European Bank
for Reconstruction and Development

Independent Evaluation

SECTOR EVALUATION

Food for Thought in Challenging Times

Evaluation of the Agribusiness Strategy 2019–23 and early results of its implementation

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Contents

Abbreviations

ADB	Asian Development Bank
AfDB	African Development Bank
ABI	Annual Business Investments
AMI	Annual Mobilised Investments
ASB	Advice for Small Business
CA	Central Asia
CAPEX	Capital Expenditure
CAPQ	Central Administration for Plant Quarantine (Egypt)
CEB	Central Europe and the Baltic States
COGIA	Compagnie Générale des Industries Alimentaires (Tunisia)
COOs	EBRD Countries of Operations
CO_2	Carbon dioxide
COP	UN Climate Change Conference of the Parties
CP	Commercial Paper
CR	Corporate Recovery
CSD	Climate Strategy and Delivery
CSs	EBRD's Country Strategies
CTF	Clean Technology Fund
DKIB	Demir Kyrgyz International Bank
DFF	Direct Financing Facility
E2C2	Energy Efficiency and Climate Change (former EBRD team)
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
EGP	Egyptian Pound
EGSA	Egyptian Grain Suppliers' Association
EIB	European Investment Bank
EiS	Economic Inclusion Strategy
EPG	Economics, Policy and Governance (former EBRD department)
ESAP	Environmental and Social Action Plan
ESD	Environmental and Social Department (EBRD, former)
ETC	Early Transition Countries
EU	European Union
EvD	Evaluation Department (of the EBRD)
FAO	Food and Agricultural Organisation (of the United Nations)
FI	Financial Institutions (EBRD department)
FiT	Feed-in-Tariff
FMCG	Fast-moving Consumer Goods
FMO	The Netherlands Development Finance Company
FOPC	Financial and Operational Policies Committee (of EBRD Board of Directors)
FX	Foreign exchange
GDP	Gross Domestic Product
GECA	Green Economy and Climate Action (EBRD department)
GEF	Global Environmental Fund
GET	Green Economy Transition
GHG	Greenhouse Gases
GI	Geographical Indication
GIS	Geographic Information System
GIZ	German Agency for International Cooperation
GWh	Gigawatt hour
GWh	Gigawatt hour
HACCP	Hazard Analysis and Critical Control Point (certificate)
IBRD	International Bank for Reconstruction and Development
ICA	Industry, Commerce and Agribusiness (EBRD department)
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IFI	International Financial Institution
IFRS	International Financial Reporting Standards
IFS	International Featured Standards
ISO	International Organisation for Standardisation

KICB	Kyrgyz Investment and Credit Bank
kWh	Kilowatt Hour
LED	Light-emitting Diode
LTT	Legal Transition Team
MEI	Municipal and Environmental Infrastructure (EBRD team)
MENA	Middle East and North Africa region
MDBs	Multilateral Development Banks
MoU	Memorandum of Understanding
M&S	Manufacturing and Services (EBRD team)
MRV	Measurement, Reporting and Verification (for GHG)
MT	Metric ton
MW	Megawatt
NDCs	Nationally Determined Contributions
L2C2	Local Currency and Local Capital Markets (EBRD team)
LTT	Legal Transition Team (EBRD)
NIB	Nordic Investment Bank
NIF	Neighbourhood Investment Facility (European Union)
OECD/DAC	Development Assistance Committee of the Organisation for Economic Cooperation and Development
OPA	Operational Performance Assessment
PD	Policy Dialogue
P&E	Power and Energy (EBRD team)
PMF	Performance Monitoring Framework
PSD	Policy, Strategy and Delivery (EBRD department)
P&T	Property and Tourism (EBRD team)
PV	Photo Voltaic (panel)
RE	Renewable energy
RO	Regional Office (of EBRD)
RSF	Risk Sharing Framework
SCF	Strategic and Capital Framework (EBRD)
SDG	Sustainable Development Goals
SEI	Sustainable Energy Initiative
SEMED	South and Eastern Mediterranean
SIG	Sustainable Infrastructure Group (EBRD department)
SMEs	Small and Medium Enterprises
SMEFD	SME Finance and Development (EBRD team)
SMETA	Sedex Members Ethical Trade Audit
SPGE	Strategy for the Promotion of Gender Equity
SSF	EBRD Shareholder Special Fund
TC	Technical Cooperation
TCs	Technical Cooperation Projects
TCRS	Technical Cooperation Reporting System
TI	Transition Impact
TQ	Transition Impact Quality or Transition Quality
TRY	Turkish Lira
USAID	United States Agency for International Development
US$	United States Dollar
VCCP	Value Chain Competitiveness Program
WC	Working Capital
WFP	World Food Programme (of the United Nations)

Executive Summary

A sector of global strategic importance

One cannot live without food. The agribusiness sector is and will always be of strategic importance. In EBRD's countries of operations (COOs), the Russian invasion of Ukraine has elevated agribusiness to the very top of the agenda not least because both countries are historically the top global agri-product exporters. The war has profoundly disrupted international agri-product supply chains, sharply increasing global food insecurity while also fuelling inflation, an energy crisis, and financial instability, all of which have had an acute detrimental impact on farmers and food processors. These new challenges add to those the agribusiness sector has been facing for some time, including resource scarcity, environmental degradation, climate change, pressure to increase yields while decreasing energy and water usage, and the growing demand for protein and nutritious food to feed growing populations.

The EBRD has been supporting the agribusiness sector for the last 30 years. This interim evaluation of the implementation of the Agribusiness Strategy BDS18-166F (the Strategy) aims to evaluate the adequacy of the Strategy itself and to take stock of the Bank's operations conducted during the Strategy's first three years (2019–21, the Evaluation Period), providing insights and lessons ahead of its update.

An EBRD Strategy of good quality but with limited bearing on the portfolio's structure

The Strategy's quality of design was good thanks to solid diagnostics and intensive consultations. The Strategy was developed during a period of low food prices and thus constituted a departure from the food security-focused strategies of previous years. However, it demonstrated good foresight by retaining food security as an area of focus for the southern and eastern Mediterranean (SEMED) region. The Strategy identified six highly relevant focus areas aligned with the six Transition Qualities (TQs) and designated several operational priorities for each of them. Three focus areas, each linked to Competitive, Green and Inclusive TQs, were considered the "top priority areas". The design was based on solid diagnostics, developed in cooperation with the United Nations Food and Agricultural Organisation (UN FAO), and incorporated conclusions from intensive consultations with the Bank's other departments and its Board.

Yet, the preparation process and the Strategy itself had some gaps. The diagnostics could have been more comprehensive, for example, and better frame potential linkages to the Green Economy Transition (GET). Some priorities needed better definitions for clearer and more strategic implementation. "Enhanced productivity and value addition" as the top priority focus area (linked to Competitive TQ) was so broadly defined that it enabled the Bank to pursue virtually any project. More specific policy dialogue objectives would have helped focus efforts. Finally, the Performance Monitoring Framework (PMF) had little utility for performance monitoring, strategic guidance, or evaluation as its indicators were neither aggregated nor monitored.

Competitive dominates the primary TQs structure pretty much as it did in the past, indicating the limited role of the Strategy. An analysis of the portfolio of projects signed during the Evaluation Period (2019–21) demonstrates that the structure of primary TQs targeted by agribusiness projects barely changed compared with the three years preceding the Strategy's approval, with Competitive strongly dominating primary TQs in both periods. Resilient TQ was also often targeted although its prevalence (and partially that of Competitive TQ) can be attributed largely to the preferences dictated by frameworks under which three-quarters of agribusiness projects were processed.

The area in which the Strategy appears to have influenced some evolution in the portfolio is related to secondary TQs. There was a major shift among secondary TQs, with the proportion of Green and Inclusive TQs substantially growing during the Evaluation Period. An analysis of the targets of technical cooperation projects (TCs) indicates that they frequently supported these two TQs. As for sub-sectoral and geographical structure, there were shifts in terms of financing volumes indicating that at least project targeting was largely in line with the Strategy. For instance, the volumes of the "primary agribusiness and commodity trading" sub-sector and of the early transition countries (ETCs) financing almost doubled in the Evaluation Period compared to the same period preceding the Strategy. Financing of SMEs also increased, accounting for almost half the number of transactions signed during the Evaluation Period, while joint projects were developed with the Bank Infrastructure, Financial Institutions (FIs), and Manufacturing and Services (M&S) teams. This was good alignment with the Strategy but its effect on the portfolio could not be fully verified as the results of individual projects on the outcome level are not monitored or aggregated in the PMF. The evaluation did, however, review the results of a sample of selected projects.

Most results were achieved despite the challenging context, but some priorities were missed and resources were strained

The Bank has made an important contribution during the last three years to the agribusiness sector in several COOs, particularly Ukraine, Türkiye, and those in Central Asia and made progress mostly on Competitive, Integrated, and Well governed TQs. Its financing and advice (through Advice to Small Business –ASB) were crucial for improving clients' performance and for supporting their expansion, exports and modernisation (particularly SMEs). The physical components of the projects assessed for this evaluation (Evaluated Projects) were typically implemented as planned, while fast-disbursing working capital (WC) financing was generally helpful in achieving the commercial goals of the projects. Outcome-level objectives related to Competitive, Integrated, and Well governed TQs were mostly achieved, with many agribusinesses demonstrating improved financial performance and increased exports, although the wider spillover effects of clients' improved business performance were more mixed. For example, improved backward linkages to local suppliers have often not materialised.

Many of the projects evaluated have struggled with achieving the desired transition impact (TI) at the scale initially planned or have not managed to deliver against secondary TI objectives, which were not core to their business model (e.g., Inclusive). Although agribusiness projects also attained many important objectives related to Green and Inclusive TQs, these objectives were more challenging to achieve overall. Only modest achievements in relation to gender balance can be confirmed as the share of women on staff and in management typically remained the same as prior to the Bank projects. TI achievements were particularly modest under projects financed in Central Europe and the Baltic States (CEB), where there was little evidence of a transfer of innovative agricultural techniques or a demonstration effect on local capital markets actually materialising. The achievement of TI has been particularly challenging during the pandemic years, as it has often depended on the success of TCs, which were independent from financing and difficult to execute while there were restrictions on consultants' movements.

To note, the Risk Sharing Facility (RSF) proved to be an excellent tool and enabled many high TI projects with SMEs to which the Bank would not have been able to lend directly, particularly in Central Asia. All RSF projects supported capacity building at local banks to appraise and monitor risks specific to agribusiness operations. Under the RSF the Bank also promoted innovative financing specific to agribusiness (inventory-backed), however this has been replicated only once without the EBRD so far.

The financial performance of the large majority of Evaluated Projects has been in line with or has exceeded the Bank's projections. As expected, retailers have done particularly well during the pandemic but most of the processors in the sample also demonstrated improved financial performance, while traders and primary producers benefited from increased commodity prices. However, dark clouds have been gathering. Most of the clients interviewed expect their financial performance in 2022 and beyond to deteriorate under inflationary pressures and their knock-on effects caused in part by the conflict in Ukraine.

Resources for implementing the Strategy are increasingly strained, especially considering the challenging context. The Agribusiness Team organised itself well for the Strategy implementation, signing 161 operations during the Evaluation Period (excluding an additional nine operations shared with and led by other teams). However, the team's 2021 results demonstrate the strain of COVID-related restrictions and an increased workload, mainly related to the Bank's expanded Green agenda (although 2022 results show an improvement). As Ukraine is the top market for the Bank's agribusiness operations, the Russian invasion created particular challenges for the team, which it has handled well so far, providing emergency financing and advice to clients in Ukraine and in affected countries. At the same time, the team's productivity remained high, considering a constant headcount in its banking division. Financing frameworks were employed to process three-quarters of agribusiness projects to maintain high efficiency and respond to demand. Cooperation increased with other teams across the Bank, resulting in many joint projects, as well as with the ASB team, whose services substantially increased the attractiveness of the Bank's offer (as highlighted by some clients). Most importantly, the Bank,continued its close cooperation with the United National Food and Agriculture Organisation (UN FAO) in respect of policy dialogue, which substantially enhanced the strategic dimension of the Bank's engagement. Cooperation with other international financial institutions (IFIs) was limited.

The Bank has often demonstrated added value for the sector beyond investments, but untapped potential remains, especially on the innovation front

The additionality of agribusiness projects has been generally strong although dependent on context, in particular in countries where local banks were uncomfortable with agribusiness-related risks and could provide no financing or only short-term financing (e.g., the Kyrgyz Republic, Türkiye). Foreign currency financing was particularly valued by agribusinesses in SEMED as local banks were unable to provide it. Conversely, EBRD was not competitive in local currency financing in SEMED due to high swap costs and the availability of subsidised finance.

Non-financial additionality was also strong, realised through TCs and policy dialogue managed by Agribsuiness Advisory (part of

the Agribusiness Team) or ASB. During the Evaluation Period, policy dialogue was expanded and intensified compared with the previous strategy period. Led mainly by the FAO, with the Bank co-financing and contributing to the public-private dialogue, policy dialogue achieved excellent results in Ukraine, with tangible contributions to food safety and quality and to the legal and regulatory environment (sadly, the sustainability of some results cannot be ensured in the current situation). Policy dialogue was also intense and generally successful in SEMED, making a substantial contribution to the improvement of the efficiency of Egyptian grain imports and of horticultural exports. It also supported Tunisian SMEs to improve their olive oil quality, obtain international certifications and start exports of branded products (as opposed to bulk). However, attempts to create industry association in Egypt turned out to be unsuccessful due to a lack of political support from the authorities. Also, the results of policy dialogue efforts in Türkiye were disappointing. While the Bank ambitiously targeted the simplification and reduction of state agricultural subsidies, the results have been limited because the issue is highly politicised and because there is constant turnover of counterpart staff at the ministry. Similarly, support to establish a Geographical Indication for honey in the Mugla region of Türkiye has achieved modest results so far due to natural disasters (forest fires) and to the pandemic, which delayed the consultants' support.

Although singled out in the Strategy as an important cross-cutting area, support to innovative agribusiness techniques was limited. Some relatively modern technologies such as biomass boilers, LED lighting, hydroponic greenhouses and the development of hybrid seeds were financed. However, such projects were relatively rare and there is limited evidence that the EBRD has supported the uptake of innovative technologies or practices such as smart, digital, or precision agriculture at the primary producer level. This indicates that the Bank's usual demand-driven approach is unlikely to lead to a significant volume of such projects given their nascent and high-risk nature.

The impact of the war on Ukraine varied, with the sustainability of the results from many of the Evaluated Projects being uncertain

Most of the Bank's agribusiness clients, particularly SMEs, are vulnerable as they are acutely exposed to changing trends, consumer preferences and input/commodity price fluctuations. The biggest threat is market instability resulting from the Russian war on Ukraine, which disrupted international agri-products supply chains, fuelling inflation, an energy crisis and financial instability. So far, the impact of the war on the Bank's agribusiness sector clients has varied depending on the country and the position in the value chain. It has ranged from existential in the case of some Ukrainian clients to moderate in some other countries due to their limited exposure to Russia and Ukraine. However, sharp increases of input and transportation costs have threatened almost all Bank clients as only a few of them are expected to be able to pass on some of these increases to their own clients. SEMED countries have been highly dependent on grain and other staple food imports from Russia and Ukraine. Egypt was able to secure supplies from other markets (albeit at a higher cost), while Tunisia received IMF (and EBRD) financing to strengthen its strategic grain reserves. Annex 13 presents observations related to the impact of war on their operations and on the broader sector so far, which EvD gathered while interviewing the Bank's agribusiness clients.

In conclusion, the EBRD has been largely successful in implementing the Agribusiness Strategy 2019–23 and achieving positive results, especially considering the challenging context. The next strategy could however be more

ambitious in embracing innovative technologies and more transformational approaches to tackle the challenges of food security and sustainable agribusiness. To do so, it should clarify how the Bank can sharpen its strategic focus and improve its value addition to maximise the desired TI.

The Bank has made important contributions to the agribusiness sector in several COOs. The combination of financing, advice and policy dialogue has contributed to supporting clients' expansion and modernisation. The cooperation with FAO in policy dialogue has achieved important and tangible results. The period under evaluation has witnessed an evolution of the portfolio in terms of secondary TQs and volumes aligned with strategic directions, with a doubling of financing in ETCs and primary agriculture, as well as an increased share targeting SMEs.

At the same time, shifting the portfolio towards newer priorities has proven more challenging. Results related to Green and Inclusive TQs were mixed. Frameworks were widely used, for a large part for efficiency reasons in a challenging context, but this had the side effect of keeping the structure of the portfolio with respect to primary TQs broadly unchanged.

The beneficial role of the Bank in the agribusiness sector of selected countries has been balanced by its approach, which has remained primarily demand driven. While this approach has proven effective, it tends to limit the Bank's ability to shape projects and act as a knowledge broker on new techniques, to respond more fully and directly to some of the top, more ambitious priorities set in the Strategy linked to Green and Inclusive TQs, particularly in tandem with the promotion of innovation. This brings to light a familiar question related to the incentives and mechanisms (e.g, frameworks) that could be set up for better balancing strategic focus and a demand-driven approach.

There is untapped potential for the Bank in the sector. Given the current global rhetoric conducive to climate-related actions and based on evaluative evidence and comments heard from many interviewed clients, there is an opportunity for the Bank to play a more proactive role in supporting or encouraging clients to adopt Green agribusiness technologies and practices to address the sector's sustainability challenges while driving productivity increases. This would put the EBRD at the forefront of the fourth agricultural revolution. It would also more closely align the Bank's agribusiness operations with its flagship GET initiative, the Paris Agreement, and the Bank's aspiration to become a leading institution in climate-related finance.

Recommendations for the next strategy

Strategic

Recommendation 1:

Sharpen the strategic ambitions of the Bank in the sector by better promoting innovative agricultural techniques and transformational approaches to tackle the challenges of food security and sustainable agribusiness.

In particular assuming that food security once again becomes part of the strategic priorities, the new strategy should consider sustainable agricultural intensification as one of its operational priority areas, in line with the evolution promoted by other IFIs, and for fostering synergetic approaches combining different TQs.

Recommendation 2:

Approach "innovation" more strategically and proactively,

improving the value proposition of the Bank for its clients and better target sustainability gaps with innovative agricultural techniques in particular. This assumes a clearer definition in the new strategy of a few types of technological innovation that the Bank would like to promote and focus on and that might include dedicated TCs/grants to de-risk investments in new technologies and business models. Also, the Bank could be more proactive in identifying agribusinesses seeking to make these types of investments and consider alternative financing modalities (e.g., equity, blended finance) given the risky and often early-stage nature of such investments.

