also revealed a degree of disconnect between the articulated strategic priorities and selected operational choices, which in some cases were primarily business, rather than strategically-driven. Better selectivity in project choice and an even higher degree of ambition in addressing persistent transition challenges are needed to further enhance the degree of the Bank's contribution to narrowing transition gaps in this sector, though it is acknowledged that this may require a longer term view than the incentive provided by annual business investment targets.

Main findings and recommendations

The main findings and recommendations deriving from the evaluation are summarised below, while section 5 of this report contains further details. Further project-specific findings and recommendations are presented at the end of each of the case studies and light evaluations in Annex 5. The findings and recommendations given here necessarily focus more on those areas the evaluation considers offer the greatest potential for improvement. However, sight should not be lost of the fact that the evaluation provides an overall rating of *successful* for the 2010 strategy's relevance, efficiency and effectiveness – the agribusiness team is doing much that is right (relevant) and doing it well (effectively and efficiently producing outcomes and impacts). A continuation of these positive aspects should form part of the next agribusiness strategy.

Main findings

Strategic alignment

(i) "Food security" – the main strategic theme, was very broadly defined and depending on interpretation, applicable to almost any type of agribusiness-related project, which resulted in a portfolio that was somewhat less focused on clearly defined strategic priorities than it might have been;

(ii) Considering that infrastructure was identified as the main bottleneck to sector development, consultations with the Bank's infrastructure team were limited and did not result in any proposal to collaborate on concrete initiatives set out in the 2010 Strategy;

(iii) Overall progress in reducing agriculture sector transition gaps in agribusiness between 2010 and 2014 has been modest. The sector-level transition indicators score improved in only one country and deteriorated in another while others were unchanged. This does not mean that the EBRD's contribution was modest as the situation could have been worse without the EBRD's presence. However, without a results framework with an embedded theory of change (see below) it is hard to make this case;

(iv) While working capital and/or balance sheet components were mainly implemented promptly, implementation of capital expenditures (often for energy or environment), was patchier, and sometimes delayed or cancelled, though it is recognised that the global financial and economic crisis continued to affect business during the strategy period thus making capex investments particularly problematic;

(v) Professionalization of management in highly centralised, family-run agribusiness companies featured in many projects and was usually achieved – this is a success that should be carried through to the next strategy;

Policy dialogue

(vi) The policy dialogue aspirations set out in the 2010 Strategy were limited and not strongly linked to assessed transition gaps although that carried out in practice was certainly more ambitious than the aspirations in the strategy – the next strategy could usefully set more ambitious and specific targets for agribusiness policy dialogue work, which is an area where the team has demonstrated considerable ability in collaboration with others;

(vii) Agribusiness leveraged its own resources with those of UN FAO in respect of policy dialogue, achieving tangible positive results in several countries. The cooperation with an institution offering specialised technical expertise is an efficient and effective way of accessing such knowledge in support of policy dialogue – it is a model other teams may wish to adopt;

Results

(viii) The 2010 Strategy lacked a results framework and monitoring metrics for tracking progress on most aspects of implementation. However, good monitoring metrics were set for the EBRD's Integrated Approach on Grain. Although results frameworks were not required when the strategy was formulated and indeed still are not (they are expected to have a Performance Monitoring Framework to track results at the output level only), EvD considers there should be results frameworks in sector strategies covering outcomes and impacts for the priority countries where the bulk of investment goes – a requirement that should not be too difficult to meet since country strategies are now expected to have results frameworks that in part reflect sector-level outcomes and impacts;

Agribusiness team organisation and cooperation

(ix) Creation of a dedicated TC and policy dialogue unit within the team elevated these activities to a strategic level and made a positive contribution. Creation of a Business Advisory Service for agri-companies in early transition countries and South and Eastern Mediterranean countries of operation helped the team reach small and medium enterprises in difficult markets;

(x) In the pursuit of selected 2010 Strategy objectives, the agribusiness team cooperated effectively with other Bank's teams such as the Office of the Chief Economist, legal transition, energy efficiency and climate change, financial institutions and equity teams but only to a limited extent with the infrastructure team, despite such cooperation offering good opportunities to target 2010 Strategy priorities.

Principal recommendations

Strategic alignment

(i) If food security remains the strategic focus, it should be defined so as to result in greater operational selectivity and/or have greater clarity on the results expected in this area;

(ii) Establish a stronger logical link between sector transition gaps and the choice of strategic priorities, at least for selected gaps and priority countries;

(iii) Elaborate on how the key remaining transition challenges (not targeted by the Bank) might be addressed, including timing and the other International Finance Institutions or organisations involved;

(iv) Prioritise capex (above working capital/balance sheet restructuring), as well as new clients (over repeat clients). Provide better justification and rationale for support of retail projects;

Policy dialogue

(v) Consider (together with the UN FAO and other international financial institutions) assisting selected countries in drafting their agricultural/agribusiness strategies. Use it as an entry into a long-term policy dialogue process;

(vi) Set dimensions of sector policy dialogue for selected priority countries and its delivery channels, utilising a well-developed analysis of the persistent transition challenges (such as trade barriers and subsidies). Ideally, coordinate its implementation with wider political processes (such as with the European Union or World Trade Organisation accession);

Results

(vii) Set results frameworks for priority countries and articulate in them the expected outcomes and impacts from the planned activities. Where feasible, express such results through clear, measurable (qualitative and/or quantitative) indicators and targets;

(viii) Make more explicit the theory of change that connects what the EBRD plans to deliver the outcomes and impacts to which it hopes to contribute;

Agribusiness team organisation and cooperation

(ix) Outline improved processes to encourage and support greater coordination and collaboration with the infrastructure team on strategic projects in selected priority countries (building on a few successful projects developed jointly so far);

(x) Strengthen in-house primary agricultural expertise to better assess the risks and opportunities of upstream projects. Target more cooperatives and farmers associations;

Other

(xi) Increase co-investments with Instrument for Pre-Accession Assistance funds in food safety standards in Western Balkans.

1) Introduction

1.1 Background

In July 2010 the EBRD Board of Directors approved the 2010 Agribusiness Sector Strategy (hereafter "the Strategy"), which replaced the 2002 Agribusiness Operations Policy.

This Special Study provides a review and independent evaluation of the Strategy and its implementation, with the ultimate objective of presenting ideas for the preparation of a new sector strategy, which the Bank intends to undertake in 2015. The Study concentrates on the three years (2011 to 2013) of the Bank's operations under the Strategy and where appropriate, it compares them with the operations signed during the previous three year period of 2008 to 2010, under the old 2002 Agribusiness Operations Policy. The Study explores the evolution of the Bank's thinking and strategic approach in terms of what it did rather than what it said it was going to do, and the extent to which lessons were identified and taken into account. The three key questions the Study attempts to answer are:

- To what extent was the Strategy relevant?
- How efficiently was it implemented?
- How effective was its implementation?

The three chapter structure of the Study reflects the above questions. The annexes (available on request) provide more detailed analytical background and evidence in support of evaluation findings, including evaluations of sample projects. Assessment of the Strategy implementation is focused on strategic-level effectiveness (that is, evaluating to what extent the strategic priorities were implemented). It is supplemented with the summary of project-level effectiveness assessment (that is, evaluating a sample of agribusiness projects).

1.2 Methodology

The assessment of the Strategy's relevance and the efficiency of its implementation relied primarily on a desk review of background documents – sector and selected country strategies, as well as interviews with Agribusiness team staff and other Bank units (including the Office of the Chief Economist, the Energy and Efficiency and Climate Change team and the Early Transition Countries team) involved in agribusiness sector projects. It also utilised the expertise of an independent agribusiness sector consultant, complemented by tele-interviews with UN FAO staff.

The assessment of the effectiveness of the Strategy's implementation was made on the basis of a review of a sample of projects signed by the Bank in its key markets of Ukraine, Russia, Turkey, and in the strategic Western Balkans and EBRD early transition country regions. Four case study evaluations (including country sector and activity reviews) were prepared and are presented in annex 5 (available on request).[1] Moreover, "light evaluations" of up to four projects for each key/strategic country/region

[1] Case studies were prepared for Western Balkans, Turkey, Russia and Georgia (presented in annex 5). A case study for Ukraine was omitted as one was prepared for the Grain Sub-Sector under the Special Study – Policy Dialogue in Ukraine published in early 2014.

were completed (except for Russia where just a case study was prepared as a desk review, due to current restrictions on field work in Russia[2]).

Sample project evaluation analysis was supplemented by the review of eight evaluations previously completed by EvD for projects signed during the evaluation period (2011 to 2013). In total, 18 new project evaluations have been prepared in the course of the study, which together with the existing pool of evaluations accounted for a 26 projects sample or 22 per cent of the total 115 agribusiness projects signed in the evaluation period.

The relevance, efficiency and effectiveness of the Strategy's implementation (in terms of food security, regional differentiation, sustainability and policy dialogue) were rated based on four-point scale: *excellent, good, satisfactory* and *unsatisfactory*. Rating methodology of the case studies and light evaluations is explained in annex 5 (available on request).

The sample for this evaluation includes 22 per cent of agribusiness projects signed between 2011 and 2013 (the evaluation period)

Each project in the sample was evaluated.

[2] Such restrictions affected depth of assessment of the retail sub-sector, where most of such projects are located.

2) Relevance of the 2010 Strategy

2.1 Structure and key messages of the 2010 Strategy

The 2010 Strategy was considerably more robust than 2002 Agribusiness Operations Policy ("the 2002 Policy"). It had wider coverage and contained a brief but well-written and relevant analytical background, in particular:

- A sector update, with a description of the main trends in the EBRD's countries of operations and developments by sub-sector;
- A summary of the Bank's activities in the sector up to 2009, including conclusions and lessons from sector and project evaluations, as well as a portfolio update;
- A brief analysis of transition challenges, including the overall sector reform environment and transition challenges by key sub-sectors;
- A presentation of strategic objectives for the future, listing key transition-related objectives, TC objectives, cross-sectoral approach and objectives for cooperation with other international financial institutions;

Three annexes covered:

- selected lessons from evaluations between 1996 and 2009;
- a table with scores related to transition challenges by country; and
- a description of the impact of the global financial and economic crisis and the Bank's response in the agribusiness sector.

The 2010 Strategy set the following four priorities for the Bank's operations in this sector:

Four Strategic Priorities

1) Food security: Promoting food security, principally by increasing productivity, quality and safety of output for domestic consumption and export;

2) Regional differentiation: Promoting regional differentiation, with the emphasis on the EBRD's early transition countries and the Western Balkans;

3) Sustainable investments: Promoting sustainable investments by addressing environmental and social issues, gender, energy efficiency and climate change;

4) Policy dialogue: Continuing policy dialogue, principally linked directly to the Bank's investments.

2.2 Food security

The Rome Declaration on World Food Security and World Food Summit Plan of Action (November 1996, adopted by 182 countries) defines "food security" as follows:

"Food security exists when all people, at all times, have physical and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life."

The selection of food security as the Bank's main strategic theme for the sector was justified based on the analysis presented in the first part of the 2010 Strategy, with the following main conclusions:

The global food crisis

– There has been a recent global food crisis (see box below), during which the prices of most primary agro-commodities almost doubled. The UN FAO estimated that 1.02 billion people were undernourished worldwide and that either 30 million hectares of new agricultural land would have to be allocated for cultivation or a substantial increase of yields from land already under cultivation would be needed. This global context underpinned the importance of food security, understood as the increase of availability of food though enhanced productivity, quality and safety of output for domestic consumption and export;

The region's critical importance to global food supply

– The Bank's region has been of critical importance for global food supply - 200 million hectares in the region represent 13 per cent of the world's total arable land. Over the last two decades the region became a leading supplier of basic foodstuffs (such as corn, wheat, rice, sunflower and oil) to the world markets. However, the region is still not realising its full potential as yields remain relatively low (the region produced only 6 per cent of the world's crops and 2.6 per cent of meat), while food supplies are affected by disruptive policy in some countries (such as export bans and price controls) and bottlenecks such as inadequate warehousing and infrastructure;

Importance of agriculture and agribusiness to countries of operations

– Agriculture and agribusiness have been among the most important sectors for nearly all countries in the region, accounting for a relatively high share of their gross domestic product and employment. Bringing their food production safety standards to a sufficient level will ensure competitiveness of their food products and strengthen their position on the world markets in the long term. Thus agribusiness could become an engine pulling the region's economy out of the recession.

A key innovation of the 2010 Strategy:

Inclusion of primary agriculture (support to farms)

These were well chosen arguments for selecting food security as the main theme for the 2010 Strategy. However in practical terms, this theme was not dissimilar to the "food value chain financing" – the main theme of the 2002 Policy. The key innovation was that the food security theme included primary agriculture (support to farms), which the Bank now declared eligible for its financing.

Food security context 2010 to 2013

- The food crisis of 2007 to 2008 was caused by a unique combination of market imbalances exacerbated by speculation in financial markets on food commodities and panic "food security" measures by both exporting and importing countries. This resulted in spikes in all agricultural commodities' prices and led to a global food crisis, establishing food security as a key policy issue for most of the world - eastern Europe and central Asia were no exception as governments around the world embraced food security as a top priority from 2008 onwards for social stability and economic growth reasons.
- During 2007 to 2011, 41 countries lost 3 to 10 per cent of their gross domestic product to rising food, fuel and commodity prices. Over 30 countries were hit by food riots, as the impact of the crisis reached the households.
- There was almost no increase in cereal production in Russia and Ukraine between 2008 and 2011 due to historically low investment in institutions, rural infrastructure, education and training. Farming lagged behind other sectors and yields and cultivated areas remained well below potential.
- The immediate response to the crisis in the majority of the EBRD region's food-exporting countries was to restrict food exports, while importing countries (such as Azerbaijan or Moldova) reduced import constraints. Several countries introduced price control and intervention purchases.
- In mid-2008 UN FAO predicted that food prices would not drop back to pre-crisis levels for at least the next 10 years. Food security was at the top of the global agenda, as demonstrated by the first ever G8 of Agriculture Ministers held in April 2009.
- But by mid-2009 due to the renewed focus on production support for domestic producers, especially small farmers, agri-commodity supply increased substantially. Further helped by drop in oil prices, commodity prices fell significantly (see chart below).
- In 2010 concerns rose again as energy prices recovered and governments feared another food crisis. The Organisation for Economic Cooperation and Development was predicting that global agricultural production would grow more slowly than in the past, although it remained on track to meet the estimated 70 per cent increase in global food production that would be needed by 2050. Latin America and eastern Europe were to be the key drivers of this growth. It was predicted that over the coming 10 years average crop and vegetable oil prices were to be above the levels prior to the 2007/ 2008 peaks and up to 40 per cent higher in real terms relative to 1997 to 2006.
- However, by 2014 international prices of major crops had dropped again to a four-year low, largely in response to bumper crops in 2013/ 2014, high stocks and the dollar's appreciation. In contrast, meat and dairy product prices were at historically high levels, primarily because their supply fell short of expectations in 2013. However, the latter declined sharply in mid-2014 due to a Russian import ban. World ethanol and biodiesel prices continued their declines from the historical peak levels of 2011 as grain supplies strengthened.

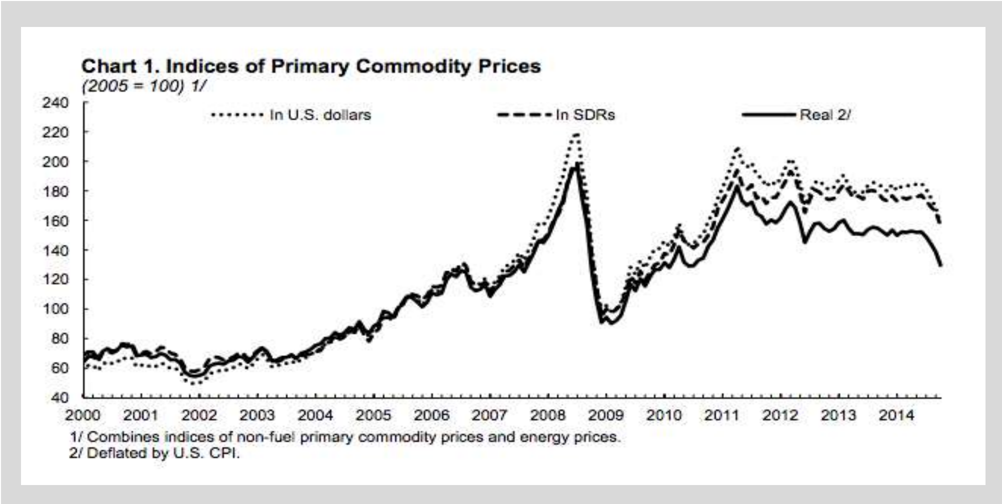


Chart 1. Indices of Primary Commodity Prices
(2005 = 100) 1/
1/ Combines indices of non-fuel primary commodity prices and energy prices.
2/ Deflated by U.S. CPI.

This heralded an important change, although already in the three year period preceding the 2010 Strategy's approval (2008 to 2010) primary agriculture projects financed by the Bank accounted for 13 percent in number, including four crop production projects (see section 4.1). Nevertheless before the 2010 Strategy financing of primary agriculture was treated as relatively marginal compared to other sub-sectors. The key objective of the 2002 Policy was formulated as: *"Continue to finance the downstream food and drink sectors as an effective means to support upstream primary production and related industries"* (the backward linkages argument). This allowed the Bank to focus on financing food processing and distribution, while financing very selectively primary agriculture projects, on the basis that the backward linkages would be sufficient to foster production. As well as a belief in the effectiveness of backward linkages, this approach was influenced by the Bank's then limited risk appetite and the perceived abundance of projects available in less risky downstream agri-subsectors. However in 2010, in order to better align its operations with its primary strategic objective of enhancing food security and more strongly influencing the drive for higher yields and better use of land, the Bank rightly incorporated primary agriculture into its priorities.

A second key innovation of the 2010 Strategy:

Integrated approach for selective key areas

Another important innovation introduced in the 2010 Strategy was an Integrated Approach for "selective key areas". The 2010 Strategy said that "the Bank will continue to apply its value chain approach" but that "to this already successful individual approach, the Bank will add an Integrated Approach, clustering banking projects, with TCs and policy dialogue in selective key areas to augment the overall impact".

Broadly definition of food security encompassed most agribusiness projects

The key characteristic of the "Food Security" theme was its very broad meaning - it enabled the Bank to finance virtually any agribusiness-related project under the "Food Security" label, as it could be argued that almost any project in this sector contributed to "*the increase of the level, productivity, quality and safety of output for domestic consumption or export*". Yet, food security could be interpreted in different ways. For example, livestock farming might be seen as negative for food security as it diverts grain from direct consumption to livestock feed, with a low grain-to-meat conversion rates. However, the undefined concept of "food security", with its universal nature, was certainly advantageous for the Bank, as the 2010 Strategy reiterated that the Bank would remain demand-driven, while the flexible operational framework helped to meet quantitative targets, which remained one of the Bank's key performance metrics.

2010 Strategy sub-sector targets focus on centre of food value chain

Nevertheless, the 2010 Strategy attempted to set more precise targets in terms of sub-sectors and geographical spread of its projects. It stated that "*in terms of sub-sectors, about 40 to 60 percent of the Bank's projects will continue to be focused around the centre of the food value chain, namely in food manufacturing, processing and* *packaging*". The remainder was to be split approximately evenly between primary agriculture (20 to 30 per cent) at one end, and wholesale and distribution on the other end, "*whilst always emphasising backward linkages for downstream investments*".

2.3 Regional differentiation

"Regional differentiation" refers to prioritising projects in certain countries or regions within them (usually much less developed), away from major urban centres/capital cities. It also calls for the Bank's approach and practice to be adapted to varying regional conditions, which can lead to a differentiation of project composition according to each country's transition stage. In particular, the 2010 Strategy put an emphasis on the EBRD's early transition countries and Western Balkans and promised:

Varying regional priorities of the 2010 Strategy

- In the EBRD's early transition countries – to increase activities, targeting inefficiencies and low productivity, particularly where up-to-date techniques and machinery can be introduced. Utilise TC funds for project preparation. Promote rural micro-credit programmes, together with the financial institutions team.
- In Western Balkans – to support local brands development and product traceability (with the help of UN FAO and TCs). Assist candidate European Union countries to implement the European Community's phyto-sanitary standards and improve competitiveness of agro-companies to enable export to the European Union.
- In countries with more developed capital cities, for example Russia, Turkey, Ukraine – to focus increasingly on regional and rural investments, in particular on supporting the upstream part of the food value chain, through vertical integration.
- In Central Europe and the Baltic States – to support local agribusiness sponsors with cross-border expansion plans into the EBRD's countries of operations where transition is less advanced.

2010 Strategy aligned with the EBRD's Early Transition Countries and Western Balkans Initiatives of 2004 & 2005

The introduction of regional differentiation as a strategic priority was an innovation and it was very well aligned with the Bank-wide Early Transition Countries Initiative launched in 2004 and Western Balkans Initiative launched in 2005.

The focus on the EBRD's early transition countries and Western Balkan countries was also justified based on the assessment of transition challenges remaining in the agribusiness sector in 2009 (as presented in annex 2 of the 2010 Strategy), which indicated that "large" transition gaps in the Agriculture/Agribusiness sector remained in only four countries, all of which were the EBRD's early transition countries, while "medium" gaps remained in 17 countries, including all remaining EBRD early transition countries (6) and all Western Balkan countries (5). However, the 2010 Strategy did not offer any targets for portfolio allocation among priority regions or any other monitoring metrics for achievement of the regional differentiation objective.

2.4 Promoting sustainable investments

"Sustainable investments" refers to projects addressing environmental and social issues, gender, energy efficiency and climate change. According to the 2010 Strategy, the Bank was to implement this priority by:

- Focusing on investments linked to energy efficiency, emission reduction and environmental and social improvements;
- Establishing special initiatives/facilities streamlining such investments;
- Working with the EBRD's energy efficiency and climate change team and Environment and Sustainability Department to develop shared facilities and projects, in areas such as biomass, biofuel, water treatment;
- Identifying pilot projects to encourage clients to adopt gender balanced approach in human resources policies.

This new priority stemmed from the Bank's "flagship" programme – the EBRD's Sustainable Energy Initiative (SEI), launched in 2006. One of the objectives of the initiative called for prioritisation of Bank financing across all sectors for investments targeting the increase of energy efficiency in production processes.

2010 Strategy linked to the EBRD's Sustainable Energy initiative

The Bank has always treated environmental and then energy efficiency-related investments as a priority because its founding agreements committed it to "promoting in the full range of its activities environmentally sound and sustainable development". Agricultural production is closely associated with environmental considerations, so even during three years before the 2010 Strategy approval, the agribusiness team had signed 40 projects, of which euro 194 million was allocated exclusively to energy efficiency components, while implementation of environmental and social action plans have been embedded into every project. However, the Sustainable Energy Initiative elevated energy efficiency to the Bank's top operational priority and the agribusiness team followed suit, including it as one of its own key priorities.

In 2009 the Bank devised a Gender Action Plan. Given the number of women employed in agriculture in the Bank's countries of operations, it was clear that the agribusiness team would play an important role in the implementation of this plan and therefore support for gender differentiation was included in the 2010 Strategy.

2010 Strategy included elements to help implement the EBRD's 2009 Gender Action Plan

However, the 2010 Strategy did not set any quantitative objectives for sustainability (such as in terms of CO2 reduction being targeted through agribusiness projects or the number of projects promoting biogas/biomass solutions) or other monitoring metrics. The definition of tasks under this priority was fairly broad and allowed for flexibility of interpretation on what exactly was to be achieved.

2.5 Policy dialogue

This priority was repeated from the 2002 Policy and its extent and nature was defined as:

- Focused on project-related issues;
- Centred on food security by bringing private and public stakeholders to address institutional bottlenecks to private sector development, good governance and investment constraints;
- To include climate change mitigation, biodiversity and other sustainability challenges;
- Continued reliance on UN FAO/EBRD cooperation, the EastAgri network and inter-Bank cooperation with the Office of the Chief Economist and legal transition team.

In general, the Bank's private sector focus (particularly in the corporate sectors, such as agribusiness), often accounts for the view that policy dialogue should be a preserve of other international financial institutions, which work with public entities. This view has been changing, particularly after the introduction of the Integrated Approach principle in 2009, which elevated policy dialogue to one of the Bank's key activities (alongside financing and TC projects), which planned together in an integrated manner was expected to lead to stronger transition impact. Therefore the inclusion once again of policy dialogue as a key priority in the agribusiness sector, resonated very well with the Bank's overall strategic direction.

Moreover, the 2010 Strategy attempted to define, or rather give examples of more precise objectives under this priority by noting that two new initiatives in two sub-sectors would be pursued:

- Agricultural commodity financing policy dialogue - would foster regulatory reform and technical assistance to support legal reform, primarily preparation of financing schemes such as warehouse receipt programmes.
- Retail in Russia – policy dialogue would focus on addressing market entry obstacles and competition in the market.

The intended policy dialogue only partially, and to a limited extent, attempted to target the sector's transition challenges. While these higher level challenges have been aptly identified in the 2010 Strategy, they mostly remained unaddressed. For instance, the 2010 Strategy made the following statements:

> "To fully unlock the Region's significant production potential, market mechanisms and institutions need to be substantially strengthened;
>
> Transition challenges across the Region in downstream food supply relate mostly to a lack of competition and high administrative barriers for new entrants;
>
> The biggest transition challenge in primary agriculture (improving yields) requires supportive, consistent and non-distortionary institutions and long-term policies that set the right incentives for realising private sector investments into sustainable agriculture.
>
> A first order institutional challenge is the establishment of an appropriate legal framework for private land ownership, exchanges and pledges. This requires establishment of cadastres and land title and functioning land markets."

The 2010 Strategy states that "*persistent transition challenges must be addressed*". It indeed calls for some of such challenges to be addressed (for example through a warehouse receipt programme) but remains silent on how other challenges are to be dealt with. Based on interviews with the agribusiness team, such selectivity stemmed from the Bank's relatively limited resources (but perhaps also limited ambition) to try to address institutional, administrative and other "persistent transition challenges" head on, as the Bank saw its role primarily as supporting the fledgling private sector through financing of projects.

EvD recognises the limitations of the Bank's capacity to influence higher level policies, its limited resources and private sector focus. However in its opinion, the EBRD's central objective of fostering transition requires better linking of sectoral strategic priorities to identified sector transition challenges. At the least, the 2010 Strategy should have described how, when and by whom those eloquently identified transition challenges are expected to be addressed (if at all).

It is also noted that, similarly to the other three priorities, the 2010 Strategy did not offer a results framework or monitoring metrics for policy dialogue.

2.6 Technical cooperation, cross-sectoral approach and cooperation with other international financial institutions and organisations

In the final part the 2010 Strategy elaborated on the planned use of TC funds, stating seven priorities, for example, warehouse receipt programmes, business restructuring pre-equity investments, environmental and social audits.

Moreover, the section spelled out specific priorities for work under the framework between the Bank and UN FAO, which was to be centred on "*improving the Agribusiness policy in a number of selected areas in the Russian Federation, Ukraine and Kazakhstan and initiating policy discussions in Turkmenistan"*. Specific (but still very loosely defined) priorities for the key countries were set, for example: *Food Chain in Kazakhstan; Grain Sector in Ukraine, Russia and Kazakhstan; Review of Turkmenistan Agricultural Sector.* The 2010 Strategy stopped short of providing indicative budget estimates for planned TCs or defining expected results the TCs were to achieve.

The Bank also promised to promote a cross-sectoral approach to exploit synergies within the institution to tackle major bottlenecks along the food chain, such as infrastructure and access to finance. This was to involve cooperation with the EBRD's financial institutions team and supposedly (but not spelled out) the transport team. Moreover, the EBRD's legal transition team was to continue leading the warehouse receipt programme.

Finally, the 2010 Strategy provided a brief on EastAgri Network, created by the EBRD and UN FAO in 2002 as an informal platform with three communication channels – dedicated website, annual meetings and ad hoc meetings and workshops. EastAgri grew to include membership of over 25 organisations including the World Bank, International Fund for Agricultural Development, the European Commission, the International Financial Corporation, the Organisation for Economic Cooperation and Development and private banks (Rabobank, Credit Agricole). It has been a forum for public-private debates, as well as smaller workshops. The Bank was to continue coordinating EastAgri as a primary platform for external cooperation. In addition, it was to work on specific TC projects with the UK's Department for International Development, European Community and the Deutsche Entwicklungsgesellschaft GmbH.

All three types of engagement (TCs, intra-Bank and external cooperation) were very broadly defined and, just as with the other parts of the 2010 Strategy, did not specify expected results or monitoring metrics.