Operational

Recommendation 3:

Set clearer operational priorities,

avoiding "catch-all" definitions, by including more precise objectives tailored for each of the Bank's key target countries/regions to ensure that the strategy provides effective guidance for project selection and identifying niches of strategically aligned business development (e.g., renewable energy, energy efficiency improvements, gender equality).

This can be facilitated by expanding diagnostics to include the analysis of gaps related to the Bank's main strategic initiatives (GET, Economic Inclusion Strategy [EIS]) to identify the types of projects and activities the Bank could effectively do in these areas and provide the means for actively promoting the targeting of such areas.

Recommendation 4:

Better specify and articulate the main objectives of policy dialogue,

setting clear goals for the key countries/regions, building on broader sector policy goals identified in the country strategies and aligning them better with investments and the Bank's strategic initiatives to unlock growth potential for clients and potential for additional business for the Bank.

Recommendation 5:

Enhance the Performance Monitoring Framework

to serve as a management tool for monitoring the portfolio's alignment with the strategy's objectives and achievement of results. This could be done in particular by adding further granularity to output indicators, expanding outcome indicators, and presenting the PMF monitoring plan, with appropriate resources allocated to periodically aggregate indicators' results.

1. Evaluation Background

1.1. The Agribusiness Strategy 2019–23

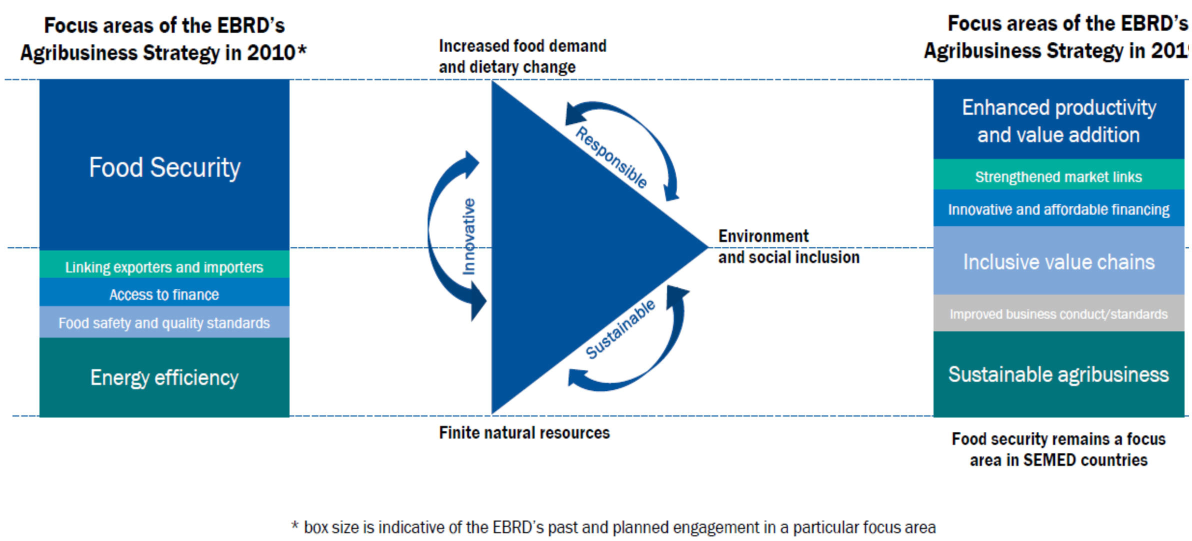
1. The European Bank for Reconstruction and Development's (EBRD) Agribusiness Sector Strategy 2019-23 (BDS18-166F) approved in October 2018 (the "Strategy") contained the following[1]:

- A review of the Bank's achievements under the previous Strategy
- A brief analytical context on sector and transition challenges, broadly covering the six TQs
- Operational priorities stemming from the Strategy's focus areas
- A PMF
- An analysis of EBRD's comparative advantage over other IFIs and partners

2. In addition, four annexes covered linkages between the Strategy's goals and the Sustainable Development Goals (SDGs), lessons and recommendations from the evaluation of the 2010 Agribusiness Strategy (implemented from 2011-13) and how the new Strategy incorporated them, a consideration of environmental and social implications for the Strategy, and a breakdown of the proposed context impact indicators (see Annex 3).

3. The Strategy started by presenting the global context, with key competing challenges of population growth (increasing food demand), limited natural resources and the need for social inclusion. In response, the Bank was to **support a more responsible, sustainable and innovative sector**. Figure 1 illustrates how the 2019 Strategy evolved out of the 2010 Agribusiness Strategy through a prism of responsible, innovative and sustainable agribusiness.

Figure 1: EBRD's Evolving Agribusiness Sector Focus



Source: BDS18-166/F

1. The Strategy was one of the first in the Bank to use the new PowerPoint format, which imposed relative brevity.

4. The resulting six focus areas were closely aligned with the Banks six TQs. **Three focus areas were given stronger weighting** (shown in the larger rectangles) and three were given weaker weighting (smaller rectangles).

Stronger weight (or top priorities)

- Enhanced productivity and value addition (linked to Competitive TQ)
- Sustainable agribusiness (linked to Green TQ)
- Inclusive value chains (linked to Inclusive TQ)

Weaker weight (secondary priorities)

- Strengthened market links (linked to Integrated TQ)
- Innovative and affordable finance (linked to Resilient TQ)
- Improved business conduct and standards (linked to Well governed TQ)

5. The focus areas then served as a framework for setting more specific types of **operational priorities** (five to seven per focus area). The Strategy moved away from the 2010 Agribusiness Strategy, which emphasised food security and value chain financing against the backdrop of a financial and food price crisis. Box 1 highlights key differences between the two strategies.

Box 1: Four main differences between the 2010 and the 2019 Strategies

- **A shift away from the previous orientation** – Whereas the 2019 Strategy represented an evolution or extension of the previous strategy, it shifts from food security, the main theme of the 2019 Strategy towards new directions, i.e., firmly focused alongside six TQs. Food security was retained as a strategic focus only for the SEMED region.
- **Bank instruments interwoven into a strategic approach** – Whereas the 2010 Strategy included a dedicated private sector food security initiative (2011) as part of its approach and highlighted policy dialogue as a distinct objective, the 2019 Strategy does not specify the creation or use of a specific instrument to help it achieve its goals.
- **Fewer specifics on policy dialogue** – The 2010 Strategy provided some specific information on intended policy dialogue, e.g., “agricultural commodity financing policy dialogue to foster regulatory reform” or “addressing market entry obstacles for food retail in Russia”. The 2019 Strategy is less specific than the previous one.
- **Introduction of a Performance Results Framework** – This is the first EBRD Agribusiness Strategy (and one of the first sector strategies at the Bank) to propose a PMF.

6. Finally, it is noted that the Strategy **incorporated most of the 2014 Agribusiness Strategy Evaluation recommendations** – seven out of the 15 recommendations were implemented fully or largely and six partially. In particular intra-Bank cooperation has been better mapped out and presented while primary agriculture has been given more prominence. **Two recommendations were not implemented**, including one related to a better definition of “food security” (if it remains a priority). Food security remained a priority for SEMED, however it has not been defined in the Strategy. Also, the recommendation to prepare a theory of change for agribusiness operations has not been followed. Under this evaluation, **EvD compiled a theory of change for agribusiness**

that is presented in Annex 1. The implementation details of the 2014 Agribusiness Strategy Evaluation recommendations are presented in Annex 2.

1.2. Rationale for the evaluation

7. This report evaluates the implementation of the Strategy during the **first three years** of its applicability, 2019-21, the Evaluation Period.

8. The Strategy expires at the end of 2023. There is therefore an expectation on the part of the Board that a new agribusiness sector strategy for the subsequent period will be prepared very soon (avoiding a long period without an applicable strategy, as was the case after the previous strategy expired). The need for an update to the Strategy (prepared during a period of low food prices) became even more urgent in the current situation of upheaval in the agricultural markets and challenges to the global food security posed by Russia's war on Ukraine. Moreover, since 2018, the Bank's internal policies have substantially evolved, e.g., in respect of the alignment of Bank operations with the Paris Agreement. Thus, a new strategy is needed. This evaluation aims to provide independent evidence and useful feedback from the implementation of the Strategy and actionable recommendations and suggestions to inform the new strategy.

9. As it strives for evaluation products to be timely in order to be useful and used, EvD undertook this mid-term evaluation in 2022 rather than in 2024, after the expiration of the Strategy, to complete it in the first quarter of 2023, on time to inform the discussion on the new strategy.[2] Although the entire Strategy period is not covered by this evaluation, the Bank's activities in the agribusiness sector during the Evaluation Period (161 projects signed) provided an ample source of information and a solid base for a comprehensive evaluation of the implementation of strategic priorities.

1.3. Objectives, evaluation questions and methodology

10. The objective of this evaluation is to answer an overarching question:

To what extent has the EBRD been successful in implementing the Agribusiness Strategy 2019–23 and in achieving the desired TI?

11. This question is divided into three main questions and nine supplementary questions. These provide a focus for this evaluation and cover the Development Assistance Committee of the Organisation for Economic Cooperation and Development (OECD/DAC) criteria of relevance, coherence, efficiency and effectiveness (Box 2).

2. A typical sector strategy implementation evaluation (from starting to draft an approach paper to final report approval by the Board Audit Committee) usually takes about a year.

Box 2: Evaluation questions

1. To what extent was (and is still) the Bank's Agribusiness Strategy relevant?

- Was the choice of the focus areas for the Strategy justified (in the context of the global and regional conditions and priorities prevailing in the agribusiness sector at the time of its approval) and how closely was it linked to the Bank's strategic initiatives and country strategies?
- What were the main differences between the Strategy 2019–23 and the previous one covering 2011–15?
- How has the Bank organised itself to implement the Strategy and how efficiently was it implanted implemented?

2. To what extent was the Bank's Agribusiness Strategy implemented?[3]

- To what extent did the Bank's operations target the focus areas set in the Strategy?
- How did the Bank's agribusiness sub-sector and the geographical portfolio composition change during the Evaluation Period compared to the previous three-year period (under the 2010 Strategy) and was such a change in line with the priorities set in the Strategy?
- What key portfolio-level results did the Bank achieve?[4]

3. What were the performance and results of the Evaluated Projects?

- What results have been achieved on the project level in relation to investments, TCs and policy dialogue[5]?
- What types of innovation and technological advancements (including in the area of sustainable agribusiness) have been transferred to the COOs in focus markets as a result of the Bank's agribusiness projects and how sustainable are such transfers?
- To what extent and how has the war on Ukraine affected the Bank's selected clients in agribusiness (based on the Evaluated Projects) and what could the Bank do to help them?

12. The evaluation combines a top-down approach, looking at the relevance of the Strategy itself and the degree to which it influenced the portfolio, and a bottom-up assessment of early results of implementation using a representative sample of selected operations approved under the Strategy.

13. The top-down approach was utilised to respond to Question 1 and its sub-questions, as well as to evaluate the Strategy's implementation (responding to Question 2 and its sub-questions) concentrating on the **quantitative analysis** of the portfolio of projects signed during the Evaluation Period.

14. A bottom-up approach was employed to respond to Question 3 and its sub-questions. It entailed **evaluations of selected projects** from the five focus markets of Ukraine, Türkiye, Kyrgyzstan, the southern and eastern Mediterranean (SEMED) and the Central Europe and the Baltics (CEB) regions (the focus markets). Two to three operations were selected in each market,

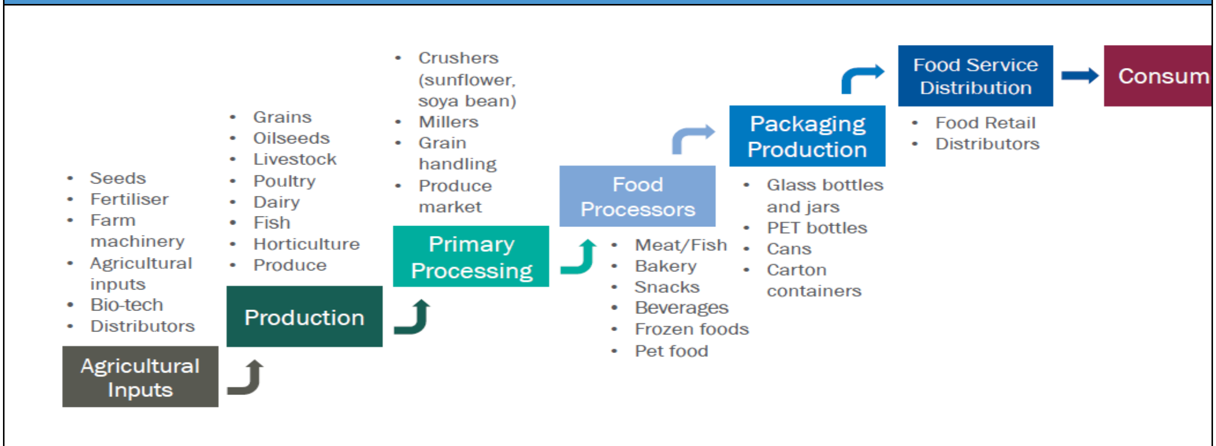
3. To avoid doubt, the evaluation assesses the status of such an implementation only by the time of the evaluation (and focusing on the years 2019-21).
4. Largely based on the achievement of the PMF indicators set in the Strategy.
5. Largely based on the sample of 23 evaluated projects (including related TCs) in seven countries and 13 policy dialogue projects in five countries.

with each operation comprising one to three separate tranches or project extensions with the same client. In total, the Evaluated Projects comprise **23 projects or 15 per cent of all 161 projects signed** in the agribusiness sector during the Evaluation Period. The methodology applied for the selection of the focus markets and the projects for evaluation are described in the approach paper for this study (SS23-187, May 2022) and is summarised at the end of Annex 8.

15. The assessment encompassed the Bank's investments, associated TCs/advisory activities and **13 policy dialogue projects** conducted in Ukraine, Egypt, Tunisia, Türkiye and Kyrgyzstan. It was based primarily on client and stakeholder interviews and project visits, as well as on background documents reviews. In the case of Ukraine, the evaluation relied on a document review and EBRD bankers' and consultants' interviews. In total, **over 40 stakeholders were interviewed** for this study. The report also provides an assessment of key results achieved by the Bank's cooperation with FAO (the Bank's primary partner among international organisations in this sector).

16. **This evaluation adopts an extensive definition of agribusiness** that covers the whole value chain from agricultural inputs to food distribution. This is in line with the Bank's October 2021 presentation of "Agribusiness at the EBRD" as covering the "entire food chain". The activities of the Bank's Agribusiness Team reflect this definition (Box 3).

Box 3: Scope of Bank activities in the agribusiness sector



17. As the agribusiness sector is characterised by substantially diversified sub-sectors, the evaluation concentrated on those that are strategically important to and most frequently financed by EBRD, i.e., **primary agriculture, food manufacturing and food retail**, while also paying attention to smaller operations with local SMEs alongside most of the agribusiness supply chain. The evaluation also paid specific attention to establishing the extent to which agribusiness projects contributed to innovation and the transfer of advanced agribusiness techniques to the Bank's countries of operation (COOs), an important theme of the Strategy. In general, the evaluation's emphasis was on the identification of common (and to the extent possible, strategic) issues and lessons, which could be useful for shaping the new agribusiness strategy, as well as for future operations in this sector, especially post-conflict projects in Ukraine and affected countries.

1.4. Limitations

As for any evaluation, this report should be read bearing in mind some key potential limitations:

- Due to the war on Ukraine, some key clients and projects could not be visited in that country. This limited the scope of primary data collection. The team relied on interviews of EBRD bankers (now based in Poland) working on Ukrainian projects and additional documentary review to mitigate this limitation.

- Access to information in respect of TCs has been difficult, as the TC Reporting System (TCRS) does not currently allow for search by industry sector. EvD found it challenging to obtain any data, even on whether the intended TCs took place, aggregate information for higher-level analysis, let alone finding out what results the TCs achieved. In addition, these activities were rarely categorised under specific TQs. Therefore, to conduct the analysis, EvD reviewed the 161 Agribusiness Operations signed during the Evaluation Period and assigned four main TQs, which were the most frequently targeted: Green, Competitive, Well governed, and Inclusive to 99 non due diligence-related TCs with a total €6.7 million budget.

- The results achieved under agribusiness projects have not been aggregated under the PMF indicators, so this framework has not been useful for evaluation.

2. A Strategy of good quality but with limited bearing on the portfolio's structure

18. This section evaluates the relevance of the Strategy and its implementation at the portfolio level, i.e., the intensity with which the Bank's projects targeted top focus areas and other operational priorities set in the Strategy. It does not examine the results of projects (which are presented in the next section through a selected sample).

2.1. The Strategy is aligned with the global agenda and EBRD's strategies but with some gaps in preparation and content

Evaluation Question: to what extent was (and is still) the Bank's Agribusiness Strategy relevant?

19. **Overall, the Strategy was of good relevance.** The Strategy was based on solid diagnostics, developed in cooperation with FAO sector experts and on intensive internal consultations with the Bank's other departments, the Board and external stakeholders. It was well aligned with six TQs and took into account key recommendations from the 2014 Agribusiness Sector Evaluation. The Strategy identified relevant issues and set six clear and "implementable" focus areas, from which a number of operational priorities were logically derived. They provided more specificity, with a low but generally acceptable level of detail. As the Strategy was prepared in a period of low food prices, it constituted a departure from the food security-focused strategies of previous years. However, it demonstrated foresight by retaining food security as an area of focus for the SEMED region. The Strategy's alignment with the Bank's key initiatives and key country and other sector strategies was generally strong.

20. **However, the evaluation identified some weaknesses and areas for improvement in the process of preparing and defining the content of the new strategy.** Diagnostics could have been more comprehensive and the definition of priorities sharper (by eliminating those capturing all types of projects). Key strategic themes (those at the top of the Bank's agenda now), such as sustainability and inclusion, need broader, deeper and more detailed treatment in both the diagnostic and in the strategy itself. There were gaps, such as a lack of well-defined objectives of policy dialogue in the key countries and the absence of identified areas for cooperation with other IFIs. Finally, there were deficiencies in the design and monitoring of the PMF, which will need fine-tuning and a clear monitoring plan supported by adequate resourcing.

21. **Although some elements of the Strategy remain relevant (e.g., the need for support to SMEs or adequate agricultural trade infrastructure), its relevance has recently weakened.** This is mainly due to a dramatic change in the global agricultural markets in 2022 caused by the Russian invasion of Ukraine. Evidence from stakeholder interviews demonstrates that food security became a concern in most countries again and will require more weight in the new strategy.