2.7 Strategy preparation process

The 2010 Strategy was developed in-house, without the involvement of external consultants, which was a different approach to that applied in 2002, when the preparation was outsourced to sector consultants. Nevertheless, the 2010 Strategy was underpinned by several analytical works commissioned by the Bank and UN FAO. Wider consultations related to the proposed main theme were initiated by a high-level "Food Security Conference" held in London in March 2008, co-chaired by the Director-General of UN FAO and the Bank's President. It brought together the Bank, UN FAO experts and key private clients. The conference confirmed the EBRD region's potential to make a substantial contribution to global food security. It identified low efficiency, inadequate infrastructure and lack of financing as the main bottlenecks, as well as the lack of stable and predictable government policies as the most persistent problem. Subsequently, the Bank organised similarly-themed conferences in Ukraine and Russia. Opinions gathered during these meetings fed into the 2010 Strategy.

The agribusiness team also held inter-Bank consultations, including with the EBRD's early transition countries, the financial institutions and energy efficiency and climate change banking teams, the Office of the Secretary General's legal transition team, the Environmental and Sustainability department and the Office of the Chief Economist. Particularly strong help in defining relevant strategic objectives was provided by the energy efficiency and climate change team. Externally, the Ukrainian Ministry of Agriculture participated in the Kiev conference and was consulted on the draft Strategy. Although there is no record of consultations with other governments, the 2010 Strategy was broadly aligned with the Agricultural/Agribusiness sector development strategies of selected EBRD countries of operations. For instance, the review of Georgia's Agricultural Development Strategy for 2012 to 2022, and Turkey's Agricultural Strategy Paper confirmed the alignment of the 2010 Strategy with them as food security, regional (rural) development, sustainability, as well as institutional development feature prominently in these strategies.

2.8 Summary of the differences between 2002 Policy and 2010 Strategy

The key differences between the 2002 Policy and 2010 Strategy were:

- Expansion of "food value chain approach" to include primary agriculture;
- Addition of "regional differentiation" with focus on Western Balkans and the EBRD's early transition countries;
- Addition of a focus on sustainability;
- Former priority of "improving rural credit systems" was incorporated into a new priority of "regional differentiation" as a sub-priority in the EBRD's early transition countries;
- Former priority of "expanding the range of products specifically geared to agribusiness sector" was dropped and some of its elements (such as the Warehouse Receipt programme) incorporated under the "policy dialogue" priority.

The analyses of the agribusiness content of four sample country strategies revealed *moderate* to *good* alignment between the country strategies approved in 2010 to 2014 period and the 2010 Strategy.

- The area with the highest degree of alignment was *policy dialogue,* possibly due to the country strategies' concern with macro-economic policy and regulatory aspects that are equally relevant at the sub-sector level.
- *Food security* was not consistently the highest priority of the country strategies in the sector, which might be explained by the fact that 3 of the 4 strategies post-dated the food spikes of 2007-2008 by as much as 4 to 6 years, and world food prices have since declined and supplies strengthened.
- *Sustainable investment* was the area least emphasised in the country strategies.
- The strategy for Georgia was the least aligned with the 2010 Strategy, likely due to it being developed at the time (or slightly before) the 2010 Strategy. The most recent country strategy (Turkey) had the closest alignment of its priorities with those of the 2010 Strategy. Annex 2 contains review of agribusiness content of four sample country strategies, while Table 1 below summarises the result of these analyses.

Table 1: Links between 2010 Strategy and selected country strategies

Country strategy	Enhancing food security:	Sustainable investments:	Policy dialogue agenda:	Overall
Russia 2012	*Medium*	*Medium*	*High*	*Medium*
Serbia 2012	*High*	*Medium*	*High*	*High*
Turkey 2014	*High*	*High*	*High*	*High*
Georgia 2010	*Low*	*Low*	*Low*	*Medium/Low*

2.9 Strategy evaluation conclusions

The 2010 Strategy has been driven by two main factors: (i) global priorities and considerations, and (ii) the Bank-wide priorities and strategic initiatives. The former was considered in the regional context (for example increasing food supply/security by unlocking the Region's potential), while various Bank-wide initiatives were designed to mainly cut across (or supplement) the main theme.

The 2010 Strategy was an evolution of the 2002 Policy, rather than a shift towards new directions. Its main theme - food security - was largely an expansion on the food value chain financing theme of the previous policy. Another of the four priorities - policy dialogue, was a continuation from the previous policy, which was the right move given the importance of this activity and its long-term nature.

The introduction of geographical priorities (the EBRD's early transition countries and Western Balkans) and regional differentiation, as well as the addition of sustainable investments as a new priority, provided a sharper focus for the team's operations and were very well aligned with the Bank's then-new flagship initiatives, such as the Early Transition Countries Initiative and the Sustainable Energy Initiative. The choice of food security as the main theme was justified, given the food crises of 2007 to 2008, the importance of many EBRD countries of operations for global food security, and their unrealised potential in agriculture, which the Bank sought to unlock. The commitment to develop Integrated Approaches for selected subsectors in certain countries was particularly important and promised a shift to targeting higher-level impacts.

However, 2010 Strategy had a number of weaknesses. Although it identified and analysed transition challenges very well (including an annex with an assessment of transition gaps), these challenges have been only partially reflected in the targets/priorities set in the strategy itself. For instance, disruptive policies effecting food supply (such as export bans, price controls, tariffs and subsidies) have been identified as the main obstacle to sector development in the region. However, no activities were proposed to address these issues. The 2010 Strategy had a cautious approach to policy dialogue in terms of its scope, while the main food security theme was not well defined and allowed the Bank a lot of flexibility in the choice of projects. In practice, it offered very little change from the previous policy, which was based on similarly broad theme of support to the food value chain. However, this stemmed from the Bank's overall focus on volume, which prompts its teams to set their strategies so that they do not prevent any potential business opportunities.

Although 2010 Strategy set broadly defined regional/country priorities within each theme, it lacked more precise performance metrics and results framework, which could have been set for selected priority countries.

This would enable the 2010 Strategy to be effectively monitored and evaluated (not to be confused with "strategic over-prescriptiveness"). The attempt to introduce some (very broad) portfolio share targets for the main three sub-sectors (food processing, primary agriculture and distribution) is commendable, however it was by no means a substitute for a proper results framework that spells out a so-called "theory of change" that plausibly links what the EBRD does to higher level (sector and economy-wide) transition impact.

It is recognised that as a team active in the corporate sector, the agribusiness team remains principally demand-driven and focused on projects rather than promoting structural changes. Nevertheless, the Bank's growing aspirations to address persistent transition gaps more effectively would justify a sharper focus on objectives designed to address such gaps.

The relevance of the 2010 Strategy is rated *good*.

3) Efficiency of strategy implementation

3.1 New structure of the EBRD's agribusiness team

To implement the 2010 Strategy, the agribusiness team reorganised itself along four main regional lines:

- Russia
- Ukraine and Central Eastern Europe (North)
- Western Balkans and Central Eastern Europe (South)
- Turkey and the EBRD's early transition countries

Four hubs for these regions were created in Moscow, Kiev, Belgrade and Istanbul, and four Senior Bankers were appointed "Regional Heads", responsible for business development in each region. This reorganisation was very gradual, as it has been functioning for years before being formalised only at the beginning of 2014 (according to the Team's management "due to the Bank's internal constraints").

As in the past, the agribusiness team, whose core is based at London HQ, has been supported by dedicated bankers working from the EBRD regional offices. For efficiency, such bankers often cover the whole corporate sector (including Manufacturing & Services and Property & Tourism), however in some cases they have been exclusively dedicated to agribusiness. They include bankers at all levels (analysts to senior bankers) and have covered various functions, from leading project development as EBRD operation leaders to monitoring implementation of the agribusiness portfolio in a given country. Moreover, in mid-2014 the agribusiness team placed one professional in the Kiev regional office dedicated exclusively to policy dialogue in this country, which is unique among EBRD sector teams. During the interviews with EvD, many clients noted that the proximity of key staff has been one of the Bank's main advantages over other international financial institutions.

A dedicated unit created within the agribusiness team for technical cooperation and advisory services -Advice for Agribusiness-

Furthermore, in recognition of the growing importance of specific activities other than financing, at the end of 2012 a dedicated unit was created within the agribusiness team for technical cooperation and advisory services. The unit is headed by a senior banker and includes two EBRD Small Business Support managers (working on the Advice for Agribusiness programme) and a food security economist shared on part-time basis with the EBRD's Office of the Chief Economist. The EBRD Small Business Support managers are under the EBRD Small Business Support team's headcount, and work in the unit when the projects demand it, while the food security economist is under the EBRD's Office of the Chief Economist headcount but reports jointly to Office of the Chief Economist and the agribusiness team's management. The economist is in charge of the Private Sector for Food Initiative (see below) and works on policy dialogue activities, identifying issues, preparing TC submissions and monitoring consultants' work. This unit launched several initiatives (described in the following section), which target very well the priorities set in the 2010 Strategy. Importantly, the Advice for Agribusiness programme has been a linchpin of the team's business development, particularly in the EBRD's early transition countries as it targets promising, smaller potential clients, works with them to achieve good market and financial results and develops bankable projects with the best of them (more on it in the following section).

The unit has been a linchpin of the team's business development in early transition countries

Moreover, the Agribusiness team has agreed with some other Bank departments to allocate dedicated (or semi-dedicated) specialists to work on agribusiness-related projects. This for instance, has been the case with the energy efficiency and climate change team, where one senior engineer was designated to cover agribusiness projects. Also, a lead counsel from the legal transition team, covering secured transactions, was designated to work on the warehouse receipt programmes in various countries. This has been very beneficial for the agribusiness team as it enabled the building of agri-expertise outside of the team and ensured continuity. It also leveraged the team's resources, which were dedicated primarily to business development.

The agribusiness team also contributed to two agri-related financing facilities developed and led by the financial institutions team, while four other projects led by agribusiness were developed in close cooperation with the financial institutions team (three Serbian warehouse receipt programme projects and John Deere/Aval). Finally, there were two projects supporting agri-infrastructure, developed together with the transport team - one led by the transport team and one by agribusiness. Reportedly, more joint projects with the transport team were attempted but did not materialised. This was commendable but the results of such cooperation are relatively limited given the need to address infrastructure bottlenecks highlighted in the 2010 Strategy. Also, cooperation with the EBRD's early transition countries team has been sporadic.

3.2 Use of TCs and special initiatives to support the 2010 Strategy

The Technical Cooperation and Advisory Services unit was created in 2013 and since then has been responsible for most of the agribusiness team's TC projects. Its work focused on six main areas: food security, advice for agribusiness, resource efficiency, EastAgri and MedAgri networks, better food, animal welfare and sustainable retail. As the unit included part-time EBRD Small Business Support managers and an economist, most of the special initiatives related to theaAgribusiness team's strategic priorities originated in or were implemented by this unit. During the evaluation period the unit (and its predecessor) implemented 30 technical cooperation projects with a total (EBRD-share financed) budget of approximately €6 million, while the UN FAO co-financed these projects with additional €2.5 million. Moreover, 16 projects were implemented in 2014 and 17 new projects were in preparatory or exploratory stages for 2015. The unit's contribution to policy dialogue activities is described in section 4.4.

Advice for Agribusiness (AFA) – was established in 2012 by the Agribusiness and Small Business Support teams for SEMED under the initial name of Direct Company Assistance. The goal was to build enterprise capacity to promote the growth and competitiveness of companies in the agribusiness sector. In 2013 the programme expanded to the EBRD's early transition countries and executed over 30 projects. Advice for Agribusiness has been recognised as a complementary instrument to EBRD financing focused on delivering targeted advice to agribusiness companies that have high prospects of eventually becoming Bank clients.

The Private Sector for Food Security Initiative (PSFS) – was approved in November 2011 and is being implemented jointly by the agribusiness team, the Office of the Chief Economist, and the legal transition team. It provides greater focus on the main priority theme – food security - and was designed to enable better monitoring and reporting of the progress and achievements through the Initiative's annual reports. The Private Sector for Food Security Initiative was organised around six priorities:

1) Improved access to finance:
2) Improved policy transparency through public-private platform;
3) Linking exporters and importers;
4) Linking water and food production for resource efficiency;
5) Improving international financial institution coordination;

6) Capacity building for agribusiness in SEMED and the EBRD's early transition countries.

As these priorities indicate, most of them were ongoing themes or programmes, the innovation being the addition of linking exporters and importers, and linking water use efficiency and food production. These themes were not present in the 2010 Strategy as they were principally geared towards SEMED countries which did not feature in that Strategy. Therefore the Private Sector for Food Security Initiative can be viewed as an "update" on the 2010 Strategy, cutting across and linking various initiatives, which were developed after it was approved. Importantly, the Private Sector for Food Security Initiative brought about better conceptualisation of various themes with a view to strengthen the impact of the Bank's activities. The Bank has been publishing annual reports on the implementation of the Private Sector for Food Security Initiative, which have been very informative and provided examples of the Bank's projects and activities responding to the Private Sector for Food Security Initiative's priorities. However they were presented as marketing material, rather than a management tool with precise (qualitative) information on completed activities against set objectives or presented impacts of projects. Also, although annual reports have included a section on "Areas of future focus", setting broad targets for the coming year, they stopped short of providing meaningful result frameworks or monitoring benchmarks.

The EBRD's Agribusiness Sustainable Investment Facility - was initiated in 2010 to help meet the sustainability objectives of the 2010 Strategy by funding a wide range of energy efficiency, environmental and social projects within the agribusiness sector. To be eligible for the facility's funds, agribusiness projects were required to use a minimum of 50 per cent of the project proceeds for sustainable investments. Although the facility itself has not been particularly successful (see section 4.2.), there is evidence that agribusiness as a sector has improved substantially over the life of the 2010 Strategy with respect to its contribution to the Bank's Sustainable Energy Initiative.

The Integrated Approach on Grain – had already been prepared by late 2010 and provided a framework for the Bank's comprehensive activities in financing, policy dialogue and technical assistance for promoting transition in the grain sector. It recognised that to date the Bank's project-by-project approach has had insufficient leverage in this complex sector and spelled out clearly the remaining key transition challenges in the grain sector. The emphasis was to be on enabling Warehouse Receipt Programmes in five target countries. The Integrated Approach on Grain offered clear, comprehensive monitoring benchmarks set for each country (for example, increased yields, production and export volumes by X per cent, number of certified warehouses, number of people trained, etc.). It promised annual reporting on the implementation of the approach. No evidence of such dedicated annual reporting was found, however selected projects submitted to the Board as part of the Integrated Approach on Grain contained information on performance of its past projects and some of such reports also contained an update on the current status of the Integrated Approach on Grain's benchmarks.

EastAgri and MedAgri – the EastAgri network has been operating since 2002, covering 30 EBRD countries of operations. It is a platform for discussion and knowledge exchange among private, public and international financial institution stakeholders in the agribusiness sector. It has three communication channels: a dedicated website, annual meetings, and ad hoc thematic meetings. The network was funded in response to the 2002 Strategy in collaboration with UN FAO and the World Bank. Its core members include the European Commission, the International Financial Corporation, International Fund for Agricultural Development and the Organisation for Economic Cooperation and Development. During the Evaluation Period EastAgri grew to reach over 100 agribusiness companies and private banks on a regular basis.

Following the Istanbul conference in 2012, the Bank established MedAgri as a similar platform for stakeholders active in the SEMED region.

Workshops and conferences - have been a cornerstone of the Bank's policy dialogue in this sector. The Bank gained good experience from this approach during the *Round Table on Sustainable Development of Ukrainian Grain Sector*, organised with FAO in Kiev in January 2011. It brought together government and private sector and resulted in the formation of a Working Group on Grains, which has met regularly and whose actions resulted in making the sector more transparent and attractive to investors. It has been followed by over 20 high-level meetings and over 30 workshops/study tours organised by EBRD/UN FAO partnership, which have taken place during the evaluation period.

3.3 Co-operation with UN FAO and other international financial institutions

Since signing a memorandum of Understanding in 1994, the EBRD and UN FAO developed very close working relations. The cooperation was strengthened in 1997, when a Framework Agreement was signed, (which then was extended several times). The Framework agreement established a cost-sharing principle between the two institutions for Technical Cooperation consultant services assignments carried out in EBRD member countries. The formula was for EBRD to finance 70 percent of each TC, with the reminder financed by FAO. This enables each institution to leverage each other's expertise and use comparative advantage, engaging in targeted policy dialogue and TCs. EvD conducted an evaluation of the EBRD/ UN FAO agreement in 2011 here, and provided an overall assessment of *successful*.

As an organisation with a wider perspective, UN FAO often provides valuable technical expertise to the EBRD identifying investment bottlenecks and financing opportunities. The EBRD on the other hand, brings its private sector focus and shares its practical experiences from implementing agribusiness projects. Both organisations are involved in the Private Sector for Food Security Initiative and nearly all of the conferences/workshops and policy dialogue initiatives have been organised and implemented jointly.

The EBRD has been also cooperating closely with the International Finance Corporation, co-financing nearly a quarter of all its stand-alone agribusiness projects, particularly in Ukraine, Western Balkans and Russia, but also in the EBRD's early transition countries and recently in Turkey. This co-financing is not always parallel as the EBRD or the International Finance Corporation often funds an "extension" of the other's original project. This produces efficiencies as both organisations share relevant due diligence documents and reinforce the message of transparency, efficiency and sustainability.

Together with the Asian Development Bank, the EBRD has been co-chairing the multi-lateral development banks' working group on agribusiness. Work in this forum resulted in the development of the "Multi-lateral Development Bank Food and Water Security Actin Plan 2011 to 2013", which enabled better coordination of multi-lateral development bank actions and was acknowledged in the St. Petersburg Accountability Report at the G20 meeting. The Bank also has functioning links to other main sector players, principally through the EastAgri network, in the framework of which a meeting is held at least once a year to exchange experiences with such organisations as the World Bank or the Organisation for Economic Cooperation and Development. Work with the European Commission is focused on Western Balkans in support of food safety standard improvements and is expected to expand to SEMED. In 2014 the Bank signed a Memorandum of Understanding with International Fund for Agricultural Development to jointly support the value chain and food security and to promote climate-resilient agriculture. Finally, the Bank has also started a discussion with the

Asian Development Bank on joint private agribusiness projects opportunities in central Asia.

3.4 Conclusions of the efficiency of the 2010 Strategy's implementation

Agribusiness has been one of the Bank's most productive sector teams, accounting for a consistent 10 percent of the Bank's total annual business investments each year during the evaluation period, which was slightly up from an average 9 percent in the preceding period. As of 2013, Agribusiness accounted for 40 per cent of the Bank's corporate portfolio, and contributed 32 per cent of the Bank's profits (although this was exceptionally high, due to one equity exit).

Table 2: Agribusiness team's annual business investments calculated using two different methodologies

Annual business investments € mil	2008	2009	2010	2011	2012	2013
Calculated based on DTM date and amount signed	393	731	832	764	727	636
Cumulative for the period			**1,956**			**2,127**
Calculated based on date and amount of commitment	507	639	835	945	874	871
Cumulative for the period			**1,981**			**2,690**

During the evaluation period agribusiness increased the volume of signings by 8.7 percent and number of projects signed by 5.5 percent compared to the preceding period.[3] Moreover, the expected annual increase in 2014 was 25 percent and 35 percent in terms of the volume and project number respectively (see annex 1 for detailed portfolio analysis). The annual business investment productivity of the agribusiness team per banker was an exceptionally high 1.9 in 2010 due to the very high number of operations signed in that year. Since then, the levels have decreased somewhat to 1.7 in 2012 and 1.5 in 2013 with 1.4 expected projects per banker in 2014. This however, was still almost 50 percent above the Bank's average of 1.1.

In terms of portfolio productivity (based on the number of operations implemented/monitored per banker), the agribusiness team was the third most productive in the Bank with six operations per professional staff (2013). Quality of portfolio was generally good, given high risks associated with the sector. In December 2014 there were 16 impaired agribusiness projects with the total impaired loans of €62 million. Out of these, five projects with the aggregate €15 million financing were signed in the evaluation period, accounting for 4.3 percent and 0.7 percent of the number of projects and volume of financing signed during this period. Net disbursements (excluding subsequent disbursements of revolving loans) from the operations signed during the evaluation period were €1,931 million, accounting for 90 percent of the total amount signed (with only a few projects not disbursing or inactive in case of Serbian Warehouse Receipt guarantee projects, see section 4.2 and 4.3).

The above demonstrates that the agribusiness team has been one of the Bank's principal "cash cows". The team's drive for large volume and numbers of projects was dictated by high annual targets set for it by the Bank's management, and the view that to effectively conduct policy dialogue and impact higher level changes, it has to first

[3] These analyses are based on the "EBRD tracking system date and amount signed", rather than the "commitment amount" point of time. Agribusiness often signs tranched financing, part of which is uncommitted and then committed in different years. Based on commitment point of time, the financing volume was €1,981 m and €2,690 m during the preceding and evaluation periods respectively, indicating 35 percent increase. See table 2 and annex 1 (available on request) for more info.

gain credibility in a country as the major financier with a “critical mass” of projects. There might be some evidence in support of this theory as for example, in Turkey, where until recently the Bank had a limited portfolio, it found it difficult “to get the ear” of the decision-makers and effectively engage in the debate on the reduction of distortionary policies in the sector. This changed in recent year, when the Bank’s agribusiness portfolio reached over €0.5 billion and the Bank initiated the dialogue.

Agribusiness was one of the first teams to partially devolve management responsibilities to regional heads. So far this has proved to be the right move as the quality and quantity of projects has grown, while the team’s management has been able to allocate more time to participating in meetings with government decision-makers and clients to discuss strategically important issues. Other teams (such as the manufacturing and services team) have now followed agribusiness team in such reorganisation.

The efficiency of the 2010 Strategy implementation is rated *good*, primarily in recognition of the team’s effective reorganisation (which however came relatively late), as well as development and launching of several innovative initiatives supporting the implementation of the 2010 Strategy. It is also noteworthy that the agribusiness team was able to effectively leverage its resources by enlisting support of the Bank’s other teams and other organisations (mainly UN FAO) for the implementation of the 2010 Strategy. However, room for improvement remains, primarily in developing closer and more effective cooperation with the transport team in order to address more effectively infrastructure bottlenecks, which are adversely affecting trade in agricultural products across the Bank’s countries of operations.

4) Effectiveness of the 2010 Strategy implementation

The first four parts of this section present a strategic-level evaluation of the effectiveness of the 2010 Strategy implementation, that is, the extent to which the four priorities set in the 2010 Strategy were implemented. In addition, the last part (4.5) summarises the evaluation of the project-level effectiveness of the 2010 Strategy implementation based on a sample of 26 agribusiness projects (comprising four case studies, 14 "light evaluations" and a summary of eight evaluations completed earlier by EvD on agribusiness projects signed during the evaluation period).

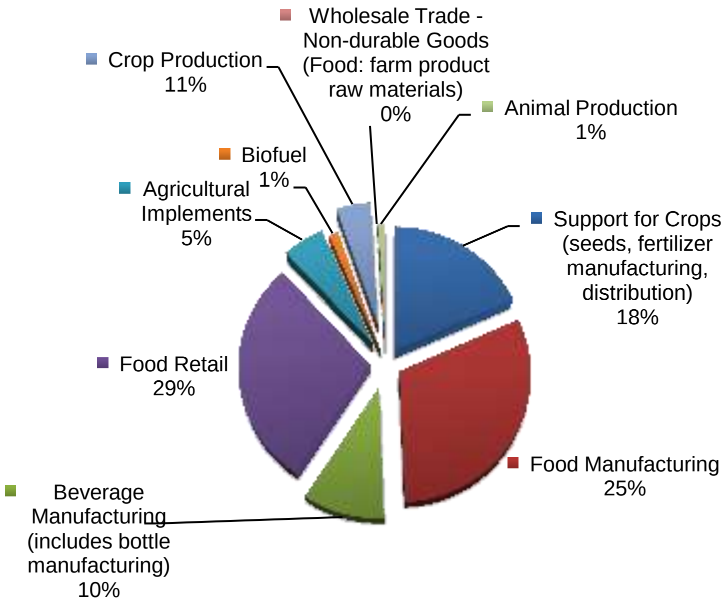
4.1 Food security – implementation effectiveness assessment

As highlighted in section 2.2, food security was not well defined in the 2010 Strategy and could be subject to various interpretations. Its evaluability is poor and therefore it is difficult to measure to what extent the Bank's projects enhanced food security in the region. One proxy for this assessment could be the number, volume and quality of primary agriculture projects – a newly introduced sub-sector and one that has a direct impact on food supply. Primary agriculture projects were also geared towards increased production yields – an important measure of efficiency in food supply. Moreover, the extent and efficiency of supply chain, particularly backward linkages to primary agriculture (for example trading, seed and fertiliser supply) can be also used as additional measure of food security.

The analysis of the agribusiness projects based on their Standard Industry Names (SIN, as recorded in the Bank's monitoring system)[4], indicates that during the evaluation period, the share of projects supporting primary agriculture accounted for approximately 35 percent of total volume (see chart 1 below). These projects included "support activities for crops" (the production and distribution of seeds, fertilizers or machinery), which accounted for 13 per cent by number and 18 per cent by volume, "wholesale agricultural commodity trading" – a key link between primary and secondary sectors, accounting for 2 per cent of operations and negligible volume, "agricultural implements" at 5 percent volume, as well as "animal production" - a sector closely related to primary agriculture, which accounted for 2 per cent in number and 1 per cent in total volume. Finally, there were eight projects classified as "crop production" (farming) for a total of €228 million, accounting for 7 per cent of the total number and 11 per cent of the total volume (although some of them also contained food manufacturing or other components).

[4] The Agribusiness team criticised sub-sectorial analysis based on SIN codes as they do not fully reflect the nature of operations being financed by the Bank. However no plausible alternative was proposed. EvD agrees that such analysis might be imprecise but they do provide some indication of the sub-sectorial structure of the Bank's portfolio. Moreover, EvD conducted detailed analysis of projects signed in 4 case study countries, which are presented in annex 8 (available on request) and its conclusions are referred to further in this section.

Chart 1: Business Volume by Agribusiness Sub-Sector Category, 2011 to 2013



The above structure compares with 21 per cent volume share of primary agriculture projects signed in the preceding period (2008 to 2010). Then the Bank signed 10 projects (9 per cent of the total) classified as "support for crop production" for a total of €287.6 million accounting for nearly 15 per cent of the Bank's total volume signed at that time. No commodity trading or animal production projects were signed during 2008 to 2010.

There were four projects, classified as "crop production" signed in the preceding period for a total of €115.7 million, accounting for nearly 4 per cent of total number and 6 per cent of the total volume.

Nearly all "crop production" projects (in both periods) were revolving, working capital loans intended to provide pre- and post-harvest financing, although several of them had some capex financing for energy efficiency measures or a storage facilities upgrade. Three out of eight projects classified as "crop production" signed in the evaluation period were subject to validations (Operation Performance Assessment Validations) or light evaluation as part of this study, with the following conclusions:

Table 3: The main results of "crop production" projects evaluations

Project	Key issue	Overall and Transition impact rating
A	Operational objectives not correctly identified in the OPA and no evidence provided of their achievement Update: Bank was misinformed about true impact two successive harvests had on the Company's financial position. Investment revalued to 0.	Originally rated: *Partly successful/ Good* Updated rating: *Unsuccessful/ Marginal*
B	Harvest pre-financing and land bank increase achieved but weak causal link between the project's operational objectives and transition impact benchmarks.	*Successful/ Satisfactory*
C	Yields increased 33 per cent above country average and continue to rise but reduction of fuel and fertiliser use slower than expected.	*+(Successful)/ +(Good)*

These analyses illustrate that the Bank made progress in expending its operations in primary agriculture, following the approval of the 2010 Strategy, as compared to the preceding period. The share of primary agriculture projects increased from 13 per cent in number and 21 per cent in volume to respectively 23 per cent and 35 per cent. This was a positive trend, however, some of the projects related to primary agriculture were not yet effective, as for example none of the three Serbian Warehouse Receipt guarantee facilities was active due to the lack of progress on Serbia's warehouse receipt programme reform, while performance of crop production projects was varied.

It should be also noted that many of the Bank's clients are vertically integrated companies, engaged in farming, food processing and in some cases, distribution. Therefore it is difficult to assign a single SIN to such clients, particularly as most loans are of a corporate type and benefit various parts of the client's operations (see footnote 4). Therefore, to get a better sense of the scale of the Bank's support to primary agriculture, EvD prepared its own analysis of the Bank's projects in case study countries (Serbia, Russia, Turkey and Georgia), allocating more precisely the Bank's financing to three main sub-sectors. It is presented in annex 8 and demonstrates that the share of projects supporting various aspects of primary agricultural operations in these countries was about 36 per cent in terms of volume, so similar to that calculated based on SIN classification.

Based on a wide definition of primary agriculture it can be concluded that the Bank met or even exceeded the (broadly set) quantitative objective of the 2010 Strategy to direct "between 20 to 30 per cent of its total agribusiness operations to primary agriculture" – the sub-sector directly associated with food security and the Bank's main strategic theme. Although support provided to crop production alone was modest, the Bank was on target if projects related to the different aspects of primary agriculture are considered. Relatively limited number of crop production projects was a result of difficulties with identifying suitable farm-operating clients (creditworthy, with sizable operations and willing to accept the Bank's standards). Ukraine, Kazakhstan and Armenia were the only countries benefiting from such projects. While the impact of the Bank's single project in Kazakhstan was rather negative as it failed financially and the Armenian project was very small (€2.5 million), six Ukrainian projects were of substantial size, generally successful, had a good demonstration effect and together with intensive policy dialogue in the grain sector (see section 4.4 and annex 3) made a contribution to food security in this country.