22. The following sub-sections provide further details on this assessment of relevance, going through several criteria: (i) relevance of the Strategy and diagnostic studies; (ii) alignment of the Strategy to Bank priorities, and (iii) the consultation process.

2.1.1. Adequacy of issues and constraints outlined in the Strategy

23. **There is clear evidence that key issues and opportunities in agricultural markets identified in the Strategy strongly align with global concerns and those highlighted by other multilateral organisations during the same period.** Some of the key issues highlighted in the Strategy are consistent with the projections set out in the OECD-FAO *2018-27 Agricultural Outlook*. These include, for example, the need to help agribusinesses efficiently meet increased food demand and dietary diversity, including an estimated 10-25 per cent increase in demand for key commodities (e.g., wheat), as well as higher consumption of animal proteins. Another critical issue highlighted in the Strategy was agriculture's contribution to climate change and natural resource depletion, as well as the impact of climate change on future agricultural output. At a high level, there is consistency between EBRD's framing of the issue and that of other multilateral organisations, including IFIs such as the International Finance Corporation (IFC), the European Investment Bank (EIB), and the Asian Development Bank (ADB). For example, IFC's Agribusiness Sector Framework of 2017 describes agriculture as "intricately linked to climate change, both as a cause and victim of increasing pressures on the environment." Water stress and reduction in available agricultural land in the SEMED region were noted as constraints consistent with the OECD-FAO *2018-27 Agricultural Outlook*, which flagged MENA's grain-oriented food system as leading to an unsustainable rate of water consumption. Finally, EBRD's identification of the low uptake of productivity-increasing innovations and weak value chain linkages as key constraints was consistent with other multilaterals and governments in the COOs. For example, the OECD-FAO 2018-27 *Agricultural Outlook* emphasises that greater agricultural production in the MENA region will depend on innovation to enhance productivity growth in the face of the scarcity of water and arable land across the region. Importantly, during the Strategy preparation, the EBRD-FAO team developed a dedicated diagnostic paper covering irrigation (see Section 2.1.2). Annex 4 presents a summary of priority areas set by other IFIs in their agribusiness strategies.

24. **Key issues in the Strategy also reflected governments' priorities.** The interaction between increased trade polarisation and the vulnerability of net importers to commodity price volatility was also noted by OECD-FAO as a key issue, particularly for countries in the SEMED region. While the Strategy acknowledged that food prices were low in 2018, it highlighted the potential for price shocks and the need to support net importers to build resilience to such shocks. This issue of vulnerability to price volatility also clearly reflected the concerns of country governments in the SEMED region around the same period. For example, "ensuring food sovereignty in a sustainable manner" was a key policy goal set out by the Egyptian government in the 2014 Constitution. Productivity was also highlighted as an issue in key exporter countries, with the Ukrainian Agricultural Strategy of 2018 noting that "Ukraine's wheat yields were still two times lower than France and Germany's" and requiring investments in productivity-enhancing technologies. However, the EBRD Strategy acknowledges that productivity increases at the agribusiness level will not automatically translate into benefits and opportunities for smallholders, SMEs, and women if they are not integrated into value chains. This is consistent with the view taken by organisations such as IFAD, which highlighted the need for the commercialisation of smallholding farms and rural producers to take place first for agribusiness investments to have a transformative effect on rural economies.

25. **The Strategy highlights inefficient resource and energy use along agricultural value chains as a key issue but does not challenge the "productivity first" paradigm.** Other IFIs, like IFAD, go

further to argue for a need to shift away from the traditional Green Revolution approach, which prioritises yield and productivity increases at all costs, towards a sustainable agricultural intensification approach, which takes landscape-based approaches to agricultural development and combines productivity goals with ecological goals (Box 4)[6].

Box 4: Sustainable Intensification and Landscape approaches to agriculture

- **Sustainable intensification** is an approach using innovations to increase productivity on existing agricultural land with positive environmental and social impacts. Both words, “sustainable” and “intensification,” carry **equal weight.** Sustainable intensification takes into consideration impact on overall farm productivity, profitability, stability, production and market risks, resilience, as well as the interests and capacity of individual farmers to adopt innovations. It is not limited to environmental concerns, but also includes social and economic criteria such as improving livelihoods, equity and social capital. The concept focuses on **combined resource use efficiencies of crop production inputs**: land, plant nutrients, labour and water. One example of such an approach is **conservation agriculture**, the combination of crop diversification, minimal soil movement and permanent soil cover. Crop and system modelling, geographic information systems (GIS), remote sensing, scale-appropriate mechanization, and socioeconomic modelling are some of the approaches that contribute to the sustainable intensification alternatives in current farming systems.
- **A landscape approach** is broadly defined as a framework to integrate policy and practice for multiple land uses within a given area to ensure an **equitable and sustainable use of land**, while strengthening measures to **mitigate and adapt to climate change.** It also aims to balance competing demands on land through the implementation of adaptive and integrated management systems. These include not only the physical characteristic features of the landscape itself, but all the **internal and external socio-economic and socio-political drivers** that affect land use, particularly related to conservation, forestry and agriculture. In short, a landscape approach seeks to address the increasingly complex and widespread environmental, social and political challenges that transcend traditional management boundaries.

Source: International Maize and Wheat Improvement Center

26. However, it is noted that “landscape finance” or “landscape-based investing” is a nascent sector, although several DFIs and funds (e.g., British International Investment, Tropical Landscapes Finance Facility) are currently starting to deploy capital with this lens. While there may be a limited landscape finance pipeline in the Bank’s COOs at present, in EvD’s view, a broader sustainable agricultural intensification approach is an area worth exploring ahead of the next agribusiness strategy (particularly in more advanced counties where there is some precedent around sustainable production and ecosystem services approaches).

2.1.2. Adequacy and completeness of diagnostics and their reflection in the Strategy

27. **Based on the assessment by external sector experts, the quality of analysis presented in the three diagnostic analytical papers developed jointly with the FAO expert team – two on food security and one on best practices in irrigation financing – is considered high and relevant for**

6. In the 1960s, the Green Revolution brought high-yielding crops to some regions of Latin America and South Asia, allegedly saving millions from starvation. Yet the Green Revolution had unintended environmental and social consequences – its cropping techniques were highly dependent on external inputs, fossil fuels and agrochemicals, causing environmental damage through overuse of fertilizers and water, and contributing to soil degradation.

the development of the Strategy[7]**.** The first two diagnostic papers identified key sectorial issues across all COOs, while the latter dealt with a narrower and relatively new subject of irrigation financing. The need for this more focused diagnostic was justified as the importance of irrigation for primary and sustainable agriculture has been critical (agriculture utilises 70 per cent of the world's water resources), and has been central for SEMED countries, which have recently joined the Bank, while EBRD has had relatively little experience with it.

28. **There are clear links between the food security diagnostics and the Strategy.** These broader diagnostics contained convincing statistical data and compelling evidence (e.g., in terms of food price indexes, imports/exports/yields levels, share of income spent on food, calories consumed, stunting in children, obesity rates, food price volatility, etc.). They demonstrated a clear trend of decreasing food prices during 2011-17, however they also highlighted the persistent food security vulnerability of selected COOs due to the high share of food imports, as well as the high share of food in the population's income spending, a vulnerability that increased unfortunately after the Russian invasion of Ukraine in 2022. The main areas of focus for EBRD identified were the need to leverage the region's potential to bolster the world food supply and reduce the costs of trade (e.g., through investments in productivity and infrastructure), fostering agricultural self-reliance through investing in high value-added crops in countries with limited resources (e.g., SEMED), supporting food safety and nutrition, and making investments that support climate resilience (e.g. energy efficiency technologies and those which reduce food loss). These priorities are reflected in the focus areas of the Strategy, specifically in the Competitive, Resilient and Green pillars.

29. **There are strong links between the irrigation financing diagnostic and the treatment of this subject in the Strategy**, both in terms of the constraints identified and the recommendations for EBRD interventions. Overall, the irrigation diagnostic contains high-quality and relevant analysis covering the rationale for investing in irrigation, as well as clear options for EBRD engagement. The key issues highlighted in the irrigation financing paper – the rising global demand for food, a shift towards more water-intensive diets, and increasing water scarcity (particularly in SEMED) – are all reflected in the analysis of transition challenges in the Strategy. Similarly, many of the potential entry points for EBRD identified in the irrigation financing diagnostic paper, such as financing innovative irrigation technologies (e.g., powered by solar or wind) and supporting private sector participation in the sector (particularly in SEMED) through selective investments and policy dialogue, are reflected in the Green and Resilient pillars of the Strategy.

30. **However, the diagnostic would have been even more useful if it had provided more detail on how the Bank could potentially catalyse innovation and indirectly finance smaller scale, on-farm irrigation systems.** In the case of the latter, the only recommendation was to provide credit lines to local banks to on-lend. However, some of the financing mechanisms highlighted in the Strategy under the Resilient pillar (e.g., venture capital investments in firms producing small-scale irrigation equipment or local currency financing) could also be regarded as responding to the recommendations in this area.

31. **More generally, other diagnostics could have been helpful to better inform the Strategy's design.** For example, two of the key transition challenges highlighted in the Strategy relate to a need to improve cross-border trade and integration in the agribusiness sector, while also fostering innovation and technological advancement. Given the evidence around the positive spill

7. "Food security in the Transition and South Mediterranean regions – a done deal?" FAO/EBRD, January 2017; "EBRD and Food Security in the Transition and South Mediterranean regions – Maximizing impact under uncertainty" FAO/EBRD, January 2017; "Best practices in irrigation financing – Options for EBRD intervention" FAO/EBRD July 2017

over effects on skills, technology transfer, and standards as a result of the integration of companies into global value chains, an elaboration on how exactly EBRD could foster innovation and support integration and ensure spill over (such as through taking a strategic value chain or cluster-oriented approach to investing and engaging in appropriate policy dialogue) could have been highly relevant. Such analysis could also include briefing on specific innovations and on which utilisation would be promoted by the Bank and countries/regions where they are most needed and could be applied. Another diagnostic that would have been equally relevant when developing the strategic focus areas under the Integrated and Competitive pillars would have been one focusing on still outstanding gaps in food safety standards faced by agribusiness exporters in COOs when exporting to the EU and how to address them through targeted TC and policy dialogue.

32. **Given the Bank's strategic focus on GET and the mutual impact between climate change and agriculture, a dedicated analysis of this theme would have been useful.** It is acknowledged that the food security diagnostic touched on Green issues, recommending investments that support climate resilience (e.g., energy efficiency technologies and those that reduce food loss). However, an analytical paper entirely dedicated to climate change providing a broader and deeper analytical framework for the Bank's operations in this area would have helped identify types of activities in this field that the Bank could do. For instance, it could contain COOs-specific data, discussion of the main issues (e.g., livestock husbandry's contribution to greenhouse gas (GHG) emissions and available agricultural emission abatement technologies), the potential for sustainable intensification or a landscape approach in selected countries, culminating in clear recommendations by region/country on how the Bank could contribute to addressing climate change challenges stemming from agribusiness.

2.1.3. Alignment with the Bank's cross-cutting strategic initiatives

33. **The Strategy is broadly consistent with EBRD's cross-cutting strategic initiatives in place at the time**, i.e., the Green Economy Transition (GET, BDS15-196F and BDS20-082F), the Economic Inclusion Strategy (EIS, BDS17-067F), and the Strategy for the Promotion of Gender Equality (SPGE, BDS15-264F). Where relevant, there is a clear alignment between the thematic challenges these initiatives were designed to address and the agribusiness-specific growth constraints highlighted in the Strategy, as well as high-level consistency across focus areas for investment and TC. Several of the focus areas highlighted under the Competitive, Green, Inclusive, and Resilient pillars in the Strategy also clearly align with the GET, SPGE, and EIS documents.

- Investing in technologies, which drives improvements in energy and water efficiency to mitigate the impact of agribusinesses on climate change and water stress and produce food more resource efficiently, particularly in most affected regions e.g., SEMED (GET).
- Working with agribusinesses across the value chain to improve employability for women, youth, and groups in disadvantaged areas through providing vocational training (SPGE/EIS).
- Promoting backward linkages between agribusinesses and women suppliers and farmers (SPGE).
- Increasing appropriate access to finance for agribusiness SMEs through providing credit lines and other indirect financing mechanisms, as well as providing local currency finance in countries with a disparity in local currency lending (EIS).

34. **However, the potential "win-win" from investing in Green technology and innovation is not emphasized in the Strategy.** GET highlights that "projects with material outcomes (e.g., local

emissions reductions and water savings) can contribute significantly to transition impacts when they bring clear demonstration effects or improve the competitive landscape". Yet the Strategy presents focus activities under the Competitive and Green TQs that are largely siloed. As the links between sustainability and competitiveness are also made clearly in the Bank's 2021-25 GET approach, this is an area that should be reflected more clearly in the next agribusiness strategy.

35. **Finally, more of the policy dialogue priorities highlighted in these cross-cutting initiatives could have been reflected in the Strategy as they are highly relevant to the growth of the sector.** Policy dialogue is highlighted as an important tool for improving the enabling environment for sustainable resource investments in the 2015 GET approach and key to addressing barriers to equal employment opportunities for women in the SPGE. However, as noted in the previous section, these policy dialogue topics are not reflected in the Strategy (e.g., under the Green and Inclusive pillars) although one could argue that there might be relevant opportunities for engagement in the sector (e.g., to encourage investments in energy efficient agri-processing or storage technologies).

2.1.4. Links to Bank Strategies

36. **The analyses of the agribusiness content of seven sample county strategies (CSs) – Egypt, Kyrgyzstan, Lithuania, Poland, Ukraine, Tunisia, and Türkiye – revealed a moderate-strong "alignment" between the CSs and the Strategy.** It is not possible to analyse in detail the extent to which agribusiness was expected to help deliver on CS priorities, as this is not discussed in the CSs. At the same time, where there is high alignment, it may be because agribusiness is listed in the PMF for a given CS as an area of engagement that will be tracked and is expected to contribute to the delivery of a specific CS priority. Clear areas of consistency include the following:

- **Sustainable investment:** among the CSs most aligned with the Strategy were the CS for Ukraine, Türkiye, as well as for Egypt and Tunisia.
- **Focus on strengthening the resilience of the financial sector and developing domestic capital markets:** the Türkiye, Egypt and Ukraine strategies recommend doing this by supporting the development of local currency lending products and increased equity and venture capital investment, both of which are also highlighted as mechanisms to provide innovative and affordable financing to agribusinesses in the Strategy.
- **Supporting higher value-added activities and value chain integration:** the Türkiye CS advocates for investments, which will strengthen linkages and export competitiveness while fostering technology and skills transfers, all of which are key areas of focus under the Competitive and Integrated pillars of the Strategy. Similarly, the CS for Tunisia calls for unlocking higher value exports of bottled olive oil.
- **Addressing trade barriers through investment in infrastructure and supporting the adoption of standards:** the Ukraine CS recommends investments in logistics centres and operators, as well as supporting companies to adopt EU standards, both of which are highlighted in the Strategy as ways to improve productivity (competitive) and support exports (integrated). Also, the CSs for Türkiye, Egypt and Tunisia call for addressing barriers in trade, including in agricultural products.

37. **Policy dialogue priorities set for agribusiness in the CSs of key agricultural countries could however have been better reflected in the Strategy.** In addition to the strategic alignment, selected CSs have **policy priorities** related to agribusiness, particularly those **for Türkiye and Ukraine.** For instance, the policy priorities 2018-20 in Ukraine and Türkiye included agribusiness policy dialogue alongside Competitive and Well governed TQs. In Ukraine, a generally agri-centred

CS prioritized policy efforts supporting the implementation of the national water management system reform, as well as reforming the legal framework for economic cooperation in the agribusiness sector. In Türkiye, the CS identified agribusiness-related policy dialogue priorities focused on trying to initiate the "rationalization of incentives measures" (reduction of subsidies) being provided by the state to the agricultural sector. The Agribusiness Team did respond to these goals set in both CSs (see Section 4.2) but in general, policy dialogue priorities were not emphasised in the Strategy. The analysis of the links between the Strategy and CSs is presented in Annex 5.

38. **The Strategy is adequately aligned with the Bank's other sector strategies relevant to agribusiness, where there is potential for joint projects and activities.** Ambiguity remains about how EBRD's sector strategies should interact with and inform each other. That said the Strategy certainly acknowledges that it does not act in a vacuum, as it states in its first slide, that "this Strategy would interface with the Energy Strategy, as well as the cross-cutting thematic strategies and approaches." The Strategy's section on key transition challenges and the one on the approach also talk about cross-cutting challenges for agribusiness, energy, and transport under the TQs although they do not specifically refer to the Bank's strategies in these sectors. Crucially, the Strategy contains a table on cross-sectoral linkages with 12 of the Bank's sectors/teams, with which the team identified potential areas of cooperation (slide 30 in the Strategy).

2.1.5. Consultation process

39. **Internally, there is clear evidence that during the Strategy preparation, the Agribusiness Team held relatively intensive inter-Bank consultations with other teams both on strategic and technical issues, as well as with the Board.** Reportedly, the regional offices (ROs) consulted included "those with relatively large Agribusiness" (certainly Ukraine, however no further details were provided on consultations with other ROs).[8] During the consultations with the Bank's other teams, areas of common interest and of potential cooperation were discussed and identified. These opportunities have been summarised in the "Cross-sectoral linkages" (slide 30 of the Strategy), indicating several potential joint projects, e.g., in port infrastructure and logistics with Transport; agribusiness equipment or fertilisers with the Manufacturing and Services (M&S) Team, or energy efficiency improvements and circular economy with the Energy Efficiency and Climate Change (E2C2, currently the Climate Strategy and Delivery [CSD]) Team). Some of these joint projects were realised during the Strategy period, see Section 3.2.2. The Agribusiness Team stressed particularly useful consultations with the **E2C2 Team**, thanks to their participation in technical as well as strategic discussions. Moreover, the Agribusiness Team closely engaged with the Board of Directors on a bilateral basis, as well as during the discussion of the Strategy draft at the Board's Financial and Operational Policies Committee.