The EBRD signed 8 projects under the integrated approach to reform of the grain value chain

During the evaluation period the Bank signed eight projects under the "Integrated Approach to Reform the Physical and Financial Infrastructure of the Grain Value-chain" (two in Romania, five in Ukraine and one covering Russia and Ukraine). Policy dialogue was conducted in relation to grain sector in four countries. The best results were achieved in Ukraine (see section 4.4 on Policy Dialogue) and in Russia, where in 2014 Duma approved the new warehouse receipt law co-authored by the Bank's consultants. In Kazakhstan, the Bank and FAO supported grain value chain study, recommendations of which were discussed with the government and private sector. The Kazakh government also expressed an interest in potential development of warehouse receipt legislation. Work continued in Serbia, with the establishment of warehouse receipt programme -supporting indemnity fund. However this process suffered a setback when the programme was put on hold following a change of the Minister of Agriculture.

Yields and production volumes (benchmarks targeted by the Integrated Approach) increased across all countries since 2010. However they have been measured year-on-year and given high volatility of agricultural production these results should be treated with caution. More detailed summary of the progress in the implementation of the Integrated Approach is presented in annex 7.

The Bank has also contributed to food security through operations in other sub-sectors (see chart 1 above), the largest of which in terms of project number was "food

Operations in sub-sectors contributing to food security were: food and beverage manufacturing and food and retail distribution

manufacturing" – an important part of the food value chain, accounting for 40 per cent of the number and 25 per cent of the volume of all agribusiness operations. It was followed by sub-sectors less relevant to food security - "beverage manufacturing" at 18 per cent in number and 10 per cent in volume, and by "food retail and distribution" at 10 per cent by number and 29 per cent by volume – the largest share in volume terms of all sub-sectors in the evaluation period (see annex 1 for more detailed analysis). As demonstrated in the case studies and light evaluations (annex 5) the backward linkages of these projects to local primary agriculture varied considerably. Many of them had very weak or no linkages at all, others supported the client's food production effectively but their impact on broader local agriculture was limited or difficult to identify. About one third of the projects reviewed (and classified as food manufacturing) had relatively strong linkages through contracts with local farmers and training.

The three retail projects reviewed as part of this special study demonstrated relatively weak linkages to local farmers and processors.[5] The supermarkets analysed tended to buy most of their merchandise through their headquarters to increase their negotiating power, looking for quality products at the lowest price. Most goods were purchased through "spot bids" on the open market. A large part of such merchandise originated from local producers but many were imported, especially processed items, due to the lack of processors in some countries. The three supermarket reviewed also entered into longer-term contracts with local farmers for the supply of selected goods, however they preferred larger farmers/producers, able to provide high quantities of consistently good quality products at competitive prices. This approach made it difficult for smaller farmers to obtain such contracts. Moreover, some of these supermarkets, as they grew, introduced "shelf charges" for the display of certain products, which made cooperation with them even more difficult for smaller local farmers or processors. In effect, most of the benchmarks aiming for an increased number of contracted farmers in these projects were not met.

EvD notes that during the evaluation period the Bank provided very substantial financing to several hypermarkets in the range of €80 to 140 million to each of them. As these projects were outside of the case studies countries, their impact has not been reviewed.[6] The two large retail transactions in Russia impacted EvD's analysis of the sub-sector split in the four case study countries portfolio, which demonstrate that in the evaluation period the Bank allocated about 37 per cent of its financing to retail projects in four case study countries, with two thirds divided approximately evenly between primary agriculture-related projects and food manufacturing (see annex 8).

4.1.1 Provision of financing to agribusiness SMEs

According to the 2010 Strategy, the Bank was also to promote food security through increased SME financing through local banks. During the evaluation period the Bank continued implementation of the Tajik Agricultural Financing Facility (TAFF, developed in the preceding period) and developed and signed two new facility frameworks:

– Georgia Agricultural Financing Facility (GAFF)

  €40 million equivalent in GEL

– Turkey Agribusiness Financing facility (TurAFF)

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[5] Depth of analysis of food retail sub-sector under this study was adversely affected by the restrictions on field work in Russia, where most such projects are located. In 2015 EvD will undertake a dedicated review of the effectiveness of backward linkages and supply chains related to the Bank's projects. Food retail is expected to be part of this review and subject of more rigorous analysis. It should provide more definite conclusions on effectiveness of backward linkages related to retail projects, than based on three relatively small projects reviewed as part of this study.

[6] Restrictions introduced on fieldwork in Russia resulted in the plans being changed.

€200 million equivalent in US Dollars and Turkish Lira

They were EBRD financial institutions team projects but the agribusiness team provided input during their preparation. GAFF utilised lessons learned from the implementation of TAFF, which was the Bank's first such facility, dedicated to the provision of financing to agribusiness SMEs. In particular, Tajik SMEs using the facility have been exposed to currency risk as its loans were provided in US dollars. Therefore the Bank provided GAFF and a large part of TurAFF financing in the local currencies, which contributed to the popularity of these loans. Currently (end of 2014), the utilisation rate of the Bank-funded loans offered under GAFF and TurAFF was 250 per cent (revolving) and 93 per cent respectively.

These programmes played a critical role in supporting the development of local agriculture. For instance in Georgia, by the end of the third quarter of 2014, GAFF had provided over 15,000 loans through three local banks. The loan amount was €20,000 on average, granted for an average of 2.5 years tenor and at about 16 per cent interest (still attractive compared with no, or limited offers from local banks). Most of the loans (58 per cent) have been taken for animal breeding and another 30 per cent for farming and food processing, while only a small part went to activities less related to food security (wine making, horticulture, beekeeping). TurAFF has also been successful as it has provided nearly 12,000 loans through seven intermediary banks.

There is evidence that all three projects have directly supported increased food security (although principally at the local level). They served as effective channels providing scarce financing to farmers and agribusiness SMEs in two EBRD early transition countries and Turkey, contributing to increased local food production and farming. The expansion and replication of such projects should be considered under the new strategy, particularly to other EBRD early transition countries and Ukraine. Moreover, the agribusiness team cooperated closely with the EBRD's financial institutions team on the development of three warehouse receipt guarantee projects in Serbia and on John Deere/Aval project.

4.1.2 Agribusiness related infrastructure financing

The 2010 Strategy also indicated that the Bank would promote food security through eliminating infrastructure bottlenecks, particularly for storage and handling of agricultural commodities, such as grain terminals, warehouses and cold storage facilities. Among four case study projects, one was to finance (among many other objectives) the acquisition of silo elevators. This was achieved as two silos were acquired by the company in the Volga region. Moreover, although the project financed working capital and irrigation equipment, it set transition benchmarks related to increased silo capacity and third party access to them. The company bought a silo with 20,000t capacity, increasing its storage capacity to over one million tons. About one third of the storage was accessible to third party farmers. This was a positive development, however this benchmarks did not have a causal link to the Bank's financing and therefore the EBRD's contribution to this achievement is doubtful.

During the evaluation period the agribusiness and transport teams cooperated on only two projects – one led by transport, providing loan financing for a new grain transhipment terminal and a second led by agribusiness), a loan to finance the acquisition of trading and logistics operations by a grain supplier. The project envisaged mainly the acquisition of existing infrastructure but also some expansion and efficiency improvements. It was successfully completed. Both projects were submitted as part of the Integrated Approach to Reforming the Physical and Financial Infrastructure of the Grain Value-chain. They were an example of an excellent fit with the 2010 Strategy and contributed directly to alleviating physical bottlenecks related to grain storage and transportation in the Bank's countries of operations. Moreover, the agribusiness and transport teams attempted to develop several other projects, which however did not materialise. In total eight projects signed during the evaluation period have had components addressing grain infrastructure. However given the importance of infrastructure bottlenecks for development of agribusiness in the region, more extensive cooperation between the agribusiness and transport teams to develop similar projects is strongly recommended.

Overall, this evaluation concludes that during 2011 to 2013 the Bank made important contributions to food security enhancement in selected countries, mainly in Ukraine, where it was able to combine well-targeted projects with policy dialogue and TCs and to some extent in Serbia, financing an estimated 15 to 18 per cent of the total agribusiness sector foreign direct investments in each of these countries (see annex 5 for more info). Also, the Bank supported selected projects in other countries, which directly contributed to enhanced food security. However, the Bank's investments in these and the remaining countries were relatively modest (accounting for an estimated 3 per cent of agri-related foreign direct investment in Georgia or 2.6 percent in Turkey) and it is unlikely they made a significant impact on the overall food security of these countries.[7] Importantly, nearly a third of the Bank's financing volume was directed to retail projects (as much as 44 per cent in Russia). Based on the review of a sample of three small retail projects, they increased local competition and improved convenience/access to food for consumers. However, these benefits had a rather marginal impact on food security enhancement.

The rating of the implementation of the first strategic priority - "food security improvement" is a border case between *satisfactory* and *good*. Based on a strong, positive impact the Bank achieved in Ukraine, which remains a regional breadbasket and the country of top importance for agribusiness not only in the Bank's traditional region but also in SEMED, the rating of this category is *good*.

4.2 Regional differentiation – implementation effectiveness assessment

The implementation of regional differentiation is assessed based on the quantity and quality of the Bank's financing provided to the EBRD's early transition countries and Western Balkans and on the "regional nature" of the remaining projects.

4.2.1 EBRD early transition countries[8]

Between 2011 and 2013 there was a 20 per cent increase in the volume of financing in early transition countries, accompanied by a slight drop in the number of projects

During the evaluation period the Bank financed 63 agribusiness projects in the EBRD's early transition countries, as compared to 65 in the preceding period. The slight decrease in the project number was compensated by a 20 per cent increase in the volume of financing (€198 million vs €165 million). However, during the last three years the Bank's overall financing in EBRD early transition countries (in all sectors) also increased in terms of volume and number. Therefore despite a virtually unchanged project number and the increased volume, the agribusiness team's share in the Bank's total financing in these countries dropped from an annual average of 22 per cent of the number and 9 per cent of the volume in the preceding period to 18 per cent and 7 per cent respectively during the evaluation period (see graph below). However the agribusiness team maintained its position among all the Bank's teams in terms of projects signed in early transition countries – in both 2010 and 2013 agribusiness was

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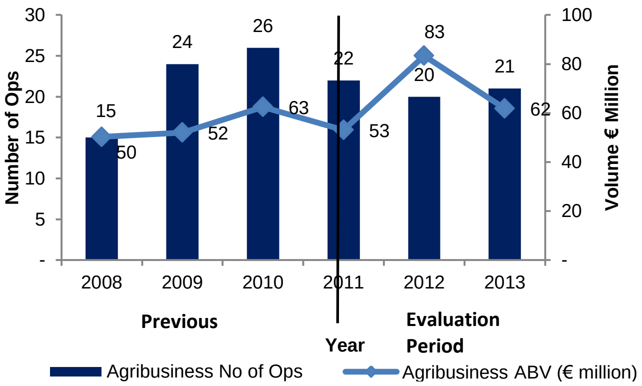
[7] The analyses of the Bank's share of agribusiness foreign direct investment financing in all countries were based on UNCTAD's data. This data is imprecise as it depends on a country's definition of "Agriculture", which may include forestry, tobacco or fisheries, but generally excludes retail and packaging. Therefore these analyses should be treated with caution and only as an approximation of the extent of the Bank's contribution to the agri- and food-related industry in each country.

[8] To enable comparison of Agribusiness projects with the rest of the Bank's early transition countries portfolio, the "commitment date and amount" methodology for counting projects has been used in this section.

the second most prolific team in the Bank in terms of the number of projects signed in these countries (after the EBRD's financial institutions team) and the fifth in terms of volume.

Chart 2: Number and volume of agribusiness projects in EBRD's overall business in the EBRD's early transition countries



Nearly all agribusiness early transition countries projects were small and were delivered though financing facilities such as those for direct lending, medium-sized loan co-financing and local enterprises. However, during the evaluation period there were five agribusiness projects above €10 million – the highest number among the Bank's corporate sector teams. Moreover, the agribusiness team contributed to the development of a new important EBRD financial institutions team project in early transition countries – GAFF - and it participated in the implementation of TAFF (both described in 4.1 above).

In terms of project quality, the review of five early transition country projects as part of this Study (three in Georgia and two in Turkmenistan) revealed their mixed fit with the strategy's food security theme, limited contribution to sustainability support and absence of policy dialogue. Two bottling company projects had limited links to food security. Another two projects responded very well to the food security theme, had strong transition impact and were generally successful in all categories (see annex 5 for more information). Agribusiness is (and always was) the sector in which early transition countries have the smallest transition gaps compared to all other EBRD sectors - seven countries had "Medium" gaps and only two (Tajikistan and Turkmenistan) had "Large" gaps.[9] However, there were no gap reductions in agribusiness among early transition countries between 2010 and 2014.

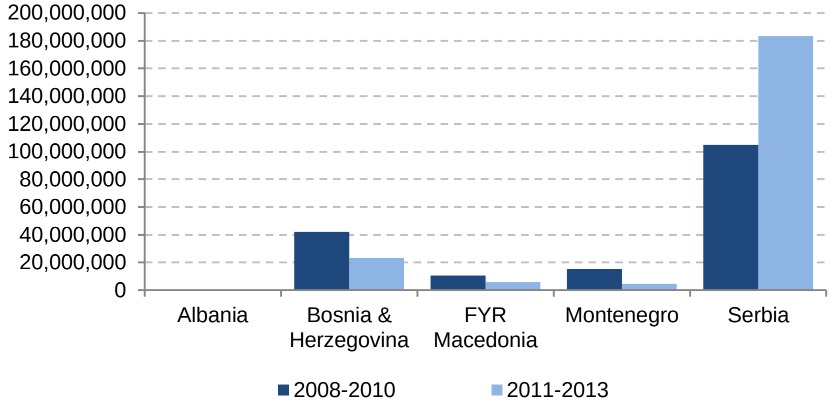
In conclusion, the agribusiness team maintained the number and increased the volume of financing in EBRD early transition countries by 20 per cent between the evaluation and the preceding periods, however its share in the number and the volume of the Bank's total transactions in these countries decreased by 25 per cent and 30 per cent respectively. The strategic fit of agribusiness operations in early transition countries was mixed, reflecting the difficultly with finding more suitable projects (and perhaps less stringent transition impact design and monitoring requirements under financing facilities).