40. **Externally, the Bank invited civil society organisations (CSOs) to provide feedback but only partially integrated it.** The Bank invited 1,573 CSOs to provide comments on the Strategy's draft, accepting such comments on the website for over 50 days. Furthermore, a series of in-person consultation meetings was also held in Ukraine, Jordan, and at the FAO, where a range of CSOs – from environmental organisations, such as WWF, to industry associations – provided comments. However, the feedback that was provided was only partially integrated into the final Strategy, because some comments pushed for the Bank to implement actions (e.g., working more with

8. Other teams and departments consulted in the process of the Strategy preparation included Energy Efficiency and Climate Change (E2C2), currently Climate Strategy and Delivery (CSD), Sustainable Infrastructure Group (SIG) and its teams, Financial Institutions (FI), particularly the SME Finance and Development (SMEFD), other teams from the Industry, Commerce and Agribusiness Group (ICA), Policy Strategy and Delivery (PSD), Environment and Sustainability Department (ESD), Local Currency and Local Capital Markets (LC2) and the Legal Transition Team (LTT).

farmers) that would not align well with its mandate. For example, some CSOs asked the Bank to place greater emphasis on supporting SMEs and cooperatives through more direct investment and TCs and de-risking local banks to lend more to SMEs. Sharing risks with local banks to lend to agribusiness SMEs was integrated as a key part of the Strategy, as well as investing in agribusiness, which integrates SMEs into supply chains – within the limits of the sound banking principles and high transaction costs associated with smaller deals. The CSOs also asked the Bank to address the trade-offs between climate change and investing in livestock production, requesting that the EBRD take a clearer position on how it will address the environmental costs of these investments. This is an area where feedback has arguably not been well integrated into the final Strategy, which states quite vaguely that the Bank will focus on "increasing the efficiency and sustainability of livestock, dairy, and other primary subsectors".

41. **The Agribusiness Team has also consulted with other external actors, such as CEOs of selected agricultural companies to better understand their future needs, as well as IFIs**, e.g., formal consultations were held with IFC in Kyiv discussing synergies and areas for cooperation. However, this has not resulted in the Strategy containing references to cooperation opportunities with any IFIs. Instead, the Strategy contains a rather general list of EBRD's "comparative advantages" compared to other IFIs and a table indicating which IFIs provide financing or conduct policy dialogue in this sector by region. This is useful, but information on identified key opportunities for joining forces with selected IFIs on specific types of projects and policy dialogue activities would have been welcome.

2.2. The Strategy has influenced shifts in the portfolio without fundamentally changing its structure

Evaluation Question: To what extent was the Bank's Agribusiness Strategy implemented?

42. **Although there is no specific evidence that the Strategy was used as a guide to operationalise the Bank's work in the agribusiness sector, it appears to have impacted the design of projects and particularly their TI architecture.** Many operations aligned relatively well with the Strategy, aided by TI-supportive components and TCs. In terms of the implementation of strategic priorities, "Enhanced productivity and value addition" (linked to Competitive TQ) was by far the most frequently targeted focus area. "Innovative and affordable financing" (linked to Resilient TQ) was also a regular target. The prevalence of these two focus areas was largely due to their preferred status in two financing frameworks (Direct Financing Facility [DFF] and the RSF), under which three-quarters of the agribusiness projects were financed. Moreover, a good share of operations (investments and policy dialogue) pursued "Strengthened market links" (related to Integrated TQ), supporting agro-exporters, as well as "Improved business conduct and standards" (linked to Well governed TQ). The Bank has also targeted "Sustainable agribusiness" (linked to Green TQ) and "Inclusive value chains" (linked to Inclusive TQ), albeit mainly as secondary TQs, often with smaller projects' components or TCs. This was a positive trend. However, the share of these two focus areas could have been higher, given the top priority status assigned to them by the Strategy. This reflects the known and required balance between pursuing business opportunities in EBRD's demand-driven model and adhering to transition-related priorities.

43. **The Bank did substantially increase financing (in volume terms) to primary agriculture and the ETCs, while it also expanded business with SMEs directly and through a new platform – the RSF.** Moreover, it pursued active inter-Bank cooperation, developing more joint projects with Infrastructure, Financial Institutions (FI) and M&S teams.

44. Considering the frequency of targeting Green and Inclusive TQs (although mainly as secondary TQs), as well as the extent and diversity of policy dialogue engagement, the **effectiveness of the Strategy's implementation (on the portfolio/quantitative level) is rated *good*.**

45. This section first reviews the Strategy as a prioritisation tool before analysing whether it has indeed influenced the portfolio structure.

2.2.1. The Strategy as a prioritisation tool

46. **The level of detail of description of the operational priorities in the Strategy is acceptable for a higher-level, sectoral strategy document but could have been better framed in context.** As mentioned in Section 1, key sector challenges identified by diagnostics were developed into six focus areas that are closely aligned with the Bank's six TQs. For each focus area, the Strategy then sets five to seven operational priorities that are largely based on the findings of the diagnostic analysis, aided with the results of internal consultations with other teams and with the Board. As the team explained, a consideration in designing the Strategy was that it needed to be "implementable" and focus on key priorities only. EvD generally agrees with this view. However, it notes that the Strategy could have been clearer and easier to read if the operational priorities had been divided into more general (higher-level) and more precise, set for each of the four to five key agricultural countries/regions (e.g., Ukraine, Türkiye, SEMED, Central Asia). This would be justified as there are substantial differences in the types of interventions needed in each of these, while specific priorities for them have been largely set in the CSs. For instance, increased productivity, attracting FDIs and a focus on sustainability might have been prioritised for Ukraine; more inclusive agriculture, improvement of standards and irrigation could have been prioritised in SEMED and Central Asia, while capital markets transitions, innovation and Green TQ could have been more emphasised in CEB and Türkiye. More specificity per key country/region in the Strategy would result in a stronger focus and easier reference, providing more effective guidance for the selection of projects. EvD notes that this was partially done in respect of only one operational priority in one region, i.e., "food security" was set as a priority for SEMED.

47. **In addition, the Strategy's utility to guide project selection and to sharpen the Bank's focus on key areas was eroded by a very broad definition (or rather its absence) of the "Enhanced productivity and value addition" focus area.** The operational priorities under this area called for "Supporting private sector to increase productivity and production of value-added products; also via the diffusion of innovative practices (e.g., smart and digital agricultural innovation)". This could have been a good definition if not for the "also", which implied that any project with a private client aiming to increase productivity, or the manufacture of value-added products was an operational priority under the Strategy. Innovation was just an option. This enabled the Bank to finance virtually any agribusiness project, continuing its traditional demand-driven approach. Without "also" this definition would have been much narrower, forcing the Bank to search more actively for opportunities to promote innovation or to incorporate innovative technologies and practices in its "plain vanilla" (working capital [WC] provision) projects. Such projects with innovative components might be more difficult to identify but they would also be much more relevant for an IFI aiming to "foster transition", like EBRD.

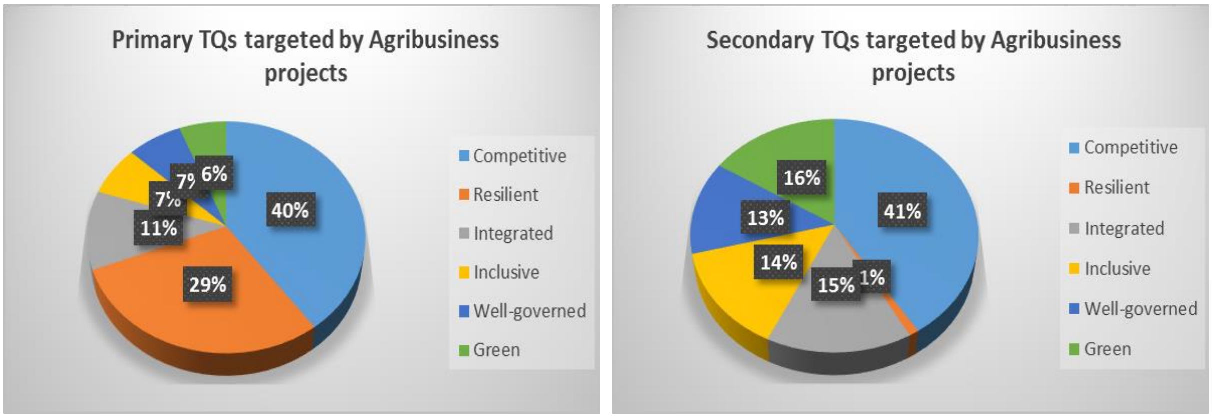
48. **The absence of more ambitiously set operational priorities impacted results.** Although the Strategy refers several times to its support to innovation in agribusiness, this has been insufficient as there have been relatively few projects supporting innovative practices (biomass boilers, photovoltaic panels, light-emitting diode (LED) lighting, etc.) and virtually none promoting "smart and digital agricultural innovation" in primary agriculture (see Section 4.3 and Annex 12).

49. **Moreover, the Strategy sets only general and relatively vague priorities for policy dialogue and TC in this sector including for Agribusiness Advisory, its advisory division, which was only mentioned in passing[9].** After 25 years of close cooperation with the FAO on policy dialogue (see Section 3.2.3 and Annex 15), the Bank has acquired unique knowledge of policy gaps and potential project opportunities in different countries in this sector. However, the Strategy provides only very general information on what the Bank intends to achieve in policy dialogue, e.g., "engaging in public-private dialogue on specific reforms, with a view of promoting long-term liberalisation of the sector and free trade." This section of the Strategy should have been more substantial. It should be setting clearer goals for key countries/regions especially as several ongoing policy dialogue and/or TCs have been extended with multiple phases and were expected to be continued for the foreseeable future (e.g., Public-Private Dialogue in the Grain Sector in Egypt). EvD notes that some CSs refer to policy dialogue in agribusiness but offer few details. Better defined and articulated policy dialogue and TC objectives could have provided stronger incentives and clearer guidance to bankers (especially in the ROs) to engage and target specific policy areas.

2.2.2. Impact of the Strategy on agribusiness investments

50. **An analysis of the agribusiness projects signing portfolio of 2019-21 shows that it was strongly skewed towards two TQs.** The most frequently targeted by far was Competitive, i.e., by 40 per cent of projects as a primary TQ and 41 per cent as a secondary TQ. Resilient was the second most frequently targeted primary TQ in this sector by 29 per cent of projects but only by 1 per cent as a secondary TQ (Figure 2).

Figure 2: Primary and secondary TQs targeted by agribusiness projects in 2019–21



51. **The prevalence of Competitive and the relative popularity of Resilient were mainly due to a large number of agribusiness projects (76 per cent of the total) being developed under financing**

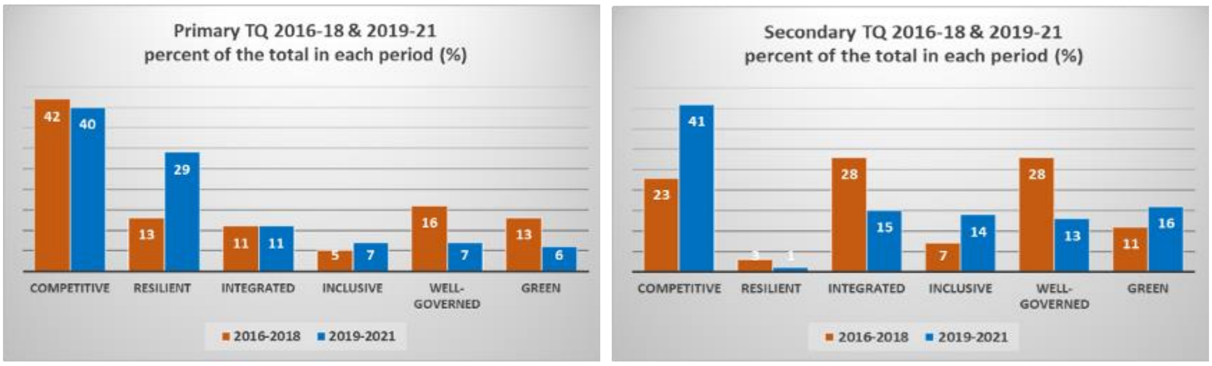
9. This was also brought up during the Board discussion approving the Strategy (BDS/M/18-20F – Minutes of the Board of Directors meeting of 3 October 2018).

frameworks. The frameworks recommended giving preference to certain TQs in those projects financed under them. For instance, the DFF recommended Competitive as a primary TQ for the framework's sub-projects while the RSF recommended Resilient or Competitive.

52. **In volume terms, the structure of targeted TQs generally reflected that of the number of projects, with the notable exception of Resilient** – projects targeting it were the lowest in volume terms (€83 million or 3 per cent) for primary and secondary TQ (1 per cent) as RSF projects were typically very small. This lifted Integrated into the second position and Inclusive (17 per cent) into the third, with Green (10 per cent) following. Among secondary TQs, Green was the second after Competitive, with €0.5 billion or 19 per cent of projects targeting it (see Annex 6 for volume-presenting figures). However, such financing volumes were rarely dedicated entirely to Green or Inclusive types of investments. They were typically WC loans with only smaller components or TCs supporting Green/Inclusive TQs. Therefore, the number of projects rather than the volume targeting certain TQs is a better indicator to measure the extent of the implementation of Strategy priorities (as applied in the next sections).

53. **There was not much change in targeting primary TQs but there was a substantial change in targeting secondary TQs between 2019-21 and the three years preceding the Strategy (2016-18)**[10]. Figure 3 provides a comparison of targeted TQs structure in both periods. For primary TQs, little changed except for a much larger share of Resilient (due to the Bank doing more RSF projects now) at the expense of Green and Well governed. Competitive TQ clearly dominated projects in both periods, even almost doubling its share among secondary TQs in the Evaluation Period.

Figure 3: Structure of primary and secondary TQs targeted during 2016-18 and 2019-21



54. **Green as primary TQ went down significantly, which was partly compensated by its increased targeting as secondary TQ.** There were only 8 projects, **5.5 per cent of the total targeting Green** as primary TQ during the Evaluation Period[11]. The shrinking of Green among primary TQs can be explained by the prevalence of framework projects under which Competitive and Resilient TQs were recommended as primary targets. Conversely, the share of Green increased by almost 50 per cent among secondary TQs: It appeared in 23 projects (or 16 per cent of the total) in 2019-21, substantially improving the Agribusiness Team's "Green credentials".

10. During this period, not all projects had TQs clearly designated, therefore the TQs were assigned by EvD ex-post, based on the project's nature and objectives.
11. To avoid double counting for the TQ targeting analysis, 16 projects recorded in the agribusiness portfolio as separate that were in fact part of the same operation with another project (with the same Operations identification number) were merged, resulting in the analysis of 145 projects.

The evaluation of six of these projects demonstrates that the Bank's team has been trying hard to incorporate "sustainable agribusiness" into largely commercially focused projects, with the clients' primary interest in obtaining financing for WC or store network expansion.

55. **Inclusive TQ, related to the third top priority, inclusive value chains, slightly increased its share of primary TQs and doubled its share of secondary.** During the Evaluation Period it was targeted by 7 per cent of operations as a primary TQ and 14 per cent as secondary. Six projects targeting Inclusive as primary TQ were evaluated (. They demonstrate ambitious objectives (accreditation of corporate academies, enhancement of their training programmes, increase in women's employment, etc.), but their implementation results were mixed (see Section 3). However, the targeting trends were positive and indicated that setting these two areas as top priorities in the Strategy had an impact, perhaps not so much on project selection but on shaping selected projects, ensuring that they incorporated components (although usually smaller or supported just by a TC) that targeted more ambitious top priority areas.

56. **Among the Strategy priorities given relatively lower weighting, Resilient and Integrated were more frequently targeted as primary TQs than Green and Inclusive.** As mentioned, the relative popularity of Resilient (29 per cent) was mainly due to many RSF projects with local banks, which implied targeting this quality as the primary TQ. This is confirmed by the virtual absence of Resilient among secondary TQs. Moreover, Resilient was targeted by capital markets projects under which the Bank invested in equity bonds (seven projects in the Evaluation Period) or new market instruments (e.g., commercial paper [CP] of a retailer in Lithuania, or corporate bonds of a retailer in Türkiye, both of which were evaluated). Integrated (11 per cent as primary TQ and 15 per cent as secondary) was targeted in the projects under which the Bank supported the export of agro-products, export-enabling infrastructure or FDIs.. It is noted however that the border between Competitive and Integrated was very thin, e.g., Competitive was chosen for an Egyptian table grapes grower and exporter, to which the Bank provided financing to purchase new seeds and machinery, although Integrated could have also been chosen as the company exports almost all of its production.

57. **Finally, Well governed TQ (7 per cent as primary and 13 per cent as secondary) was the least frequently targeted TQ overall (although still targeted slightly more often as primary TQ than Green).** Under projects targeting Well governed, the Bank supported restructuring companies, the introduction of international financial reporting standards (IFRS) financing, the creation of audit committees, better disclosure, and other corporate governance improvements. These projects were spread among different sub-sectors and countries. Although there might be an expectation that projects targeting Well governed TQ would be concentrated in SMEs in ETCs, they selectively also appear in projects with large, established companies in the advanced countries. Well governed TQ was also targeted less frequently than in the previous period because governance issues have already been addressed earlier with many clients with whom repeated projects were often signed in 2019-21.

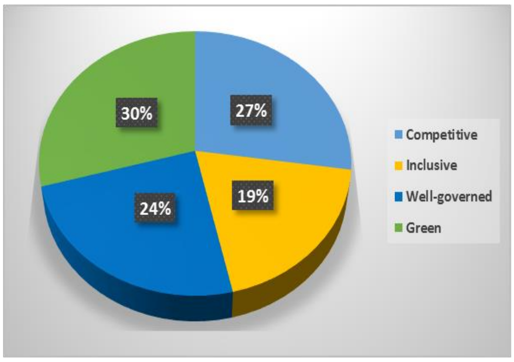
58. **Overall, the portfolio is less balanced than expected given the priorities set by the Strategy itself, as well as the importance the Bank assigns to GET and EIS/SPGE initiatives, which has not significantly changed over time.** It is evident that after the Strategy's approval, the Bank did not dramatically shift its focus in agribusiness, as the structure of primary TQs targeted by its projects changed relatively little. However, some progress was achieved in improving project targeting, aligning them better with top Strategy focus areas. Targeting sustainable agriculture

and inclusive value chains increased under secondary TQs, often with smaller project components or TCs. There is ample evidence that the team has been trying hard to incorporate Green and Inclusive components into its projects whenever possible, but opportunities (or client interest) were not always there. It demonstrates the challenges the Bank faces with finding suitable projects targeting these more ambitious priorities in this highly competitive sector.

2.2.3. Impact of the Strategy on TC and policy dialogue operations

59. **The analysis of operational priorities targeted by agribusiness TCs (linked to investments but not due diligence-related) indicates that the Bank made efforts to compensate a weaker focus of its investments on the Strategy's top priorities, such as sustainable agriculture and inclusive value chains, by actively targeting them with TCs.** This is due, on the one hand, to the Bank's efforts to promote Green (30 per cent of TCs) and Inclusive (19 per cent of TCs) objectives through multiple TCs (sometimes three to four under one project) to boost such projects' transition potential. On the other hand, the frameworks-related recommendations to select Competitive or Resilient as TQs for investments under such frameworks did not apply to TCs as there are virtually no Resilient-supporting TCs while those targeting Competitive are less frequent than in the case of investments (Figure 4).

Figure 4: Share of TQ targeted by agribusiness TCs (not related to due diligence)



60. **Among investment-related TCs, those targeting Green were the most frequent** (29 per cent) and had the highest budget allocated (€2.8 million, or 41 per cent of the total). They slightly surpassed Competitive (27 per cent with a €2.2 million budget). This demonstrates the Bank's good effort to promote "sustainable agribusiness" through diverse interventions such as e.g., the assessment of climate risks and opportunities for grain traders, the Building Research Establishment Environmental Assessment Method Green Building certification and identification of Green investment opportunities for supermarkets.

61. **TCs also targeted Inclusive TQ more frequently than investments**, although it had the lowest share (19 per cent) of the four main TQs targeted. Unspecified "youth training programmes" prevailed as a type of intervention but there were also financial literacy trainings for farmers, gender studies, inclusion of refugee support (in Türkiye), skills needs assessments, internship programmes support, work-based training programme developments, vocational qualification standards developments, workforce planning, etc.

62. **Competitive and Well governed were also targeted frequently by TCs, accounting in aggregate for about half of all TCs.** They were often provided under the Agribusiness Advisory, or the Bank's ASB Programme (see Section 3.2.2). Interventions ranged from marketing/sector/competitiveness studies, advice on production efficiency/technology, quality and traceability standards improvement, business plan/operational strategy development, environmental and social action plan (ESAP) implementation assistance, food safety management system introduction, corporate governance action plan development, etc.

63. **Among the Bank's policy dialogue activities, Integrated and Competitive seem to prevail, at least in some regions like SEMED** (see Section 4.2 on policy dialogue results). In Egypt the Bank supported several sectors, with the public-private dialogue in the grain sub-sector being the key one. It targeted Integrated by addressing grain import inefficiencies, but also Well governed (at a high level) by advocating for the liberalisation of grain imports, with a larger role played by the private sector. Another of the Bank's large policy engagements in Egypt aimed at strengthening compliance with food safety requirements in horticulture value chains. It targeted Competitive but also Inclusive and Integrated as farmer training and work with the Agricultural Export Council were geared towards enhancing the potential of Egyptian horticultural producers to export their fruits and vegetables. Also, in Tunisia, policy dialogue in the olive oil sector was focused on increasing product quality and enhancing its marketing to enable the export of more value-added (bottled) olive oil by SMEs (targeting both Competitive and Integrated TQs).

64. **Policy dialogue in Ukraine was in some cases reactive to crisis situations and focused on selected, well-defined issues such as African Swine Fever risk mitigation or COVID-19 emergency response** (both targeting Resilient). However, other engagements aimed to address systemic issues, for instance, developing laws/legislation on agricultural cooperatives and supporting agribusiness industry self-regulation (Well governed), supporting the adoption of digital agricultural technologies and reforms to increase irrigation (both with some Green-supporting aspects but also with clear Competitive and Well governed credentials). In Türkiye, the Bank aimed at the rationalisation of agricultural subsidies, which could be classified as targeting Well governed TQ but also Competitive as it ultimately aimed to improve the competitiveness of the Turkish agribusiness sector.

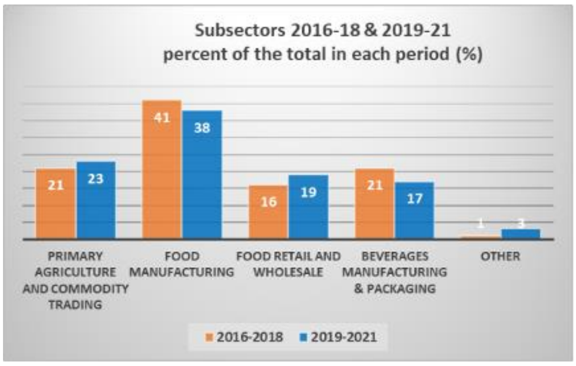
65. **The analysis in this section is based on the ex-post assignment of TQs to TCs by EvD as technical assistance and policy dialogue activities are rarely categorised under specific TQs.** The EvD has reviewed the 161 agribusiness operations signed during the Evaluation Period, identifying 136 TCs related to specific investment projects with a total (EBRD-share financed) budget of approximately €8.5 million, of which 99 (or 80 per cent) were in support of transition-related objectives and the rest supported project preparation (mainly due diligence). Then the EvD assigned four main TQs that were the most frequently targeted – Green, Competitive, Well governed and Inclusive – to those 99 non-due diligence-related TCs with a total budget of €6.7 million to conduct the above analysis[12]. These were all "planned TCs" and many were not implemented, often due to COVID (their implementation is planned for the future or not at all).

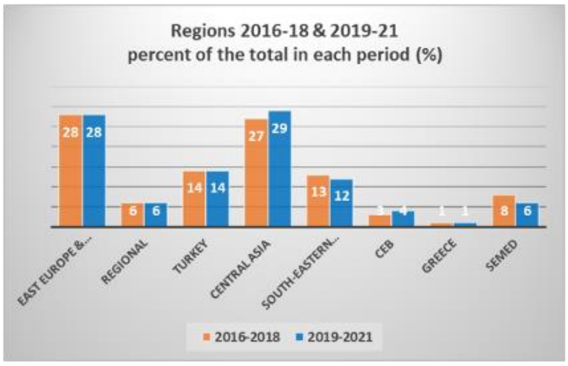
12. The TCs were identified based on approval reports for investment projects. The assignment of TQs to TCs has not been "pure science" as it was based on brief and general descriptions in the project approval reports.

2.2.4. Impact of the Strategy on the sub-sectoral and geographical portfolio structures

66. **There was relatively little change in regional and sub-sectoral targeting from 2016-18 to 2019-21 in terms of number of projects.** However, this hides substantial shifts between these two periods in terms of volumes (Figure 5).

Figure 5: Comparison of sectoral and geographical portfolios of 2016-18 and 2019-21 - project numbers





67. **With €735 million, "primary agriculture and commodity trading" was the top sub-sector by volume among the projects signed during the Evaluation Period, with a 77 per cent absolute increase on €415 million in 2016-18, and almost doubling its share in total volume (from 18 per cent to 33 per cent).** This was partially due to large operations with a crop and sunflower oil producer in Ukraine (€156 million provided under three projects), and a cotton producer in Uzbekistan (€62 million under two projects). All of these projects were in the "crop farming" category that, during the discussion on the Strategy preparation, was singled out by the Board Directors as requiring more attention[13]. "WC financing" was the most frequent type of operation in this sub-sector, although some projects also included capex tranches, e.g., for grain storage or biomass boilers.

68. **The targeting of ETCs also improved with volume doubling from 10 per cent (€0.2 billion) in 2016-18 to 21 per cent (€0.4 billion) in 2019-21.** This was an important achievement under the Strategy. A large number of projects in Central Asia was another characteristic of the Bank's agribusiness portfolio in this period and aligned very well with the Board's recommendation to focus on "small countries" and ETCs. Moreover, most of the projects in Central Asia, as well as many in Eastern Europe and the Caucasus were with SMEs (73 or 45 per cent of the total project number), demonstrating that the Bank has been successfully targeting the development of the local markets through SMEs, in line with the Strategy.

69. **On a less positive note, the share of the project number as well as the volume of financing entirely dedicated to SEMED countries decreased from 12 projects (8 per cent of the total) and 10 per cent (€220 million) of the volume in 2016-18, to 10 projects (6 per cent of the total) and only €33 million or 1.5 per cent of the volume in the Evaluation Period.** The Strategy singled out SEMED as of particular importance due to large transition gaps, low productivity and high reliance on food imports. It was the only region, for which "food security" (the previous Strategy's priority

13. On its own, "crop farming" accounted for 12 per cent or the total volume and 10 per cent of the total project number.

area for all COOs) was retained. Two reasons explain the decline for the region. One was that in 2019-2022, the team developed more regional projects partly or entirely dedicated to several SEMED countries (they lifted the volume share of this region to 6 per cent in the Evaluation Period). There were also three SEMED projects led by other teams, for which agribusiness received credit (see Section 3.2.2).

70. Another reason for relatively low engagement in SEMED was the difficulty for a foreign bank, such as EBRD, to offer local currency financing on competitive terms. This was related to high swap rates, which had to be paid by the Bank to obtain local currency, as well as to the agricultural policies of most SEMED countries, under which state banks offered subsidised financing to farmers and agro-producers. As a result, in some countries, e.g., Egypt, all Bank loans were in hard currency. However, such financing was suitable mainly for exporters, who earned hard currency. It is also noted that several SEMED-specific projects, as well as the two regional projects, supported the “primary agriculture and commodity trading” sub-sector, which strongly aligned with the “food security” priority set for this region in the Strategy. One also needs to mention the Bank’s impactful policy dialogue in Egypt, geared towards increasing the efficiency of Egyptian grain imports and unblocking its horticultural exports, as well as capacity building among Tunisian olive oil producers to increase value-added exports (see Section 4.2). This contributed to enhanced food security in these countries that are vulnerable to commodity price shocks.

2.3. The PMF was not helpful for guiding implementation

71. **The use of the PMF as guiding tool was hindered by the variable relevance of indicators and, above all, by the absence of regular monitoring.** The PMF was designed to provide a clear and relevant set of indicators that should facilitate the monitoring and evaluation of the Bank’s agribusiness portfolio in a relatively standardised manner. However, the relevance of the proposed indicators varies at all levels. More importantly, the PMF has not been utilised as the Agribusiness Team has neither been tracking any of its projects’ results (beyond reporting to Monarch) or aggregating data from its projects during their implementation alongside relevant PMF indicators. EvD understands that lack of resources was the primary reason. For this evaluation, EvD was able to compile data on outputs and on a few outcome indicators (see Annex 7).

72. **The output level indicators are generally acceptable to monitor and evaluate the Bank’s investments, TCs and policy dialogue.** They measure the number and volume of investments relevant to each of the TI qualities (e.g., “investments with a competitive quality”), as well as the number of relevant TCs or policy dialogue activities (e.g., those “promoting competitive value chains in agribusiness”). This enables the Bank to assess the intensity of its support against each TQ both at the overall portfolio and country levels. However, one potential area of improvement would be to add further granularity to the output indicators. For example, under Competitive TQ, the Bank could potentially track the number and volume of investments that promote forward and backward linkages with suppliers and farmers or/and bring in new and improved food safety standards, as separate categories. This would enable better tracking of the types of interventions within key TQs, demonstrating which types prevail and which need to be targeted more vigorously. EvD compiled information on outputs (the volume and project number targeting each priority area linked to one of the six TQs). Annex 7 summarises these outputs and lists the outcome indicators for most of which aggregated information is not available such that EvD is unable to comment on their status.

73. **At the outcome level, some of the PMF indicators could be regarded as adequate for the monitoring and evaluation of the most basic (primary) types of outcomes stemming from investments, but less so for TCs or policy dialogue.** Their relative simplicity is evident and might have been intentional to enable quick monitoring (although no such monitoring has taken place). In summary, the key weaknesses of the PMF outcome indicators include:

- **Modest numbers – one or two outcome indicators per TQ.** This has limited applicability as agribusiness projects generate diverse outcomes. For example, under Green there are no indicators to track improved resource use (e.g., the total volume of water use reduced) or reductions in food waste along the value chain.

- **Inadequate type to measure outcomes (particularly of TCs and policy dialogue).** Some of the indicators included under “outcome” could qualify only as output indicators. For instance, “number of people trained” is one of the PMF’s two outcome indicators for Inclusive TQ. This would be an output indictor for a capacity building TC normally, rather than an outcome. An indicator for the latter should measure benefits brought by such training or the intensity of practices learned through such training being put into action. Similarly, “the number/volume of SMEs supported” is the PMF’s outcome indicator for Resilient TQ, while one measuring the success of such SMEs should have been proposed as an outcome.

- **Lack of secondary level outcome (or project impact) indicators that would track the impact of the Bank’s projects on farmers and consumers**, as IFC highlights in its Agribusiness Anticipated Impact Measurement and Monitoring (AIMM) Framework, key beneficiaries from agribusiness investments tend to be farmers/suppliers, employees, and consumers (depending on where the investment is along the value chain)[14]. Accordingly, IFC aims to track several metrics for each of these groups (where relevant) for each agribusiness deal, including the number of farmers and consumers reached and the depth of the impact (e.g., revenues and productivity increases at the farmer level). Although the PMF has relevant outcome indicators at the employee and agribusiness SME level, it is lacking metrics at the farmer or consumer level.

74. The only two outcome indicators for which EvD was able to compile information were related to Resilient TQ – the number and volume of operations with SMEs and capital market transactions. They show 73 projects (45 per cent of the total) financing SMEs – 29 directly (mainly through the DFF, and 44 indirectly (through the RSF with local banks). This is an excellent performance as the Strategy’s priorities mention the SMEs four times. Moreover, the Bank supported nine capital market transactions (also linked to Resilient TQ), investing equity in seven projects as well as in corporate bonds and CP.

75. **The utility of the five context impact indicators set in the PMF to measure the performance of EBRD is limited due to the high fragmentation of the Bank’s operations**, often with only one or two projects per sub-sector per country (see Annex 3). In effect, except for Ukraine (and possibly Türkiye), it would be very challenging to argue that the Bank’s highly dispersed interventions had any higher-level impact on any given sub-sector in any country. For instance, even in Ukraine where 11 projects classified as “primary agriculture” were implemented during the Evaluation Period (almost €200 million signed in aggregate), it would be difficult to argue that they impacted average cereal yields in the country (context indicator 1) as many supported commodities trading,

14. Anticipated Impact Measurement and Monitoring (AIMM) Sector Framework Brief – Agribusiness, IFC, July 2019

biomass boilers or other infrastructure rather than cereal farming strictly speaking. At the same time, two projects in Ukraine introducing biomass boilers were useful pilots. However, it would be challenging to claim that they impacted agricultural Gross Value Added compared to agricultural GHG emissions of the entire country (context indicator 3). Moreover, their actual operation has been hindered by the ongoing war. There is some more basis to claim the Bank's contribution to the "ability to meet EU safety standards" (context indicator 2) and "agricultural exports index change" (4), which relied on the Bank's policy dialogue and advisory services. They were slightly more concentrated in certain countries and sub-sectors, but they were also challenging to interpret. Moreover, the Bank specifically targeted safety standards improvements for selected agri-products in selected countries (e.g., providing training to Egyptian horticultural products exporters as well as to Tunisian olive oil farmers and exporters).

76. **Finally, the PMF lacks the ability to relate the Bank's work in agribusiness to specific SDGs, as was noted during Board discussion[15].** This prevents higher level reporting on the Bank's contribution in this sector to such SDGs (an attempt was made through setting five context impacts indicators to capture higher level results, however, as explained above, their utility was limited).

77. **It is noted that the PMF was the first of its kind among the Bank's strategies and therefore can be seen as a "work in progress".** The Strategy does not explicitly say that the PMF's indicators would be monitored, however this was understood as a given (otherwise there would be no reason to include it in the Strategy). It will be also important for the new strategy's PMF to expand and improve the relevance of certain indicators, increasing their granularity, to enable tracking a fuller spectrum of outputs and outcomes that the Bank is targeting. Ideally this would be linked to a full agribusiness theory of change with standardised quantitative and, if possible, qualitative indicators assigned to each step or impact pathway (see Annex 1 for the theory of change proposed by EvD for agribusiness operations).

15. BDS/M/18-20F – Minutes of the Board of Directors meeting of 3 October 2018.

3. Most results achieved despite the challenging context, but some priorities missed and resources strained

78. This section examines the early results of the implementation of the Strategy through the evaluation of a sample of selected projects approved in the Strategy period. The resources involved in implementing the projects are also reviewed. This section focuses on investments. The results beyond investments are examined in the next section focusing on the value added of the Bank for the sector more broadly.

3.1. Generally good performance of projects but with achievements mostly at the output level and with missed opportunities

Evaluation Question: What were the performance and results of the Evaluated Projects?

79. This sub-section summarizes results of the evaluation of 23 agribusiness projects (presented in 14 evaluation briefs with projects with the same client bundled together[16]). The Evaluated Projects are listed in Annex 8, The principal issues identified for each evaluation category are described in the following sections. Section 1.2 describes the methodology used in these evaluations.

80. **Out of 14 evaluations, 11 projects (or groups of projects with the same client) were rated Good overall** reflecting their generally strong relevance, the achievement of key operational objectives, as well as typically strong financial performance. However, most (seven) were given a minus (–), reflecting shortfalls in the attainment of important, usually transitional, objectives. Inversely, there were two projects rated *Good* with a plus (+) in recognition of their achievements, which were slightly above expectations.

81. **One project – Dan Agro in the Kyrgyz Republic – was rated Outstanding overall, in recognition of its pioneering role, demonstrating the viability of inventory-backed financing under the RSF with a SME and in an ETC.** Its relevance, as well as its financial performance were rated *Excellent*. Importantly, the benefits of the Bank's support under this project spilled over to many small-scale farmers. However, its *Outstanding* rating comes with a – because as of now, the innovative structure of inventory-backed financing has not been replicated by the partner local bank acting independently without the EBRD (Table 1).

16. Within the sample most "separate projects" with the same client were effectively tranches of the same project or extensions of the same project, see Annex 8.

Table 1: Summary of ratings of Evaluated Projects[17]

Project, Country	Relevance	Effectiveness	Efficiency	Overall Performance
Anatolian Orchards, Türkiye	*Excellent*	*Partly satisfactory*	*Fully satisfactory*	***Good -***
Migros, Türkiye	*Excellent*	*Partly satisfactory*	*Excellent*	***Good -***
Ulker (Project Treat), Türkiye	*Fully satisfactory*	*Excellent*	*Fully satisfactory*	***Good +***
Barvinok (Kernel), Ukraine	*Fully satisfactory*	*Fully satisfactory*	*Fully satisfactory*	***Good -***
Grain Alliance, Ukraine	*Excellent*	*Fully satisfactory*	*Fully satisfactory*	***Good***
Enzym, Ukraine	*Excellent*	*Partly satisfactory*	*Fully satisfactory*	***Good -***
Dan Agro, Kyrgyzstan	*Excellent*	*Fully satisfactory*	*Excellent*	***Outstanding -***
Kaindy Kant, Kyrgyzstan	*Excellent*	*Partly satisfactory*	*Fully satisfactory*	***Good -***
Emilia, Kyrgyzstan	*Excellent*	*Partly satisfactory*	*Partly satisfactory*	***Good -***
IFFCO, Tunisia	*Partly satisfactory*	*Fully satisfactory*	*Fully satisfactory*	***Good -***
El Roda, Egypt	*Excellent*	*Fully satisfactory*	*Fully satisfactory*	***Good +***
Scandagra, Lithuania	*Fully satisfactory*	*Partly satisfactory*	*Excellent*	***Acceptable Good (potential)***
Maxima, Lithuania	*Excellent*	*Partly satisfactory*	*Fully satisfactory*	***Good -***
Eurocash, Poland	*Partly satisfactory*	*Partly unsatisfactory*	*Partly satisfactory*	***Acceptable***

82. **On the other end of the scale, two projects were rated *Acceptable*. The first project, Eurocash, was rated *Acceptable* mainly due to the weak rationale and failure of most of its outcome-level objectives.** However, the Bank's financing did help Eurocash to acquire Frisco, whose operations contribute to the growth of Poland's nascent e-grocery market. The second, the Scandagra project in Lithuania, is also currently rated *Acceptable* as it mainly provided refinancing of the Bank's existing loan whereas its key objective of supporting the growth of organic commodity business had not materialised (largely due to depressed demand resulting from the current cost-of-living crisis in the EU). Moreover, the TCs designed to support transition-related components of both projects had not taken place (and may or not in the future). However, it is recognised that Scandagra was signed only at the end of 2021 and the client is of the view that it will achieve its objectives by 2025, the benchmark deadline (thus its future potential is rated *Good*).