4.2.2 Western Balkans

The number of agribusiness operations in Western Balkans increased between the preceding and evaluation periods by 16 per cent from 12 to 14, while volume grew by 24 per cent to reach €208 million. Serbia was the biggest client, accounting for two thirds of the number of projects in the region and 88 per cent of volume signed (but not disbursed, see chart 3).

[9] Due to lack of Bank's activities in Uzbekistan in recent years, this country has not been taken into account.

Chart 3: Western Balkans operation volumes signed by period



The design and strategic fit of Serbian projects was usually good. Two projects and a further three warehouse receipt programme co-financing projects with local banks responded directly to the food security priority, while two others were signed under the EBRD's Agricultural Sustainable Investment Facility and therefore addressed energy efficiency well. However out of nine Serbian projects two (facility projects) were cancelled due to the deteriorating creditworthiness of the client, while three (warehouse receipt guarantee) remain inactive as the warehouse receipt programme so far has not taken off due to lack of governmental support for legislative reforms, which followed the change of the Minister of Agriculture. Therefore although the Bank signed €183 million in Serbia, the actual financing provided was €136 million, accounting for 74 per cent of that signed volume and only a modest increase on the preceding period (see more information in annex 5).

Three Western Balkan projects subject to "light evaluation" revealed a limited contribution to the food security theme. Particularly a retail coffee importer and sports drinks manufacturer, had a weak link with the strategy, while a supermarket chain had limited links due to weak local backward linkages, stemming from very limited number of local food processors in Montenegro. Finally, a juice producer had better strategic relevance due to stronger backward linkages to local fruit growers and a fairly important (although not essential for food security) product range.

There was no progress on reducing overall transition gaps or increasing the transition score in any of the Western Balkan countries in the agribusiness sector between 2010 (Strategy approval year) and 2014. However, the transition gap narrowed in the "market-supporting institutions" sub-category in one Western Balkan country - Bosnia and Herzegovina. As the Bank did not participate in policy dialogue or institutional reforms in this country, the change cannot be attributed to its activities.

In conclusion, despite increasing the volume of signed financing in Western Balkans by a quarter, due to lower disbursements in Serbia, the Bank only maintained the level of financing provided to this region in the preceding period. About half of the projects signed in the region explicitly addressed priorities set in the 2010 Strategy, but the most relevant of them remain inactive or were cancelled.

4.2.3 Regional nature of other agribusiness projects

The agribusiness sector is regional by nature, therefore the Bank has been able to promote regional differentiation in its countries of operations very well through agribusiness projects. About half of the Bank's clients had their headquarters in the capital cities, however their principal operations were spread all over their respective countries and sometimes beyond. The other half was regionally-focused and the clients were often the largest employers in the area. In addition, out of 18 sample projects, five (27 per cent) had strong cross-border components.

The Bank has also promoted regional differentiation through most of its retail projects. Although all three retail projects reviewed had strong capital city components, about half of the Bank's financing was directed to the roll-out of supermarkets in the under-served regions of their countries. However, not all retail projects were successful in supporting regional differentiation as one Operation Performance Assessment Validation of a supermarket network revealed that its expansion outside of the city was limited and it failed to expand into regions.

Overall, the effectiveness of the implementation of the second strategic priority - regional differentiation is rated *good* as nearly all of the Bank's agribusiness projects had a strong regional focus. The Bank also increased the volume of agribusiness operations in the early transition countries and Western Balkan countries by 20 and 24 per cent respectively, although these increases were largely in line with the trends prevailing in the Bank.

4.3 Sustainability – implementation effectiveness assessment

The degree to which the Bank implemented sustainability – the third priority of the 2010 Strategy is assessed based on the quantity and quality of its projects addressing energy efficiency and environmental and social change (including gender equality).

4.3.1 Energy efficiency

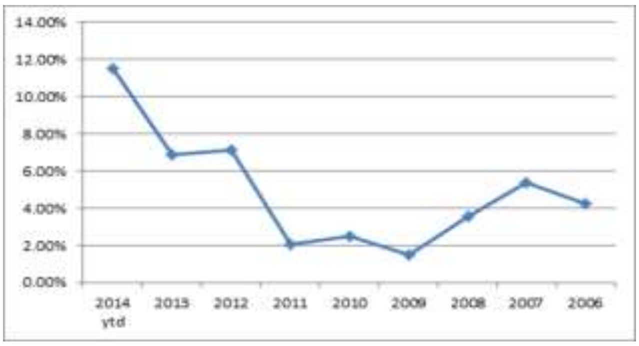
During the evaluation period the Bank nearly quadrupled the volume of its agribusiness financing supporting the Sustainable Energy Initiative, from €110 million in the preceding period to €381 million in the evaluation period.

Table 4: Volume of agribusiness sector financing classified as contributing to the EBRD's Sustainable Energy Initiative

	2008	2009	2010	2011	2012	2013
Annual Sustainable Energy Initiative contribution (ml)	35	20	55	53	164	164
Cumulative for the period (ml)			110			381

Moreover, during the first 11 months of 2014 agribusiness signed an impressive €197 million in Sustainable Energy Initiative -related financing, a 20 per cent increase on the previous year. As a result of such growth, the share of agribusiness sector financing in the Bank's overall Sustainable Energy Initiative financing grew from about 2 per cent in 2010 to nearly 12 per cent in 2014 (see chart 4 below). In November 2014, the agribusiness team was ranked third in the Bank in terms of contribution to the Sustainable Energy Initiative.

Chart 4: Share of agribusiness financing in the Bank's total Sustainable Energy Initiative financing



Effectively, Sustainable Energy Initiative financing accounted for 18 per cent of the agribusiness' total financing signed in the evaluation period, which was a substantial increase from 5 per cent in the preceding period. Typically, Sustainable Energy Initiative -related financing funded energy efficiency components of larger projects, usually following up on energy audits of the client's facilities, which were financed through the TC grants under the Energy Audit Programme for the Corporate Sector. Many projects financed new food processing equipment and often substantial energy efficiency benefits stemmed just from replacing an old production line with a new one.

Generally, projects which had a strong food security or early transition countries focus had less emphasis on energy efficiency and environment, while projects in more advanced countries, with weaker transition justification (for example short-term debt refinancing, working capital, retail) had much stronger Sustainable Energy Initiative and environmental components. It shows that energy efficiency and environmental components were often dictated by the Bank's, rather than client's requirements as the Bank needed to incorporate such components to ensure project approval. This was not ideal but an understandable approach. Several clients interviewed by EvD admitted that they were initially sceptical about energy efficiency and environmental measures recommended by the Bank but later they saw clear benefits as such measures translated into savings.

Energy efficiency components were often unspecified at the time of Board approval as energy audits were yet to take place. In other cases, when such components were specified, they often changed as their costs and benefits were more thoroughly analysed by the clients. This was the case with a large poultry producer. The Bank provided $35 million for working capital and $15 million for energy efficiency investments, which were to comprise the installation of a sunflower husk-fired (biomass) boiler and smaller energy efficiency measures at its meat plant. The latter was implemented with the company's own funds, while the client decided to postpone the husk-fired boiler and requested the Bank to redirect funds to finance a new biogas plant, fired by chicken manure. The Bank agreed and an innovative biogas boiler for 5 MW was installed. The company is now self-sufficient in electricity and is planning to develop the biomass boiler as part of a new project with the Bank.

Another good example of the Bank's contribution to Sustainable Energy Initiative in agribusiness was a loan to a large egg producer, which was focused on energy efficiency investments such as new cold storage and new co-generation unit. However more typically Sustainable Energy Initiative components were much smaller than their working capital, acquisition finance or general capex parts. Two retail projects were built around energy efficiency benefits stemming from the introduction of advanced thermal protection technologies in their new stores, installation of low-E glazing, efficient heating systems and low energy lighting. They had precisely specified monitoring targets and the clients were able to provide data on their energy performance (for example. a table of weighted average energy savings for a project company's' stores indicated they were 12 per cent above target). Moreover, energy efficiency was the main (sometimes the only) transition impact source for other retail projects. All of them emphasised the introduction of innovative thermal insulation technologies, which were duly implemented and produced energy savings, however the extent of their replication (expected "demonstration effect") is unknown.

Finally, in one case, the project did not have any Sustainable Energy Initiative components in its investment plan, however it had transition benchmarks related to energy efficiency improvements. This disconnection of transition impact benchmarks from the project's objectives is rare but nevertheless should be discouraged in the future.

4.3.2 Environmental and social performance

Environmental improvements in agribusiness were usually addressed through environmental and social action plans, which were developed as part of due diligence by Environment and Sustainability department staff or consultants for each client. A review of the environmental and social action plans for the sample projects revealed generally good progress with the achievement of those measures related to national environmental standards and regulations. However in cases where more ambitious objectives were set, related to meeting European Union’s Integrated Pollution Prevention and Control reference documents or implementation of best available techniques, these measures were usually not achieved through for example delays. This was the case with a grain trader, whose plan required benchmarking of its facilities against the Integrated Pollution Prevention and Control reference documents (Note on Food, Drinks and Milk Industries). The plan also required it to align its premises with best available techniques. Part of it was reportedly “on track”, however the timing of the implementation of the plan’s measures had to be rescheduled on several occasions to accommodate the longer timeframe required by the client to start it. Another client was compliant with Serbian environmental standards but it is yet to achieve International Organisation for Standardisation certification and adjust its emission, wastewater and hazardous management to European Union standards required under the plan. The limited effectiveness of the environmental and social action plans stemmed from lack of dedicated financing for their implementation. Moreover, they were guidelines rather than contractually binding requirements, so clients often prioritised other investments.

There were also several projects with no environmental and social action plan or where it was only repeated/updated from a previous project with the same client, for example one project providing large acquisition financing did not have an environmental and social action plan (while its energy efficiency audit recommendations were not implemented). Another project had a plan updated from its debt project, while the environmental, social and energy efficiency plans another project were transferred largely unchanged to a new project with the client.

Good examples of the Bank’s contribution to a client’s improved environmental performance were: a tomato farmer and processor in central and eastern Europe, where the Bank financed a new drip irrigation system which resulted in 20 per cent water savings; a dairy farm in the Caucasus using alternative manure management using stabilising bacteria and applying the residue to fertilise fields and in horticulture. The Bank has also supported recycling in its packaging sector projects. In line with its environmental and social action plan, a metal and PET packaging producer introduced recycled plastic into its raw material mix, which now accounts for 20 per cent of its total material base. However, the introduction of recycling was more challenging in EBRD early transition countries, where a central Asian bottle producer is still avoiding the use of recycled plastics due to the poor economics of this innovation (which stems mainly from the lack of regulatory incentives in the country).

Social improvement was promoted mainly through environmental and social action plan measures requiring higher health and safety standards (such as OHSAS 18001 certifications). There were no dedicated measures specifically targeting gender equality in the sample projects. However the TurAFF project mentioned that women in particular were expected to benefit from this facility as many of them were employed in agriculture. All environmental and social action plans for poultry and dairy projects vigorously addressed animal welfare, which resulted in introduction of enriched cages for chickens in one project and another company opting for open, rather than compartmentalised (railed) cow sheds.

4.3.3 Agribusiness Sustainable Investment Facility

In 2011 the agribusiness team developed an Agribusiness Sustainable Investment Facility funded with €50 million. The framework was intended to finance about 10 projects with at least 50 per cent of funding dedicated specifically to energy efficiency, environmental or social components. By the end of 2013 the Bank had signed six projects under the facility amounting to €39.7 million (see table 5 below).

Table 5: Agribusiness Sustainable Investment Facility projects 2011 to 2013

Project	Country	Purpose	Amount signed (m€)	Amount disbursed (m€)
Ukrproduct	Ukraine	6 measures at dairy processor's facilities, inc. waste water system, new boilers nanofiltration and cooling equipment.	11	8.3
Agrokor Energjia	Croatia	Construction of the waste water system for a biofuel plant.	5	5
AgroGeneration	Ukraine	Energy efficiency measures at a farming businesses	5	5
Astarta Biogas	Ukraine	Construction of a new biogas plant using animal manure at the leading integrated agro-company.	8.7	8.7
Victoria Oil EE	Serbia	Replacement of gas boilers with biomass boilers at edible oil producer.	5	0
Sojaprotein EE	Serbia	Construction of a biomass boiler at soja protein producer	5	0
Total			**39.7**	**27.0**

The concept of the facility was good, however its projects had a marginal impact as they accounted for only 1.8 per cent of the total financing signed (and 1.4 per cent disbursed) during the evaluation period. Nevertheless half of the facility's projects can be seen as successful, with significant transition benefits.

Overall, it is evident that the agribusiness team has made a strong effort to boost its operations addressing sustainability. The Sustainable Energy Initiative content of its projects nearly quadrupled and a new initiative focused on sustainability (the EBRD's Agribusiness Sustainable Investment Facility) was introduced. The implementation on the ground has been challenging and not always successful. However, most agribusiness projects resulted in positive energy efficiency, environmental or social impact. This impact is difficult to measure as reporting on energy or water savings has been often imprecise or non-existent as local agribusiness companies (the bulk of the Bank's clients) rarely monitor them. There is evidence that environmental and social action plans were only partially effective conduits for promoting sustainability. The Bank should try harder to convince clients (especially those in more advanced countries) to incorporate more specific sustainability-related components into investment plans co-financed by the Bank, rather than leaving them "agreed" but unfunded under environmental and social action plans.

The EBRD's energy efficiency and climate change team highly praised the contribution of the agribusiness team to the Sustainable Energy Initiative. They saw the limited capacity of the Bank's agribusiness clients to move from the concept to the implementation of energy efficiency components as the main limiting factor for more Sustainable Energy Initiative projects in this sector. Therefore some form of better prospective client education in this respect, might be a way forward for the Bank.

None of the agribusiness projects signed in the evaluation period had a gender dimension. However it is recognised that the gender initiative was fully developed only in 2014 and several projects signed in this year incorporated gender components.

The effectiveness of the Bank's implementation of sustainability in agribusiness is a borderline case between *satisfactory* and *good*. However, in recognition of a huge leap the agribusiness team made, nearly quadrupling its Sustainable Energy Initiative financing during the evaluation period and becoming one of the top three teams in the Bank in this respect, EvD rates it as *good*.

4.4 Policy dialogue and technical cooperation – implementation effectiveness assessment

In line with the guidelines set in the 2010 Strategy, the Bank focused its policy dialogue primarily on issues linked directly to EBRD core competencies, that is: (i) supporting investment-related programmes, such as warehouse receipt financing legislation and collateralisation of already privatised land; (ii) facilitating co-operation between private and public sectors and intensifying dialogue concerning key issues affecting private sector investments. The 2010 Strategy also stated that the Bank (iii)"would provide assistance to countries in developing an agribusiness strategy that clearly sets out national sectoral development priorities".