83. **Results varied across TQs.** There is evidence that the Bank's financing strengthened the competitiveness of its clients' agri-companies and enabled their businesses to grow. The Bank has also effectively supported the exports of agri-products, often combined with the increase of food safety and quality standards. Crucially, several projects had components related to energy efficiency or other Green improvements that were successfully implemented, yielding both

17. Ratings for each category are based on the following scale of: Excellent – Fully Satisfactory – Partly Satisfactory – Largely Unsatisfactory - Unsatisfactory. The overall performance rating scale is: Outstanding – Good – Acceptable – Poor – Very Poor ("-" or "+" may be added to the overall performance rating to distinguish minor performance differences among similarly rated projects).

environmental and financial benefits. The expectations relating to a ripple effect of some of the Bank's projects on local farmers and suppliers (backward linkages) were more difficult to achieve as most processors and aggregators simplified their supply chains to source from fewer, larger-scale farmers. Also, Inclusion TQ-related results fell short of expectations as large agro-employers preferred to train their employees through more basic, short-term training rather than more ambitious programmes. No major higher-level impacts were observed, stemming from the fact that Bank projects as a demonstration effect of RSF projects and capital market investments have not yet materialised.

84. **Overall, the evaluability of agribusiness project results was mixed.** Many had several components/tranches, with five having the provision of WC as a principal objective. The use of proceeds in such projects was often only generally defined (e.g., for day-to-day operations or for the purchase of inputs). It was not ring-fenced from general operations, even if the key project purpose was financing niche-type operations (e.g., purchase of organic commodities by mainly traditional crops trader). Therefore, the use of proceeds in such operations was challenging to trace. The definition of capex investments was better, although in some cases it could have been more precise (e.g., better describing the equipment to be acquired). Benchmarks related to Competitive and Well governed were sufficiently well defined, often in terms of profitability and specific corporate governance measures/certifications, etc. Green TQ-related TI benchmarks were also typically clear, but clients sometimes monitored them differently (see Section 3.1.3). Integrated TQ-related metrics were often defined in terms of amount of export growth to specific new countries. In the event, exports often grew within the region but not to the target countries. Finally, Inclusion targets were often complex because they had several targets that were not always clear. They usually included training a specific number of youths or suppliers but the nature and intensity of training or proposed cooperation between corporate academies and universities/schools were sometimes unclear. Importantly, the results of such training (e.g., in terms of expected increase in exports, costs savings, etc.) were rarely spelled out.

3.1.1. Relevance of objectives: generally strong but sometimes lacking ambition

85. **The relevance of the Evaluated Projects was typically strong as their objectives aligned well with the Strategy's focus areas and some objectives also aligned well with the Bank's strategic initiatives.** However, as described earlier, one of the three top strategic priorities (focus areas) **"Enhanced productivity and value addition", was very broadly framed in the Strategy, enabling almost any relatively simple but commercially focused (e.g., WC provision) agribusiness projects to be aligned with it.** Nevertheless, most Evaluated Projects were with SMEs or had components with ambitious objectives related to Green, Inclusive, or Integrated TQs, which boosted their relevance. For instance, the relevance of repeated projects, which aimed to expand Migros' retail store chain in Türkiye, was enhanced by the inclusion of many ambitious objectives related to Green and Inclusive TQs, with the former linked to the Bank's financing and supported by a TC.

86. **The projects' Green-related objectives were generally linked to the Bank's financing.** For instance, key objectives of the Barvinok project (with one of the leading Ukrainian vertically integrated agro-companies) and the Green Alliance project were to construct biomass boilers/dryers, generating energy for the company's use as well as for sale back to the grid. In these projects, the Bank has also demonstrated its strong non-financial additionality by providing a TC for biomass burner feasibility studies through the European Union Neighbourhood Investment Fund (EU NIF) and concessional tranches through the Clean Technology Fund.

87. **However, while working with some, large, established, and repeat clients, the Bank could have strengthened the relevance of its interventions by setting more ambitious objectives.** For

instance, the objectives of a €75 million loan for refinancing and acquisition provided to Ulker, a leading Turkish biscuit producer and exporter, included export markets expansion and supplier training to achieve a zero-defect manufacturing certification (supporting Integrated and Competitive TQs). However, despite this good alignment, it could be argued that the Bank could have pushed a company of Ulker's size and target environmental sustainability or inclusiveness, particularly as the company already has a large. well-run sustainability department, whereas expanding to new export markets would have been a core focus for the company with or without EBRD financing.

3.1.2. Achievement of outputs: satisfactory but with less success on backward linkages and Inclusive TQ

88. This section first examines physical results and then outputs related to TI under each of the six TQ.

89. **In terms of physical results, WC and refinancing components of relevant Evaluated Projects were implemented on time usually, however the implementation of capex components varied.** In some cases, results were impressive, with Migros refurbishing and constructing three times as many stores in Türkiye as initially planned, and Grain Alliance constructing its storage facilities in Ukraine on time. Other projects suffered due to restrictions related to COVID or, more recently, the war on Ukraine, e.g., Kernel constructed its biomass plants with about a two-year delay due to delays in equipment delivery and bureaucratic impediments during the licensing process. The completion of Enzym's production facilities was delayed by about a year due to COVID (the suppliers were not able to come install the equipment) and then the war.

90. **Competitive and Integrated objectives were typically achieved.** Most SMEs (financed under the RSF and DFF, which had Competitive as one of its targeted TQs) performed well financially (see Efficiency below). However, some projects missed their targets. For example, Anandolu Etap created a new brand of juice for the Turkish market but only business-to-business, as it concluded that the originally targeted business-to-consumer would not generate a premium. Similarly, the export increase objectives (often related to Integrated or Competitive TQs) were largely achieved but not always as planned. For instance, Ulker (the Turkish biscuit producer) increased exports as planned but not exactly to the countries that were benchmarked (thus a lesson to set export expansion targets for regional rather than country level). COGIA expanded its bottled olive oil exports (rare in Tunisia, which exports olive oil mainly in bulk) to ten new markets, diversifying away from the Gulf States and demonstrating the benefits of value-added exports.

91. **However, El Roda (a table grape exporter from Egypt) found their project's objective of expanding exports into Asia challenging due to very strong competition there, high costs and lower prices offered.** Due to strong demand from Europe, especially from the United Kingdom, El Roda decided to stick to their current markets, which resulted in their export volumes growing more than planned. In other cases, the war on Ukraine impaired projects and thus client export potential. The exports of Enzym (a yeast producer from Ukraine) have not started yet due to delays with the construction of production facilities (delayed by the war) and increased domestic demand. The exports of Emilia (a Kyrgyz cheese producer) dropped as the company had to refocus on the domestic market after the rouble's depreciation made it difficult to sell on the Russian market. As for food safety-related improvements (which supported Competitive or Integrated TQ when helping boost exports) targeted by several projects, they were also mostly achieved, including certifications, e.g., ISO for environmental management and health and safety by Anadolu Etap, as well as Zero Defect Certification by Ulker's 500 suppliers of packaging and ingredients.

92. **Also Emilia achieved the ISO 22000 certification for food safety management.** However, COGIA in Tunisia has not implemented blockchain-enabled traceability technology for its olive oil supply chain due to other priorities but emphasised its interest to do so in 2023. It attained a British Retail **Certificate (BRC) for food safety as planned, however it decided to obtain International Featured Standard (IFS) and Sedex Members Ethical Trade Audit (SMETA) certifications** rather than the ISO14001 (for environmental management) and SA8000 (social accountability) agreed with the Bank because the two former certifications were more demanded by retailers, the buyers of COGIA's olive oil. Importantly, COGIA/IFFCO has also been passing safety standards to its suppliers (olive mills) and has been selecting them based on meeting such standards.

93. **Targets related to backward linkages to local suppliers (linked to Integrated TQ) were usually not achieved as larger companies preferred to rationalise their relations with suppliers**, reducing their numbers and engagement in pre-financing, advice and training. Also, if they could, retailers would typically avoid working with many small to medium-sized suppliers on a long-term contractual basis due to high actual or assumed transactional and aggregation costs, preferring to engage with traders in the spot market. This makes it challenging for the Bank to catalyse deep backward linkages, which benefit farmers when providing finance to larger companies. For example, the Anadolu Etap project has shown that if the Bank (or another institution) provides financing for the expansion of a borrower's own plantations, it is unlikely that such a project will result in expanded backward linkages to local farmers; Anadolu Etap decreased the number of farmers and only pre-financed one. The opposite is more likely, as the borrower will now source crops primarily from its own expanded plantations. The reduction of suppliers may be forced on the Bank's clients by their products' buyers, such as supermarkets, to ensure uniform standards and quality. This was the case with El Roda, which recently resulted in reducing the number of Egyptian farmers providing grapes to them. However, some projects did benefit small farmers. COGIA in Tunisia increased its olive oil supply from mills and (indirectly) small farmers. According to COGIA's management, 95-97 per cent of the price paid to mills went directly to the farmers, highlighting the significant contribution that the company makes to rural livelihoods in the Sousse region.

94. **Resilience TQ-related output objectives under RSF projects were largely achieved on the output level** as local banks confirmed that EBRD supported them with very relevant and useful formal and informal training and capacity building (e.g., the Kyrgyz Investment and Credit Bank [KICB] and the Demir Kyrgyz International Bank [DKIB] in the Kyrgyz Republic). For instance, EBRD courses trained local bankers in modelling repayments based on seasonality and on how to conduct due diligence and structure inventory-backed loans.

95. **Well governed TQ-related targets were typically achieved.** For example, with Kaindy Kant harmonizing its business plan and financial reporting at the Group level, and Emilia putting in place the Hazard Analysis Critical Control Point traceability process. However, some benchmarks related to Well governed were weak, e.g., a translation into English of the CP issue memorandum under the Maxima project in Lithuania.

96. **Green TQ-related objectives were challenging to achieve but most were attained at the output level** (see Annex 11 for the summary of Green and Inclusive-related results of the Evaluated Projects). Kernel and Grain Alliance, both primary agribusiness companies in Ukraine, constructed their biomass boilers/driers to utilise waste from their production process. Energy produced by Kernel's boiler was to be used for the company's own needs and sold to the grid, off-setting CO_2 emissions. Pandemic-related delays and then the Russian invasion prevented this

boiler from being fully utilized. Nevertheless, it has been generating some energy, demonstrating the benefits of such investments. Grain Alliance's dryer has been fully utilised (see Outcomes Section). On the other end of the spectrum, Scandagra reported decreasing demand for organic products, mainly due to the cost-of-living crisis in its primary (Western European) markets. It contracted only about half the volume of organic products in the Baltic States compared to the benchmark. It also failed in contracting such products from Moldova and Ukraine (although a small amount was contracted from Kazakhstan). Moreover, a TC under the Scandagra project was to support the development of a measurement, reporting and verification (MRV) system to monitor GHG emissions at the organic farmer/supplier level. This has not taken place yet as the company has been checking the possibility of adapting the system it has been using at its farms in Sweden in the Baltic States. This has now been deemed not possible, and the TC is to start soon (why it was not done before the TC was conceived is unclear).

97. **Objectives related to the Inclusive TQ were more difficult to achieve and they failed in a few cases.** One reason was the suspension of several TCs supporting these more ambitious objectives during the pandemic. Another, also related to COVID, were increased uncertainty and a competitive environment, which put pressure on clients to focus on core production and activities only. Several evaluations however also point to recurring design issues with over-ambitious objectives in large projects usually with large, repeated clients. For instance, the accreditation of corporate academies was targeted under the Migros and Kernel projects to enable nationally recognised training and degrees. However, it was not achieved, as requirements were stringent for the accreditation of educational or vocational training institutions in Türkiye and Ukraine, requiring such institutions to have various premises (e.g., a stadium, canteen, library, laboratories, etc.) on site, as well as a minimum number of full-time academic and technical personnel. Moreover, companies seemed concerned that accredited education could result in employees seeking better employment elsewhere. Instead, some clients provided their employees with short-term training, sometimes a single day/virtual only. Such training was useful but, as it was not certified, it could not help employees attain other employment opportunities. See Annex 11 for the summary of results of the Green and Inclusive components of the Evaluated Projects.

98. **Gender equality was also targeted but with limited success.** For instance, the Bank's TC was to help Eurocash in gender-sensitive recruitment during the pandemic, however this TC has not taken place (ironically due to the pandemic, as consultants were prevented from traveling). In the case of Migros, the company stated that its gender equality programme was in place long before it started cooperating with the Bank, therefore this component may be seen as having limited added value. In the event, the number of female employees at Migros increased but the share of women employed stayed the same at the company level and increased only slightly in management.

3.1.3. Achievement of outcomes and impacts: some positive results were achieved but are difficult to measure and quantify. Weak demonstration effect.

99. **Some positive results were achieved under Green TQs**, e.g., the reduction in CO_2 emissions in Migros stores by 23 per cent per square mile of sales area. Also, Kernel in Ukraine utilised its biomass boilers to a certain extent, reducing CO_2 emissions (although five time less than benchmarked, largely due to the war, which prevented normal operations). However, the verification of the achievement of Green TQ-related objectives was often challenging due to the client's use of different metrics/monitoring, e.g., Migros measured CO_2 reduction per square mile of sales area rather than by store, the benchmark set in the Board report.

100. **Expected outcomes related to Inclusive TQ-supporting training programmes by accredited academies usually did not happen as such accreditations proved difficult to achieve** (as explained in the previous section). Where training was provided (accredited or not, e.g., Eurocash, Kernel), its results were measured usually by the number of people trained (output) rather than by the effects of the training on the behaviour of those trained or on the performance of the business.

101. **Training provided to staff of local banks (under RSF) to better assess risks specific to agribusiness operations (seasonality of cash flows) and to structure inventory-backed financing (related to Resilient TQ) yielded some modest but positive outcomes.** Although in the Kyrgyz Republic the DKIB has not provided any financing to the sector on its own, the KICB confirmed that it extended another inventory-backed loan to Kaindy Kant without the EBRD.

102. **Usually, there was no evidence of a demonstration effect from the introduction of modern agribusiness techniques or innovations.** For instance, such an effect was hoped for under the Anatolian Orchards project with the market leader Anandolu Etap, where modern farming techniques, including high density planting and drip irrigation were supported. The company introduced such modern farming techniques, including drip irrigation but there was no information on any other fruit growers in Türkiye using it. Similarly, Migros did reduce the climate impact of its retail stores, however there was no information on other local retailers following the suite.

103. **Also, the demonstration effect from the Bank's local capital market transactions with food retailers has not materialised.** For example, following issue of a corporate bond by Migros, no other Turkish retailer followed suit. Similarly, after Maxima issued the CP in Lithuania, no other companies (in or outside the agribusiness sector) have used a similar instrument in the Baltic States (although depressed markets due to the pandemic and then the war might have impacted it).

104. **Outcomes from infrastructure components in Ukraine were hindered by the Russian invasion**, e.g., Grain Alliance built silo storage, however due to war it has not been contracting it out to smaller farmers (as planned under the project) but rather utilising it themselves (moreover some of it was damaged). The same company and Kernel (under the Barvinok project) were utilising their biomass burners much less than planned so far, generating only about 10-30 per cent of the amount of planned energy.

105. **Finally, some of the Evaluated Projects have supported national food security**, e.g., Grain Alliance, which expanded grain storage. After the Russian invasion of Ukraine, such storage became highly sought after.

3.1.4. Sustainability of results: impact of the war on Ukraine

106. **The sustainability of the results from many of the Evaluated Projects is uncertain.** Most of the Bank's agribusiness clients, particularly SMEs, are vulnerable, being acutely exposed to changing trends, consumer preferences and inputs/commodities price fluctuations. The biggest threat is market instability resulting from the Russian War on Ukraine. It has profoundly disrupted international agri-products supply chains, sharply increasing global food insecurity while also fuelling inflation, an energy crisis, and financial instability, all of which have acute detrimental impacts on farmers and food processors. Naturally, Ukrainian clients are most directly exposed to these threats (as well as to more extreme risks due to the hostilities), however those in other

countries are also susceptible. Annex 13 presents observations gathered by EvD while interviewing the Bank's agribusiness clients that are related to the impact of war on their operations, as well as on the broader sector so far. The main findings are summarised below. Moreover, Annex 14 summarises the responses of other IFIs to the war in respect of this sector. It also presents several operational considerations for EBRD's possible post-conflict assistance to Ukrainian agribusinesses.

107. **Ukrainian clients felt profound impacts of the war, ranging from significant a slow-down of processing operations to damaged equipment and infrastructure (e.g., storage silos, transport fleet) or processing facilities being occupied and non-operational.** The Black Sea port blockade halted Ukrainian food exports, which in April dropped by 72 per cent as compared with the same month a year earlier. The Black Sea agreement of July 2022 enabled exports of Ukrainian commodities through to the sea again, but practical hurdles remained, resulting in only 9.3 million MT of agro-commodities being exported by October, which is 50 per cent of the pre-war level. Sourcing of raw materials from farmers by larger aggregators has slowed as exports fell and storage capacity has been exhausted. Some clients had to invest significantly in alternative export routes through neighbouring countries. Some food processors located in central and western Ukraine experienced a surge in domestic demand because those in the east and the south of the country were forced to suspend their operations. Capex investments have been put on hold by smaller clients (with the Bank extending loan availability), with larger clients increasing investments in alternative export routes.

108. **Very high exposure of SEMED countries to imports of wheat, other cereals, and sunflower oil from both Russia and Ukraine made them highly vulnerable to the availability and price increases of these staple commodities.** The FAO food price index increased by 55 per cent in March but went back to 2021 levels by October. The Egyptian government responded to the Black Sea blockade by diversifying its sources of wheat imports. By October, it had signed agreements enabling imports from more than 20 countries. This resulted in a steady flow of wheat, with 2022/23 forecast volumes expected to reach 11 million MT (only a four per cent decrease from the previous year). As of October 2022, Egypt held a strategic stock of wheat that was sufficient for six months. However, this came at an increased cost for the already fiscally constrained government due to the 44 per cent increase in wheat prices in March 2022. Moreover, transportation costs from new suppliers are much higher than from the Black Sea region. The Egyptian government also plans to extend its strategic grain silo capacity by approximately 10 per cent. In Tunisia, where the government has a monopoly on imports of many key commodities, lack of funds and higher prices has meant that insufficient volumes were imported. This was partly addressed by a US$ 2 billion IMF loan provided in October (with the EBRD contributing another €150 million). Tunisian olive oil exporters experienced sharp (fourfold) increases in transport and packaging costs that cannot be immediately passed through to their clients due to high competition in the sector. This will erode their profits and put investments on hold.

109. **In Türkiye, the impact of the war on the Bank's clients varied depending on their position in the value chain. Processors were hit by higher costs, eroding their margins, while retailers initially fared better but their revenues are now shrinking due to pressure on consumer budgets stemming from the effects of the war.** The government in Türkiye (the world's third largest wheat importer), purchased a record 6 million MT of grain immediately after the war started to increase its strategic reserves. The impact on farmers and producers has been similar to the impact in other COOs but exacerbated by a 37 per cent devaluation of the currency (TRY) prompting the government to increase subsidies to wheat farmers. Because of the recent earthquake and its devastating effects, the situation will deteriorate further and require reconstruction efforts.

110. **The impact of the war on Central Asia and the Caucasus region has been severe because of their close trading relationship with Ukraine and particularly with Russia.** However, Russia put export bans in place on most agricultural commodities and products for much of 2022 while Ukraine exports were blocked, forcing importers to find alternatives. The depreciation of the Russian rouble has made it difficult for exporters to sell in Russia (often a key export market for central Asian agro-producers), forcing some clients to redirect their production to domestic and neighbouring markets.

111. **Agro-processors and food retailers in CEB have been less affected by the war as their exposure to imports from Russia was low.** However, many of them experienced margin squeezes due to increased input costs, while retailers felt the negative impact of reductions in consumer purchasing power due to inflation and high energy prices. This was only partially offset by increased demand from the influx of refugees. Moreover, organic agro-producers in CEB experienced profound drops in demand from EU markets as consumers switched to cheaper food products to balance their budgets. Finally, the war changed the perception of risk in some CEB countries (e.g., the Baltic States) by foreign investors, making capital market offerings challenging.

3.1.5. Impressive efficiency results so far but dark clouds are gathering

112. **The financial performance of the large majority of companies, borrowers under the Evaluated Projects, has been in line with or in excess of the Bank's projections.** Retailers have done particularly well during the pandemic but most of the processors have also improved their results, while traders and primary agro-producers have benefited from raising prices of agro-commodities. However, most of them expect deterioration in 2022 and beyond. In summary:

113. - Two Evaluated Projects fell short of expectations, **.** The efficiency of one client's operations was rated "partly satisfactory", not because of its underperformance but due to the disappointing results of its acquisition target, an internet-based food retailer (the EBRD's loan financed such an acquisition). It was expected that the target would become profitable within two years, however, despite a surge in business during the pandemic, it remained unprofitable. This was due to its fast expansion to secondary cities, where it is now expected to take another five years to build business volume ensuring profitability. However, this trajectory was not atypical for e-grocers. Even those more established and operating on the mature markets struggle to achieve profitability, although the pandemic certainly helped them. It is likely that had the target and the client chosen to limit its operations to the capital city (as the original project assumed) it would have been able to achieve profitability earlier. However, capturing a higher market share is more strategically important to large food retailers (that usually own e-grocers) than the short-term profitability of their internet arms, which account for a relatively low share of their overall business.

114. **Also, the performance of one smaller cheese producer in Central Asia has worsened since the RSF loan was approved in 2020.** Its revenues have decreased because of drought impacting milk yields and the loss of the Russian export market. This case illustrates risks specific to agribusiness – the impact of adverse weather conditions, as well as that of geopolitical upheavals. Despite a disappointing 2021, the company expects a rebound in its financial results in 2022 due to improved climatic conditions, stronger domestic demand, and the potential to restart exports to Russia as the foreign exchange (FX) rate has become more favourable.

115. **Other companies performed relatively well, with Migros, Dan Agro and Scandagra significantly exceeding their projections.** Scandagra performed well, however, its organic business represented only about 6 per cent of its revenues as its main line of business was trade in traditional agro-commodities and that increased sharply in recent years, boosting the company's profitability. Dan Agro's growth has been exponential in recent years, driven mainly by winning UN World Food Programme (WFP) tenders for supplying legumes to neighbouring Afghanistan, with the proportion of revenues from WFP increasing from 25 per cent in 2019 to 80 per cent in 2021. While this concentration of revenues in a single client may be a risk, this was an intentional part of Dan Agro's growth strategy (as there is preference given to less-developed countries like Kyrgyzstan in WFP tenders) and given the potential global food crisis in the coming years, it is unlikely that WFP tenders will slow down. Migros' sterling performance was partly due to its store expansion under Bank-financed projects, including energy efficiency measures that reduced its operating costs.

116. **The 2020-21 financial results of two Ukrainian crop farming/trading companies substantially exceeded the Bank's projections, however deterioration is expected in 2022** The Kernel Group (Barvinok project) demonstrated a very strong performance, with revenues and EBITDA increasing substnatially in 2021. This rapid growth was driven both by increased global grain and edible oil prices, as well as increases in volumes produced and traded by the Kernel Group. It expected fiscal year 2022 (which runs to the end of June) performance to be close to the level of fiscal year 2021 (as only the last quarter would be affected by war-related disruptions). However, the war has had a substantial negative impact on the Kernel Group, with export volumes in calendar year 2022 expected to be only a third of the previous year. Similarly, Grain Alliance experienced fast growth in 2021, when its revenues and EBITDA grew strongly, substantially exceeding the Bank's projections. It expected further increases in revenues in 2022 because of the spike in global grain prices. However, EBITDA margins were set to reduce due to higher distribution, energy and fertiliser costs – for example, exporting via Slovakia costs 50-70 per cent more than through the previously used Black Sea routes.

117. **On the other hand, the financial performance trajectory of a yeast producer from western Ukraine was just the opposite of those of Kernel and Grain Alliance.** In 2021 it was impacted by a challenging operating environment, including increasing prices for molasses (a key raw material), which the company was not able to pass on to consumers. Annual revenues increased but EBITDA deteriorated, which is indicative of the strong rising cost headwinds agribusiness companies have been facing and will continue to face as the Russian invasion continues. Nevertheless, the company expects its financial performance to improve in 2022 on the back of strong revenue growth as the company meets additional domestic demand as competitors from the eastern and southern parts of the country must stop operations because of the war.

3.2. Constraints on resources are growing despite an efficient implementation of the Strategy so far

Evaluation Question: How has the Bank organised itself to implement the Strategy and how efficiently was it implemented?

118. **The Agribusiness Team organised itself well to implement the Strategy and despite the increased administrative workload** (related mostly to the alignment of projects with the Paris Agreement/climate risk but also to the growing complexity and sophistication of projects), it has been operating with a constant headcount number in its banking division. The team increased cooperation with other teams across the Bank, which resulted in 19 jointly developed and managed projects. The Agribusiness Advisorydivision grew. This was justified by the injection of new funds from the Value Chain Competitiveness Program (VCCP) and an expanded mandate.

119. **Cooperation was good internally but more limited externally.** The team also effectively cooperated with the ASB team, whose services substantially increased the attractiveness of the Bank's offer and have been highly valued by clients. Most importantly, the Bank continued close cooperation with the UN FAO on policy dialogue and TCs, which substantially enhanced the strategic fit of the Bank's overall operations in many COOs. However, cooperation with other IFIs was sparse, with only 4 per cent of projects being co-financed with them.

120. **More broadly, the 2021 results demonstrate the strain that COVID-related restrictions and the increased administrative workload put on the team** (although 2022 results show improvement). As Ukraine is considered the top market for the Bank's agribusiness operations, the Russian invasion presents a particular challenge to the team, which it has handled well so far, providing emergency financing and advice to Ukrainian and key affected countries' clients.

121. Despite some shortcomings, but given the extraordinary challenges during the Evaluation Period, the efficiency of Strategy's implementation is rated *good*.

122. The following sub-sections provide further details on this assessment of efficiency, going through four criteria: (i) team and productivity; (ii) internal and external cooperation; (iii) portfolio quality, and (iv) the Bank's handling of changes in the period.

3.2.1. Productive agribusiness team but strains on resources discernible

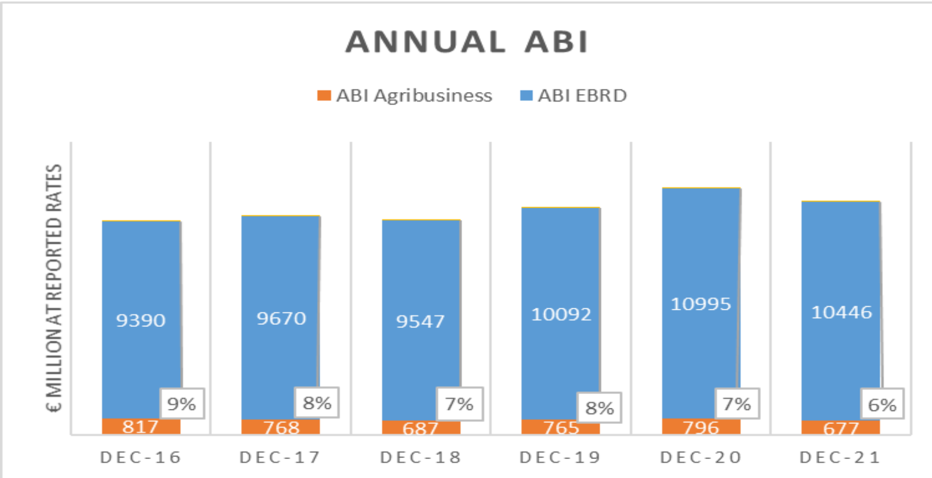
123. **The Agribusiness Team has been operating at a constant headcount for its banking but expanded its advisory arm.** The team is part of the wider Industry, Commerce and Agribusiness (ICA) Team under the EBRD's Client Services Group. Headed by a Director, it consists of 39 bankers and 11 Advisory Services managers (supplemented with three temporary contract positions). Of the banking staff, 54 per cent are located in ROs, with the majority in Belgrade, Cairo, Istanbul and Kyiv (now Warsaw). The Advisory Team has professionals based in London, Kyiv and Tbilisi. It manages both the donor and consultancy sides of the TCs supporting the delivery of the Strategy. The headcount of the banking arm of the Agribusiness Team did not change at the Strategy's inception and remained constant during its implementation period, despite various challenges and an increased workload. However, the beginning of the Evaluation Period coincided with an expansion of the Advisory Team due to an influx of funding from the

VCCP funded by the EU NIF and aimed at enhancing the competitiveness of SMEs across the ICA group's sectors in SEMED. This funding helped enlarge the team and expand its mandate to cover more than agribusiness ICA sectors. Currently the team spends roughly 80 per cent of its resources on the management of agribusiness TCs and 20 per cent on other ICA sectors. Within the Banking Team, staff tend to work cross regionally whereas Advisory Team Managers are more regionally focused.

ABI objectives were comfortably reached during 2019-20 but were 17 per cent below target in 2021. This was mainly due to pandemic-related restrictions during 2020-21, which impaired business development. The volume signed in 2021 was therefore lower than in the past years (good results in 2020 were mainly due to business development in 2019)[18].

124. **The Agribusiness Team has been one of the Bank's most productive sector teams historically.** It *a*ccounted for a consistent 10 per cent of the Bank's total annual business investments (ABI) each year of the previous Evaluation Period reported in 2014, which was slightly up from an average of 9 per cent in the preceding period (before 2010). However, during the current Evaluation Period of 2019-21, this figure decreased slightly to around **7 per cent** (Figure 6).

Figure 6: Share of agribusiness in the Bank's ABI 2016-21



Source: EvD calculations

125. **In terms of project numbers, agribusiness has been prolific**, quite consistently generating **13 per cent** on average of the Bank's total signings in the five years to 2020 (although this decreased to 11 per cent in 2021). During the three years of the Evaluation Period, the Agribusiness Team signed 161 projects with an ABI of €2.23 billion (nine additional projects were shared with and led by other teams, with the agribusiness share at about €50 million in aggregate). The high number of projects signed elevated the team's productivity, which was 4.1 projects per banker on average during the Evaluation Period – one of the highest at the EBRD. One characteristic typical of the agribusiness portfolio was that some of its operations recorded

18. The total ABI values differ from those recorded in DTM and the Bank's Data Warehouse as the scorecard's volume excludes restructurings, revolving loans and accounts for credits from or to other teams when the projects are shared.

as separate projects were effectively tranches or components of the same financing envelope, signed with the same client (e.g. WC tranche, capex tranche) and the same Operation Identification Number (OpID) in the Bank's system. There were 16 such operations in the Evaluation Period (10 per cent), which if aggregated would bring the total to 145 signings (and the team's productivity to 3.7 projects per banker). An additional 8-10 operations had separate OpIDs but they were effectively extensions of the previous projects[19]. In comparison, during the three years preceding the Evaluation Period, 2016-18, the Agribusiness Team signed 154 projects (7 fewer than in the Evaluation Period) but with a marginally higher ABI volume of €2.27 billion (only €40 million more than in the Evaluation Period). Accounting for additional volume under the shared projects in the Evaluation Period, it is evident that the ABI and the number of projects remained virtually the same before and during the Evaluation Period.

126. **Other indicators were however less favourable due to the sector and the context.** Increased risk caused by the pandemic depressed the Bank's appetite for equity investments in this sector. They were well below target in 2020, although they recovered in 2021. The team was largely on target with the number of transactions in the "small countries" (which include ETCs but also many in SEMED, Eastern Europe and the Western Balkans). The share of GET (or its absolute value) in agribusiness was below target, confirming the earlier analysis (see Section 2.2.2.), demonstrating challenges with finding suitable projects to target this priority area. Also, syndication with private banks (annual mobilised investment, AMI) was typically below target, reflecting the risks related to agribusiness operations and thus the Bank's additionality in this sector.

3.2.2. Internal cooperation

127. **The Agribusiness Team has made an effort and achieved good results in increasing intra-Bank cooperation, in line with the Strategy.** During the Evaluation Period, 19 projects were shared with other Bank teams. For the nine projects led by other teams, the Agribusiness Team received 50 per cent of the credit, i.e., five led by FI (all under the Albanian Agribusiness Support Facility), three led by SIG (two in Serbia and one in Tunisia) and one led by M&S (in Mongolia). Conversely, there were ten projects led by the Agribusiness Team for which other teams received credits (six with M&S, two with P&T and two with SIG). Moreover, intensive work took place with the Green Economy and Climate Action (GECA), CSD, Equity, Inclusion and the ASB teams. There has been also more ad hoc collaboration with the Legal Transition Team (LTT).

128. **In addition to investment-related TCs, the team's advisory arm prepared and managed the implementation of 61 TCs that were not related to investments and covered cross-cutting themes** such as sector studies across regions or for specific countries (e.g., Animal Welfare Standards, Sustainable Cotton Value Chains in Türkiye). Twenty-five of the TCs were financed under the EBRD-FAO Framework. Another type of agribusiness TC was implemented by the ASB team (Box 5).

Box 5: Agribusiness and ASB
As an important example of intra-Bank cooperation, the Agribusiness Team has been working closely with the ASB, which delivers advice to SMEs wishing to innovate and grow. Agribusiness

19. As agreed with the Agribusiness Team, to largely align with the results in the team's scorecard, these projects are treated as separate projects under this evaluation. However, one needs to take into account this specificity of the agribusiness portfolio when analysing it or comparing the number of projects signed with that of other teams (e.g., Infrastructure, where the occurrence of such multi-tranche projects is much less common).

represents a significant share of the ASB work across the Bank, consistently reaching 17 per cent of the total portfolio.

The ASB provides advice on demand via local consultancy or international advisory. Under the latter, international industry experts are engaged for an 18-month period to advise larger, more mature SMEs. It focuses on strategic, technical and operational issues. Local consultancy is delivered to SMEs by local consultants in the areas of strategy, marketing, organisation, operations, ICT, engineering solutions, quality management, resource efficiency and environmental management.

During the Evaluation Period, the focal countries for local advisory were Kazakhstan, Egypt, Ukraine and the Kyrgyz Republic, while for international advisory Ukraine, Tunisia and Kazakhstan. The majority of international advisory projects were in the food processing sub-sector, accounting for approximately two-thirds of the total.

In terms of local advisory, the strongest demand was for support in marketing (a quarter of the total), strategy, ICT, quality improvement and accounting support. The ASB advice is highly demand-driven and there is no formal arrangement linking it with the Strategy.

Within the ASB portfolio of the self-evaluated agribusiness projects in the top three countries (mainly local), following ASB's advice, almost 70 per cent reported growth in turnover and half reported growth in the number of employees, while 40 per cent reported an increase in both, and 16 per cent reported an increase in exports. While fewer international advisory projects are evaluated, the results are similar (two-thirds reported an increase in turnover and a half reported a growth in employees, while less than half experienced growth in exports).

3.2.3. Co-operation with UN FAO and other IFIs

129. **The Agribusiness Team's strategic partnerships during the Evaluation Period were largely limited to the longstanding relationship with the FAO, mainly due to COVID.** During the pandemic international travel was restricted by most institutions. However, the FAO (as an UN agency) was less restricted in this respect and except for the peak of the pandemic period was able to continue close cooperation with the Bank and the joint policy dialogue projects delivery. Together with FAO, the Bank has also conducted several outreach activities in the agribusiness sector, which can be seen as an extension of policy dialogue and capacity building (see Annex 15 for more information and Box 6).

Box 6: EBRD's cooperation with the FAO

Since signing a memorandum of understanding in 1994, the EBRD and UN FAO have developed very close working relations. The cooperation was strengthened in 1997 when a Framework Agreement (FA) was signed (and then extended several times). The FA established a cost-sharing principle between the two institutions for TC consultant services assignments carried out in EBRD member countries.