There is no evidence of an attempt to implement this third objective. However the Bank has been actively pursuing the two first priorities. The Bank conducted policy dialogue on agribusiness principally through three channels:

- Dedicated TC projects, mostly co-financed under the Co-operation Agreement with the UN FAO (see section 3.3) and jointly implemented;
- Conferences and EastAgri network;
- Ad hoc meetings of senior Bank representatives with decision makers.

During the evaluation period the Bank initiated 30 TCs dedicated to different aspects of policy dialogue on agribusiness. However, as policy dialogue takes a long time to reap results, EvD widened the analysed period to include projects initiated in late 2009 up to those initiated in mid-2014. Based on this sample the Bank contributed €12.2 million to 57 policy-related TCs. The estimated total budget of these TCs (with the UN FAO's contribution) was about €20 million or €350,000 average TC value. The geographic and thematic split of these TCs is presented in charts 3 and 4 below (in terms of the number of projects as their budgetary split was similar), while the full list of TCs is available in the annexes to this report.

Chart 5: Agribusiness policy dialogue TCs by country/region 2009 to 2014

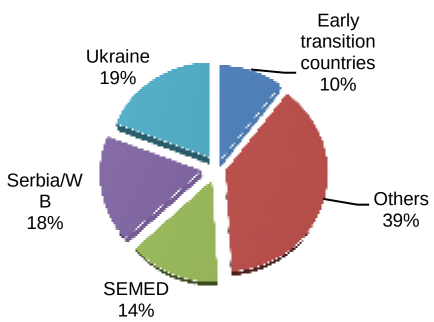
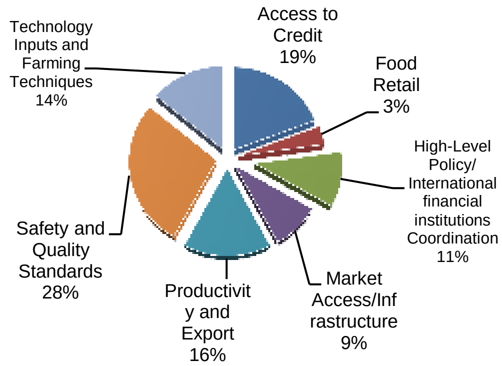


Chart 6: Agribusiness policy dialogue TCs by theme 2009 to 2014



Ukraine and Serbia/Western Balkans were by far the main beneficiaries of the Bank's/FAO's policy dialogue, each taking about 18 to 20 per cent of the number and budget of the TCs, although there were also several projects in each of Georgia, Kazakhstan, Russia and SEMED. The "Other" category in chart 6 represents mainly the regional projects, principally in Ukraine and Serbia, so in reality well over half of the Bank's policy dialogue activities was concentrated on these two countries.

The five largest TC projects (with a Bank contribution of over €400,000) were the following:

- Implementation of the crop receipt system in Serbia, €443,000

- Commodity Warehouse Law Reform in Russia, €419,000
- Reinforcing Private-Public Dialogue in the Grain Sector in Ukraine, €405,000
- Food Security in the SEMED Region, €436,800
- Analysis of Key Food Chains in SEMED, €455,400

Although there were a number of smaller, narrowly-targeted TC projects e.g. "Improving Food Safety in Georgian Dairy Sector", or "Regional Sugar Sector Study in Serbia, Russia and Ukraine", the above list represents fairly well the direction of the Bank's policy dialogue. Substantial effort (about 20 per cent of total) was directed towards improving access to credit through enabling the warehouse receipt programmes by legislative changes and then by financing the establishment and operation of indemnity funds expected to operate these programmes. The Bank also supported private-public dialogue in selected countries and sectors, principally through workshops, conferences and study tours. The addition of the SEMED region to the EBRD's countries of operations created the need to map its market, identify bottlenecks, key policy issues and to connect with the key potential clients and decision-makers. This led to a surge in recent years of TCs in SEMED to address these issues.

The theme most frequently targeted by the EBRD in policy dialogue was improved standards for food safety and quality

However, the theme most frequently targeted by the Bank in its policy dialogue (accounting for 28 per cent of the total TC number and budget) was the improvement of food safety and quality standards. This theme was pursued because meeting high international food standards was one of the main sector-specific transition challenges still remaining in most EBRD countries of operations. Poor standards kept them from realising their full sector potential as exporters to attractive markets as potential importers, such as the European Union, required compliance with high food safety and quality standards (including sanitary and phyto-sanitary), that many producers in the EBRD's countries of operations were unable to meet. Moreover, many countries have been in the process of harmonising or approximating their standards to those of the European Union. Therefore the Bank's policy dialogue was most often focused on upgrading their value chains so they could fully benefit from the integration with the European Union. This is the case with Western Balkan (pre-accession) countries, as well as Ukraine and Georgia in the context of their Association Agreements.

In addition to targeted TCs, during 2011 to 2013 the Bank and UN FAO organised over 20 high-level conferences and forums and 36 workshops/study tours. They had various aims, ranging from creating a high-level platform for policy debate, presenting milestone achievements of working groups and moving ahead with sub-sector specific reforms, bringing together public and private stakeholders or food exporters (from traditional EBRD countries of operations) and importers (usually from SEMED), to educating local farmers/producers.

4.4.1 Results of policy dialogue

Policy dialogue was conducted mainly through working groups, which were established by EBRD, the UN FAO and usually a local Ministry of Agriculture in selected countries and focused on a specific sub-sector. Typically, the working groups aimed at rationalising policy-making processes, increasing transparency in a given sub-sector, facilitating private sector participation and/or enhancing food quality and safety standards. Representatives of private agribusiness companies, agri-cooperatives, associations and governments were active participants in these working groups (and were expected to be the main beneficiaries of their work). Box 2 illustrates the stages of engagement of such working groups. The main results of the Bank's policy dialogue were as follows:

- Working group on grain in Ukraine (active for four years) – it contributed to increased transparency through (i) a signed Memorandum of Understanding, under which the government agreed to provide prior notification to the industry in case of export restrictions and (ii) Ukraine's participation in the G20 Agricultural Market Information System (AMIS). For details please see the Grain Sector Case Study from the evaluation of the EBRD's experience with policy dialogue in Ukraine;

- Working group on the dairy sector in Ukraine, see box 2.
- A project enhancing grain market transparency in Kazakhstan was recently launched, aiming at transferring positive experience from the Ukraine to the Kazakh grain sector. The TC started policy dialogue on the grain sector and export logistics to make its grain policy more transparent.
- Development of Geographical Indicators (GI) for selected products in Western Balkans, in which public and private sectors cooperated on regulatory measures to implement labelling and resulted in the registration under GI of several products unique to Western Balkans.
- Upgrade of meat quality standards in Montenegro and exchange of lessons in the Western Balkans, recently established, aiming at an upgrade of the meat value chain through policy dialogue on the implementation of new food safety legislation and the development of quality labels. The project has a regional dimension and should benefit meat producers in most of Western Balkans.
- Working groups on meat and dairy sectors in Serbia, recently established with an objective to enhance safety and quality standards in these sectors to add value to products and meet European Union requirements, thereby linking producers to the international market.
- Addressing grain import inefficiencies in Egypt – work with the Egyptian Government and private companies was initiated to increase private sector participation in Egypt's grain sector and address import inefficiencies and challenges in trade logistics. These are priorities for Egypt's food security in light of the country's dependence on wheat imports and the government's extensive support policies.
- Adoption of warehouse receipt legislation in Russia – A warehouse receipt - enabling law was recently adopted, following the Bank's three year engagement through two TCs, one of which provided legal support for the drafting of this legislation
- Preparation and implementation of warehouse receipt legislation in Serbia enabling legislation was prepared following two years of the Bank's engagement and part of it was adopted. The Bank/ UN FAO were also instrumental in creating Serbia's first indemnity fund, hiring and funding its staff and providing risk sharing facilities to local banks to finance warehouse receipts. However following a change of the Minister of Agriculture, this programme has been put on hold by the government and its future is uncertain.

As illustrated by these examples, the Bank has achieved tangible results through its policy dialogue mainly in Ukraine and to some extent in Serbia/Western Balkans. The Bank has engaged in more countries and sub-sectors, however these efforts are ongoing and no significant results have been achieved yet. Arguably, policy dialogue takes time to produce results. However, it is noted that with the exception of Ukraine, the Bank has engaged relatively late with other countries. Only 13 TCs (22 per cent of the analysed sample) started in 2010 to 2011, while 31 (54 per cent) started in 2013 to 2014. This reflects the fact that only once a dedicated TC unit was established and professional staff hired at the end of 2012 could TCs supporting policy dialogue substantially increase.

In addition to the above-mentioned fairly advanced initiatives, the Bank has also recently started policy dialogue in Turkey and Egypt. In the former it is focusing on improving competition in this highly regulated market. The high level of state involvement in the sector, coupled with necessary improvements to food safety/quality standards are key transition challenges to be addressed in the course of this policy dialogue. In Egypt, in addition to the high level of protection, limited participation of private companies, and high market concentration in the agribusiness sector pose serious challenges and are being targeted by the Bank. Finally, the treatment of animals is a great concern in the European Union and international trade. The EBRD and UN FAO are working to improve policies related to animal welfare in selected EBRD countries of operations. The EBRD was also the first international financial institutions to adopt binding animal welfare criteria for investments.

Bank's activities in the framework of the working group on food security in Ukraine

- April 2013 - EBRD, UN FAO, and the Ukrainian Ministry of Agrarian Policy and Food (MAPFU), signed an agreement on reforms and policy changes, aiming to improve the effectiveness and transparency of dairy sector policy.
- June 2013 - the Ukrainian Milk Market was established by Decree, with participants from the whole dairy value chain, including farmers, processors associations and MAPFU.
- Throughout 2013 and 2014 - the working group worked on reversing supply contraction by addressing structural issues at the business environment level, (e.g. focusing on the investment needs of farms and the industry, improvement of raw milk quality, and upgrade of sector standards).
- September 2014 - A law "On Amendments to Legislative Acts of Ukraine regarding the identification and registration of animals" was adopted and came into force.
- Throughout 2014 - the working group worked on amendments to laws to facilitate the export of high-quality dairy products to the European Union. Currently the working group is focusing on amendments to laws on food safety, feed and cooperatives.
- In 2015 the working group is planning to facilitate the adoption of necessary technical regulations for milk and dairy products and to support the work on amending legislation on breeding livestock.
- There are legal bills proposed by the working group but not yet discussed in the Supreme Rada due to Ukraine's political situation. They will be discussed following the new composition of the Rada.

EastAgri – a network established by the bank and UN FAO (see section 3.2) was recognized by many clients interviewed by EvD as very useful channel to keep abreast with important industry news in the region and exchange ideas. The policy focus of the network (and its web site) was high as it enabled the downloading of all important policy papers prepared by or for the Bank and UN FAO. Building on this success, in

2012 both organisations creating MedAgri network, dedicated to the SEMED region. Its impact is as yet unknown but it is likely to play a similarly useful role as the more established EastAgri.

It is also noted, that the EvD Special Study: EBRD's Experience with Policy Dialogue in Ukraine found that the agribusiness team was by far the most advanced in its policy dialogue work in this country, particularly with regards to adopting an advocacy role, especially important in an adverse policy context. This was relatively unique as the Bank has traditionally been reluctant to adopt this higher profile role, despite its importance for supporting transition. The agribusiness team recognised that the Bank cannot only work where the policy context is favourable but to use its position and experience as a leading investor over the long term to advocate for certain policies. The numerous conferences, the work of EastAgri or the study tours are all good examples of such advocacy work. Interestingly, such advocacy work effectively aided the Bank's business development efforts in Ukraine.

Finally, based on interviews with UN FAO staff and selected policy-makers from EBRD countries of operations, high-level policy dialogue in the agribusiness sector was perceived as a very complex political process, in which international financial institutions have relatively limited leverage. Their financing is seen by governments as very useful but not essential. Unlike the power and infrastructure sectors, it is directed to the private sector and highly fragmented in terms of sub-sectors and beneficiaries. Therefore policy dialogue targeting systemic changes is seen as being most effective when it is closely coordinated with a broader political process, such as European Union or World Trade Organisation accession.

In addition to policy dialogue-related TCs, the agribusiness team has also implemented a TC programme called Advice for Agribusiness (AFA) aiming to build enterprise capacity to promote the growth and competitiveness of companies in the agribusiness sector in SEMED and EBRD early transition countries. To date the programme has executed over 30 projects and has been recognised as a complementary instrument to EBRD financing focused on delivering targeted advice to agribusiness companies that have high prospects of eventually becoming Bank clients. In the two years since the programme was initiated (and less than one year in the early transition countries), 30 per cent of companies that benefited from the EBRD's capacity-building projects proceeded to seek EBRD finance. Seven companies went on to become Bank clients, while two are in the process of doing so. Since the initial launch of the Advice for Agribusiness programme, the EBRD has identified a growing demand for advisory support among potential clients. Projects under Advice for Agribusiness aim to transfer practical skills and international best practices. Based on a review of a sample of TC projects, they prove to be effective in transferring skills, and contribute to changing behaviour and attitudes. Moreover, five companies with which the EBRD Small Business Support Advisory worked received the EBRD's financing for the total of €5 million and 16 other firms raised additional €23 million from local banks.

In conclusion, the Bank's policy dialogue and TC activities are rated overall as *good*, primarily due to the achievement of tangible results in Ukraine and Serbia, and the Bank's substantial effort to boost policy dialogue activities in recent years by starting numerous initiatives in a larger number of countries. Some of these efforts can be seen as starting late, given the 2010 Strategy's emphasis on policy dialogue. However it is recognised that the Bank had to go through a "learning curve" and accumulate experience from the pilot cases in Ukraine and Serbia, which is now being applied in other countries. The partnership with the UN FAO in pursuing policy dialogue has enabled the Bank to tap into its global expertise and network. EastAgri and MedAgri have been recognised as effective channels of disseminating policy-related information. The recent placement of a dedicated agri-policy dialogue professional in the Kiev regional office illustrates the Bank's commitment to policy dialogue and should provide a boost to its efforts in this area.

4.5 Project level evaluation

The evaluation results from four case studies and 14 light evaluations were positive overall. 14 of the 18 sample transactions were assessed as *successful* (with one *highly successful*) and the remaining four as *partly successful* (details in annexes). Projects were rated on a three-point scale against each of five indicators:

1) fit with the Strategy
2) achievement of project objectives
3) financial performance[10]
4) bank handling
5) transition impact

A three-point rating scale was applied corresponding to the six-point scale as follows:

+	*excellent / good*
+ / -	*satisfactory/marginal*
-	*unsatisfactory/ highly unsatisfactory*

Eight Validations of Operation Performance Assessments were completed by EvD on agribusiness projects signed between 2011 and 2013. Of these, 4 projects were *successful*, 2 *partly successful* and 2 *unsuccessful*. Of the *unsuccessful* projects one suffered due to a suspension of the construction of a plant, resulting in lower production and the other was due to discovery of fraud.

In aggregate, the project-level effectiveness of the 2010 Strategy implementation (combining case studies, light evaluations and results of past evaluations) is rated *satisfactory* to *good*, primarily due to the very close split between the number of projects rated as *successful* (14 or 53 per cent) and *partly successful/ unsuccessful* (12 or 47 per cent), with 12 of them achieving only *satisfactory/ marginal/ unsatisfactory* transition impact.

The evaluation of agribusiness projects demonstrated a mixed performance as most of them were exposed to high operational, market, financial, transition and environmental risks, which were difficult to mitigate. Their success depended to a large extent on the sponsor's commitment and dedication to achieving not only operational and financial objectives but also those related to transition.

[10] Only for case study projects. The light evaluations did not comprise assessments of their financial performance.

5) Evaluation conclusions, findings and recommendations

The evaluation revealed some disconnect between a strategic and a business-driven approach. Under a strategic approach the emphasis is placed on selectivity with the aim of maximising the achievement of clearly defined ends. Under the business-driven (or demand-driven) approach the emphasis is on supporting everything that is not specifically excluded. The evaluation shows that under the 2010 Strategy the agribusiness team established the basis for a strategic approach relatively well (although leaving ample room for interpretation of what the set priorities really mean). Then this strategy came face-to-face with the reality of the reward and incentive structure of the Bank that still favours a demand-driven or volume approach over selectivity.

In result, the agribusiness team has been one of the most prolific and efficient teams at the Bank (in terms of annual business investment per banker), however its contribution to the increase of food security in the Bank's countries of operations has been uneven. Agribusiness made clear positive impact on food security in Ukraine and to certain extent in Serbia, while it also supported food security through selected projects in Turkey, Russia and Georgia. A clear majority of agribusiness team's projects responded well to one or more of the 2010 Strategy other priorities, be it regional differentiation, energy efficient investments or supporting policy dialogue. The team organised itself well to implement the 2010 Strategy and set several initiatives targeting strategically-relevant objectives. On this basis the implementation of the 2010 Strategy is rated overall as *successful*.

However, ample room for improvement remains, particularly for enhancing strategic fit of projects being selected for financing, as well as for setting higher degree of ambition and determination in addressing persistent transition challenges. It is, however recognised that to achieve results better aligned with the Bank's principal mission, the Bank's incentive structure would require overhaul, away from the volume/project number, towards rewording strategic compatibility of projects and actions.

Table 6: Evaluation ratings summary

Category	Rating
Relevance of the 2010 Strategy	*Good*
Efficiency of the 2010 Strategy implementation	*Good*
Effectiveness of the 2010 Strategy implementation (strategic-level)	*Good overall and Good for all three strategic themes (Food Security, Regional Differentiation and Sustainability)*
Effectiveness of 2010 implementation (project-level)	*Satisfactory to Good*
Overall rating	***Successful***

5.1 Findings related to the 2010 Strategy

- "Food security" – the main strategic theme, was very broadly defined and depending on interpretation, applicable to almost any type of agribusiness-related project, which resulted in a portfolio that was somewhat less focused on clearly defined strategic priorities than it might have been;

- Considering that infrastructure was identified as the main bottleneck to sector development, consultations with the Bank’s infrastructure department were limited and did not result in any proposal to collaborate on concrete initiatives set out in the 2010 Strategy;
- The policy dialogue aspirations set out in the 2010 Strategy were limited and not strongly linked to assessed transition gaps although that carried out in practice was certainly more ambitious than the aspirations in the strategy – the next strategy could usefully set more ambitious and specific targets for agribusiness policy dialogue work, which is an area where the team has demonstrated considerable ability in collaboration with others;
- The 2010 Strategy lacked a results framework and monitoring metrics for tracking progress on most aspects of implementation. However, good monitoring metrics were set for the Integrated Approach on Grain. Although results frameworks were not required when the strategy was formulated and indeed still are not (they are expected to have a Performance Monitoring Framework to track results at the output level only), EvD considers there should be results frameworks in sector strategies covering outcomes and impacts for the priority countries where the bulk of investment goes – a requirement that should not be too difficult to meet since country strategies are now expected to have results frameworks that in part reflect sector-level outcomes and impacts.

5.2 Recommendations for the new Strategy formulation

- Establish a stronger logical link between sector transition gaps and the choice of strategic priorities, at least for selected gaps and priority countries;
- If food security remains the strategic focus, it should be defined so as to result in greater operational selectivity and/or have greater clarity on the results expected in this area;
- Elaborate on how the key remaining transition challenges (not targeted by the Bank) might be addressed, including timing and the other International Finance Institutions or organisations involved;
- Prioritise capex (above working capital/balance sheet restructuring), and new clients (over repeat clients). Provide better justification and rationale for support of retail projects;
- Set dimensions of sector policy dialogue for selected priority countries and its delivery channels, utilising a well-developed analysis of the persistent transition challenges (for example trade barriers and subsidies). Ideally, coordinate its implementation with wider political processes (with for example European Union or World Trade Organisation accession);
- Set results frameworks for priority countries and articulate in them the expected outcomes and impacts from the planned activities. Where feasible, express such results through clear, measurable (qualitative and/or quantitative) indicators and targets;
- Make more explicit the theory of change that connects what the EBRD plans to deliver the outcomes and impacts to which it hopes to contribute;
- Outline improved processes to encourage and support greater coordination and collaboration with the infrastructure team on strategic projects in selected

priority countries (building on a few successful projects developed jointly so far);

- Focus even more sharply on the EBRD's early transition countries, to which SEMED countries should be added as a priority region. Continue targeting key agricultural countries (Ukraine, Russia and Kazakhstan) but mainly for projects with strong strategic relevance or SEMED/early transition country links. Better align support for Turkey and Western Balkan countries (all of which are either European Union candidate or applicant countries) with sector reform and food safety improvements in the context of European Union accession;
- Further strengthen the sustainability theme by the inclusion of specific targets for country groups within the results framework, for example, number of tons of CO_2 emission reduction.

5.3 Findings related to the implementation of the 2010 Strategy

5.3.1 General findings

- Agribusiness has been one of the Bank's most prolific teams. It consistently delivers a large number of projects and accounts for about 10 per cent of the Bank's total volume, which is a consequence of the ambitious quantitative targets set for the team. The volume has generally been seen as the main measure of the Bank's success in this sector.
- Overall progress in reducing agriculture sector transition gaps in agribusiness between 2010 and 2014 has been modest. The sector-level transition indicators score improved in only one country and deteriorated in another while others were unchanged. This does not mean that the EBRD's contribution was modest as the situation could have been worse without the EBRD's presence. However, without a results framework with an embedded theory of change (see below) it is hard to make this case;
- The agribusiness team organised itself well to implement the 2010 Strategy. However the process was slow as professional staff for the TC/policy dialogue support unit were only hired at the end of 2012, while the team's restructuring was formally confirmed only at the beginning of 2014.
- There has been a degree of tension between the Bank's strategic and demand-driven approach in agribusiness, with the latter often prevailing due to the structure of the Bank's incentive system. Narrow, company-level transition was targeted by over 40 per cent of transition impact benchmarks, while transition related to frameworks for markets, institutions, laws and polices was absent from the benchmarks in the project sample reviewed.
- While working capital and/or balance sheet components were mainly implemented promptly, implementation of capital expenditures (often for energy or environment), was patchier, and sometimes delayed or cancelled, though it is recognised that the global financial and economic crisis continued to affect business during the strategy period thus making capex investments particularly problematic;
- Professionalization of management in highly centralised, family-run agribusiness companies featured in many projects and was usually achieved – this is a success that should be carried through to the next strategy;
- Creation of a dedicated TC and policy dialogue unit within the team elevated these activities to a strategic level and made a positive contribution. Creation of a Business Advisory Service for agri-companies in Early Transition

Countries and South and Eastern Mediterranean countries of operation helped the team reach small and medium enterprises in difficult markets;

- In the pursuit of selected 2100 Strategy objectives, the agribusiness team cooperated effectively with other Bank's teams such as the Office of the Chief Economist, legal transition, energy efficiency and climate change, financial institutions and equity teams but only to a limited extent with the infrastructure team, despite such cooperation offering good opportunities to target 2010 Strategy priorities.

5.3.2 Food security

- Financing for broadly defined primary agriculture increased and exceeded the targets set in the 2010 Strategy. However support for crop production (farming) was relatively modest. Some clients believe that the Bank remains excessively risk-averse in respect of farming projects and that deeper, primary-agriculture specific expertise is needed at the EBRD to model and assess the risks of farming.
- The food manufacturing sub-sector accounted for the largest share of the Bank's project number. However the extent of its contribution to food security varied considerably. Some projects had very weak or no linkages to local agriculture at all (such as a Coca-Cola bottling plant, coffee importing, sports drinks production and part-food part-cosmetics packaging production). Others supported the client's food production effectively but their impact on broader agriculture was limited or difficult to identify. About one-third of the projects reviewed in this category had strong linkages to local farmers (through contracts, training).
- Nearly a third of the Bank's financing was directed to retail projects (44 per cent in Russia) – the largest sub-sector in volume terms. These projects increased local competition, improved access to food for selected consumers or demonstrated energy-efficient buildings. However, their impact on food security enhancement was marginal and narrowly localised. The review of three smaller retail projects, identified only limited linkages to local farmers as procurement was typically centralised and benefited only a limited number of larger producers.
- Expected demonstration effects and improved standards among local farmers, to be achieved through extension services provided via the Bank's market-leader clients, were often difficult to achieve as many farmers were not prepared to buy expensive (often foreign) inputs (such as seeds and fertilisers) or invest in modern technology applied by the Bank's market-leader clients.
- Two agri-financing facilities for SMEs, highly relevant for food security, were launched (in Georgia and Turkey), while one in Tajikistan was continued. They had high utilisation rates and have benefited between 12,000-15,000 farmers in each country so far.

5.3.3 Regional differentiation

- Nearly all agribusiness projects supported regional differentiation very well as most of them were based in the rural regions of the EBRD's countries of operations. Selected projects specifically targeted the poorest regions of the countries.
- Despite increasing the volume of financing in the Early Transition Countries, the agribusiness team's share in the Bank's total number of projects in this region dropped from an annual average of 22 per cent in the preceding period to 18 per cent in the evaluation period and slightly decreased in volume terms.

- Operations in Western Balkans grew substantially, with Serbia accounting for 88 per cent of volume signed in this region. However five out of nine Serbian projects did not disburse or were inactive, therefore the increase of the Bank's actual financing there was modest.
- Between 2010 and 2014 the transition gap narrowed in only one Western Balkan country (Bosnia and Herzegovina) in the category of market-supporting institutions. However transition gaps and the sector-level transition indicators remained unchanged in all Early Transition Countries.

5.3.4 Sustainability

- Agribusiness nearly quadrupled its financing in support of the Sustainable Energy Initiative (SEI). It typically followed up on energy audits and funded smaller energy efficiency components of larger projects. Generally, projects with a strong food security or Early Transition Country focus had less emphasis on energy efficiency and environment, while projects in more advanced countries, with weaker transition justification (for example retail, debt refinancing) had stronger Sustainable Energy Initiative components.
- In a few cases, following their closer feasibility and cost-benefit analysis, the clients changed, postponed or cancelled Sustainable Energy Initiative components.
- Environmental and social action plans were only partially effective conduits for promoting sustainability as they were largely unfunded and their more ambitious objectives were often delayed or missed. Selected projects made an excellent environmental impact but some others lacked environmental components. Social change was promoted mainly in terms of health and safety and animal welfare. There was no gender dimension in any of the projects signed in the evaluation period (however several projects signed in 2014 had gender components).
- The Agricultural Sustainable Investment Facility was conceptually good but not very effective in practice as it financed only six projects, of which only half were fully *successful*.

5.3.5 Policy Dialogue

- 30 policy dialogue-specific TCs were undertaken in the evaluation period (57 from 2009 to 2014). They targeted mainly food safety and quality (28 per cent) and access to finance (supporting warehouse receipt programmes). High-level policy issues, principally in the grain and dairy sectors, were also targeted through fostering cooperation between public and private the UN FAO in respect of policy dialogue, achieving tangible positive results in several countries. The cooperation with an institution offering specialised technical expertise is an efficient and effective way of accessing such knowledge in support of policy dialogue – it is a model other teams may wish to adopt;
- Tangible results through policy dialogue were achieved mainly in Ukraine and to some extent in Serbia/Western Balkans. The Bank has engaged in more countries (including SEMED), however these efforts are ongoing and no significant results have been achieved yet as policy dialogue takes a long time to produce results. However, with the exception of Ukraine, the Bank has engaged relatively late with other countries (54 per cent of policy technical cooperation initiatives started between 2013 to 2014).
- The EastAgri and MedAgri networks' numerous workshops and conferences, have been effective platforms for the dissemination of information, bringing parties together and playing a useful role supporting policy dialogue.

5.4 Recommendations related to the implementation of a new Strategy

- Treat high business volume and project numbers as an input within the results framework, and set it as part of a success indicator only if it leads to systemic changes addressing sectoral transition challenges, for example providing credibility to facilitate policy dialogue with the government, resulting in systemic changes
- Establish a clear link between the use of funds and the expected impact on operations, with appropriate measures and benchmarks.
- Strengthen in-house primary agricultural expertise to better assess the risks and opportunities of upstream projects. Target more cooperatives and farmers associations.
- Consider (together with UN FAO and other international financial institutions) assisting selected countries in drafting their agricultural/agribusiness strategies. Use it as an entry into a long-term policy dialogue process.
- Increase co-investments with EU Instrument for Pre-Accession Assistance funds in food safety standards in Western Balkans, especially as the requisite standards need to be achieved upon completion of the accession negotiations.

Project-specific findings and recommendations are presented at the end of each of the Case Studies and Light Evaluations in Annex 5.

6) Sources

Internal bank documents including: Operation Performance Assessment (self-assessment), Board minutes, Board reports, Directors' Advisors' Questions, Operations Committee minutes, Credit department notes, Office of the Chief Economist comments, credit review summaries, monitoring reports and transition impact monitoring system reports.

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