The formula was for EBRD to finance 70 per cent of each TC, with the reminder financed by FAO (with EBRD's share funded by donors, while that of FAO from its own budget). This enables each institution to leverage the other's expertise and use its comparative advantage, engaging in targeted **policy dialogue and TCs.**

As an organisation with a wider perspective, the UN FAO often provides valuable technical expertise to the EBRD by 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 the conferences/workshops and policy dialogue initiatives have been organised and implemented jointly.

Since its inception, over 200 TC or/and policy dialogue-supporting projects worth US$ 60.3 million have been signed under the FA and implemented in 32 COOs. The latest framework runs until 1 July 2024 and has a budget of US$ 7.5 million.

130. **During the Evaluation Period, the most significant joint assignment related to a package to support the agribusiness sector during the COVID crisis.** Its initial budget of €0.5 million increased now to US$ 3.2 million (70/30 shared by each organisation). It was intended as a strategic multilateral answer to the COVID crisis, it combined FAO's technical skills and policy leverage with EBRD's financing capacity. This package had two objectives: (i) provide immediate short-term technical assistance at country level to key value chains across several countries to help them overcome the COVID-19 crisis; (ii) provide strategic and policy advice to countries to strengthen the resilience of food systems (please see Section 7.1 and Annex 15, which summarises the results from joint FAO/EBRD policy dialogue and TC projects, one of which is related to the provision of COVID relief in Ukraine). Post-COVID and the renewed focus on food security going forward, joint work increasingly supports the EBRD's strategic agenda, namely its engagement in Green, digital, and inclusive initiatives.

131. **Co-operation on policy dialogue and co-financing with other IFIs was limited.** During the Evaluation Period only seven projects (4 per cent of the total) were co-financed with IFIs, including two among the Evaluated Projects (Barvinok with EIB and Anatolian Orchards with FMO), see more in Annex 4.

3.2.4. Quality of the portfolio

132. **Quality of the portfolio continued to be generally good.** In September 2022, of the 161 operations under this evaluation, there were 15 projects in CR category 2 (9 per cent), and none in CR category 1, with three-quarters of these in Ukraine. In the third quarter of 2022, agribusiness accounted for 4 per cent of the Bank's projects in CR.

133. **Disbursements were strong in 2020 but underperformed in 2021.** At the end of 2022, aggregate disbursements from all 161 projects signed during the Evaluation Period were at 83 per cent, which was a very good result (although the prevalence of WC in agribusiness financing certainly helped). Also, annual disbursement amounts were relatively high (except for 2021, when the target was missed by 30 per cent). Also, the Agribusiness Team's performance was consistently strong on portfolio TI, expected TI, and debt income. The 2022 results demonstrate significant improvement over 2021. Also, in terms of project quality, a preliminary review of several 2022 projects indicates that many were relevant, supporting top priority areas of the Strategy (see Section 7 of Annex 6).

134. **In the third quarter of 2022 there was one agribusiness project under investigation by the Independent Project Accountability Mechanism (IPAM).** It related to the complaint filed with the Bank by the residents of an area where the Bank's client was involved in crop farming (financed by the Bank), as well as poultry production. The increase of the farm's operations also resulted in

an increase in the intensity of odours and dust emitted, which is highly detrimental to the local population's well-being. This case demonstrates the environmental and social risks faced by the Bank when financing clients involved in livestock production as part of their operations.

135. **There were four cancelled projects among the 161 projects reviewed under this evaluation**. Three of them related to working capital financing, which supports conclusions from the analysis conducted under this evaluation (see Section 4.1) in respect of the Bank's weaker additionality related to WC financing in selected countries.

3.2.5. The Bank's handling of challenges

136. The period under evaluation encompasses some of the most challenging times of Bank engagement in recent history. Not only does it include navigating remote working arrangements during COVID, but it also means implementing new EBRD commitments such as on Paris Alignment early. More recently and most serious of all, Russia's invasion of Ukraine presents particular challenges for both the Bank generally and the agribusiness sector more specifically.

137. **As with any other team within the EBRD, working during COVID presented challenges to the Agribusiness Team such as keeping cohesion within the team, maintaining communications, and of course working with clients on the ground while travel was restricted.** The team responded to these challenges by adjusting its work mode, in particular by introducing a rotating "staffer" position, whose role was to help quickly match workstreams with bankers to maximise efficiency. Also, some more managerial responsibilities were shifted to Regional Heads and senior bankers to ease the Director's workload (including performance discussions). Agribusiness split into small groups to keep in touch, while its Advisory Team turned to webinars rather than in-person delivery.

138. **Aligning to new institutional commitments that have come into force, including on Paris Alignment and Climate Risk** (both carbon transition and physical climate risks) required additional work and time, which was variable for agribusiness depending on the sub-sector and nature of the project. The sector guide on the processes and procedures in respect of Paris Alignment is currently in draft form. There are additional steps to the project preparation stage before approval. Specifically, all direct investment projects must go through three Green assessments at each stage of the project cycle: Paris Alignment determination, GET finance attribution and climate-related financial risk screening (Box 7). These assessments require gathering information from a client (which is rarely readily available) and filling a questionnaire by the project team, which is then submitted to the Paris Alignment Assessment Team at CSD for clearing. The ex-post measuring-reporting-verification system is currently a work in progress, however its full roll-out will also mean an increased workload for the banking team. The most impacted sub-sectors have been livestock farming, as well as dairy and meat processing (which depend on a supply of raw milk and meat from livestock farming). Projects in these sub-sectors tend to be of the highest concern among those in agribusiness in relation to Paris Alignment and Climate (carbon transition) Risk.

Box 7: Example of implications of the EBRD's Green commitments on an agribusiness project
Many agribusiness sector project proposals may require (comparatively) more effort to identify all the types and variations of a given sub-sector's activities and/or locations related to an operation as well as to its supply chains that may impact a project's alignment with the Paris

Agreement requirements. Moreover, the project may be associated with higher CO_2 impacts or prone to higher physical climate risks, which are also subject to separate assessments.

Further review may be warranted if any part of a given agribusiness activity (including in its supply chains) could not be fully aligned under the Paris Agreement requirements.

A more enhanced second stage carbon transition or physical climate risk assessment ought to be undertaken in cases where the first stage carbon transition and physical climate risk score is above 4 (out of a maximum of 5) or a more thorough economic assessment also needs to be undertaken (to assess the feasibility of a client/project under an implicit assumption of the cost of CO_2) in cases where overall GHG equivalent CO_2 involved in the client's operations exceed 100,000 tonnes annually and/or that involved in the project itself exceed 25,000 tonnes annually.

Source: Agribusiness Team

139. **Under the €2 billion Resilience and Livelihood Framework launched in March 2022, the EBRD committed to lend €500 million for food security and trade finance in Ukraine and affected countries** over the next two years, to counter the disruptions to supply chains, agricultural markets and the food security crisis caused by the Russian invasion. Until the end of 2022 the Bank provided €151 million in total to Ukraine's agribusiness sector through intermediate finance for WC and liquidity support[20]. In addition, partner banks provided €128 million in syndicated co-financing under the Bank-led projects. According to the team, what is most critical now is the timely provision of WC to the sector to keep it going. They note that the Bank's local network in agribusiness, its reputation and the availability of support funds from the EBRD Shareholder Special Fund (SSF), have been particularly important to allow them to quickly respond to clients' needs during this conflict. With the war on Ukraine, the latest extension of the EBRD-FAO package concentrates on food security. Box 8 outlines key areas of the EBRD-FAO response since February 2022. Annex 13 describes impacts of the war on selected countries and clients, while Annex 14 summarises other IFIs' plans for post-conflict assistance in the agribusiness sector and highlights opportunities for EBRD to provide post-conflict support.

Box 8: Responding to the challenges of the war on Ukraine through EBRD-FAO cooperation

In June 2022, the EBRD and FAO published **a joint report on the impacts of the war on Ukraine on the food security of SEMED countries** and organised several events to promote global dialogue on food security. These included a panel at EBRD's Annual Meeting in May, where the FAO and the EBRD released new data and analysis on the impact of the crisis in SEMED in particular and highlighted key policy and investment priorities for the SEMED region. This also included a joint event with the World Trade Organisation in July and a panel at COP27 in Egypt.

The EBRD and FAO are now launching **the Regional Food Security Policy-focused Programme in SEMED for US$ 5.5 million**, which is the largest joint programme to date. The package intends to reconcile the countries' short-term emergency response with long-term goals of building greater resilience to future shocks in a sustainable way. The EBRD-FAO intend to work with both the public and private sectors under the package with a focus on the following: 1) strengthening market transparency and enhancing food security policies; 2) improving grain and oilseeds import efficiency and price risk mitigation, and 3) promoting sustainable local production and food systems.

20. This amount includes €49 million in direct financing under six RSF projects, €57 million in food security guarantees under eight projects managed by the FI team, as well as €45 million provided to Ukrainian agribusinesses under TFP for the import of agricultural machinery and fertilizers.

4. The Bank has often demonstrated added value for the sector beyond investments, but untapped potential remains

140. This section examines the value added of the Bank for the sector beyond the results of investments. It assumes that the Bank adds value, compared to other financiers, through its consideration of additionality when investing and through the results of its policy dialogue activities.

4.1. Generally strong additionality of investments but weaker for WC

141. **The Bank's financial additionality was generally good.** Interviews with market participants in all countries confirmed that local banks were generally uncomfortable with seasonality and the unpredictability of risks (weather, diseases, etc.) and thus still reluctant to provide financing to agribusiness operations (at reasonable margins and especially for longer tenors). The Bank was particularly additional when providing financing with local banks under RSF in Central Asia**,** secured by an inventory-backed collateral – an innovative structure in these markets. Furthermore, the Bank's sharing in collateral monitoring costs further encouraged local banks to participate in such financing. In Ukraine, financing for capex projects was also longer than available from local banks. Similarly, the Bank's financial additionality was strong in Türkiye, as local banks were typically unwilling to lend for more than a one-to-two-year tenor. However, in SEMED, the Bank was unable to compete in local currency financing (due to the high cost of currency swaps and subsidised state financing available to SMEs). But the EBRD was highly additional in hard currency financing as local banks had no access to it, while exporters needed hard currency (e.g., to purchase packaging, seeds and other inputs).

142. **There are, however, indications that the additionality of the Bank's short-term (revolving) WC financing was weaker in selected countries**, as demonstrated by the cancellation of such a loan by Grain Alliance in Ukraine. This took place after the local banks unfroze such loans in mid-2020, while the EBRD requested that during the availability of a WC loan, the client would not be able to drown down on its earlier capex loan. The company then decided to cancel the WC loan to take advantage of EBRD's long-term capex financing. Also, the management of COGIA (an olive oil exporter in Tunisia) highlighted that the Bank's loan structure was actually aligned with their needs less than the WC finance facilities they had with commercial banks. This was due to the Bank's loan annual clean-up period, which required the company to repay the full value of the loan before it could be renewed. This had a material impact on the levels of WC available to COGIA to source olive oil. COGIA explained that the key reason to borrow from the EBRD was to diversify lenders, as well as demonstrate EBRD's "seal of approval" to local banks to achieve better terms with them. This reasoning for working with the EBRD was echoed by several other agribusiness clients.

143. **The Bank has also often demonstrated non-financial additionality through extensive policy dialogue, advisory projects and the ability to blend grants with commercial financing.** This was most pronounced in projects with SMEs. For instance, in the Kyrgyz Republic, the Bank provided

extensive business advice to Kaindy Kant, Dan Agro and Emilia.. The ASB's experts also worked with El Roda in Egypt before it became EBRD's client.

144. **In CEB the Bank was additional by trying to focus on projects supporting innovation**, e.g., organic farming/trading(Scandagra), new capital market instruments (Maxima) or e-commerce in retail (Eurocash). However, in EvD's view, the rationale of the latter was weaker as the Bank provided acquisition and WC financing to one of the largest Polish companies. Its additionality hinged on the loan's structure (bullet repayment rather than annual, which was offered locally), which the company argued was needed to fund such a large acquisition. Scandagra's loan effectively refinanced the Bank's earlier loan, however its Green-related objectives were sufficiently ambitious to justify it. This was less of the case with the Lithuanian retailer, Maxima, under which the placement of the CP and the translation of its memorandum into English were fairly modest operations rather than transitional objectives. However, the Bank's additionality in this project was substantially strengthened by its support to the development of the regional CP market in the Baltic States, which fitted well with the EU Capital Markets Union. After the CP was over-subscribed, the Bank scaled down its investment to 30 per cent of the originally planned financing. The Bank has also brought another IFI (NIB) to invest in this issue, which demonstrated CP's viability to foreign investors (important given the shallow domestic investor base in the Baltic States).

145. **Another EBRD attribute that supports its non-financial additionality was the ability to provide investment grants or concessional co-financing, improving overall lending terms and lowering risk, particularly with SMEs.** This was the case with El Roda, an Egyptian fruit grower/exporter, where 10 per cent of the loan was funded by a grant from the EU-financed VCCP. Also, the biomass boilers/dryers financed in Ukraine benefited from concessional tranches funded by the Clean Technology Fund (CTF).

4.2. Policy dialogue achieved tangible results in most countries but not everywhere

146. This section comments on the evaluability of policy dialogue, its links with investment operations and the Bank's approach to it. The last and main part discusses policy dialogue results with the division into three main themes of policy dialogue conducted by the FAO/Bank team. Annex 15 provides details of the evaluated policy dialogue projects and their rating table.

147. **The evaluability of policy dialogue was generally better than that of investment projects, with terms of reference that were usually detailed and that clearly described the objectives of each assignment.** EvD evaluated 13 policy dialogue projects in the 5 main countries where such activities were conducted in the agribusiness sector - Ukraine, Egypt, Tunisia, Türkiye and the Kyrgyz Republic. Most activities benefited from relatively good reporting, recounting activities and listing key outputs. However, most reports rarely referred to outcomes. For example, the reports from capacity building in Tunisia contained detailed information on the number of workshops and participants but no information on the effects that such workshops had on subsequent business/activities of the participants. EvD was able to obtain better outcome estimates from similar activities in Egypt and Ukraine.

148. **Most policy dialogue was carried out independently of lending activities, however typically in line with objectives articulated in the CSs.** The Bank's agribusiness operations, being focused on the private sector and mainly on SMEs, usually did not integrate policy dialogue into

investment projects (as was the case for example in the energy sector). Nevertheless, one can identify some synergies between policy dialogue and investments. For instance, in Tunisia most of the Bank's projects were in the olive oil sub-sector and its policy dialogue was also focused on it. In Egypt the policy dialogue concentrated on improvements to commodities (mainly grain) trading, as well as the enhancement of horticultural export prospects. To this end the Bank has financed several regional projects with large grain traders including Egypt (Olam, Almarai), as well as horticultural exporters (El Roda). In Türkiye the development of a Geographical Indication (GI) for pine honey was linked to the Bank's financing of Altiparmak, a major honey exporter.

149. **Attempts to involve clients in policy dialogue were not always successful.** For example, one of the companies indicated it was not their priority and they had not engaged so far in a dialogue on improvement to the regulatory environment for Tunisian olive oil exports (as intended under the project). Also, under the Eurocash project, there were high hopes of the company engaging in dialogue with the Polish government on vocational curriculum improvements, but the dialogue did not materialise. However, Migros confirmed its participation in a public-private steering group and shared its practices in relation to skills standards development at an Inclusion Policy Dialogue platform[21].

150. **The most successful approach was through the UN FAO, under the Bank's cooperation agreement** (Box 6) with the Bank playing a junior role as actual dialogue or capacity building were delivered largely by FAO experts or consultants. The role of the EBRD was typically to bring its clients (often large corporates) to conferences, workshops, etc., which, according to FAO, raised the profile of such events by significantly enhancing their credibility and increasing their attractiveness for SMEs.

151. The key results of the evaluated policy dialogue, capacity building and associated technical assistance activities conducted during the Evaluation Period are presented in Annex 15. The rest of this section focuses on the FAO/Bank policy dialogue in agribusiness described using three main themes: (i) the promotion of food safety and quality standards; (ii) improving laws and regulations, and (iii) the promotion of innovative agribusiness techniques.

4.2.1. Promotion of food safety and quality standards

152. **There is evidence that the FAO/EBRD-led policy dialogue made substantial contributions to increasing food safety and quality standards and procedures in Ukraine and Egypt, as well as in Tunisia to some extent.** For instance, it contributed to the reduction in African Swine Fever outbreaks in Ukraine from 163 in 2017 to only 12 in 2021, as well as improved self-regulation, raising fumigation standards thanks to a code of practice and a new certification process. Improved standards were also developed for antibiotic-free poultry and pork, as well as for the evaluation of pork carcasses. This resulted in significantly reducing the use of antibiotics and introduced monitoring mechanisms and certifications. In Egypt almost 500 farmers and exporters across five value chains benefited from training on pesticide residue management and microbiological controls, resulting in better prospects for the export of their products. In addition, training 200 inspectors from the Central Administration for Plant Quarantine (CAPQ) contributed to the improvement of sanitary and phytosanitary practices, which has so far resulted in the reopening of the New Zealand market for Egyptian fruits. Moreover, there was a reduction in

21. Moreover, for years, the Bank/FAO have successfully involved Ukrainian clients in public-private dialogue on grain and other agribusiness sub-sectors. These activities were evaluated in previous EvD studies (Policy Dialogue in Ukraine PE13-577S and Agribusiness Sector Review SS14-076). Such dialogue was also continued during the Evaluation Period and is alluded to in Section 4.2 and in Annex 15.

rejections of Egyptian exports to the EU (as recorded on the Rapid Alert System for Food and Feed Portal) in 2022, although this cannot be attributed to this project alone.

153. **Food safety and quality was high on the agenda of policy dialogue in Tunisia** where approximately 90 per cent of olive oil is exported in bulk by multinational companies for blending (e.g., in Spain or Italy). To change this, a Value Chain Development TC project supported SME producers and exporters to improve the quality of their product and obtain relevant certifications, which would enable them to export high-quality "Made in Tunisia" bottled olive oil. The project produced operational protocols and "best practice" training materials, which benefited about 150 SME stakeholders, while a "Training of Trainers" component trained 130 trainers who then disseminated their knowledge to olive farmers across Sidi Thabet, Siliana, and Zaghouan provinces. Other outputs included direct training sessions and a feasibility assessment for a quality brand for organic olive oil. Some participants of the training sessions reported that their oil quality tripled (measured by polyphenol levels), which has not yet translated into increased volumes sold. This might change as the second phase of this project focused on SME exporters and resulted in four SMEs receiving British Retail Consortium certification with three reporting at least a 20 per cent increase in export sales. However, an attempt to create an industry organisation for the olive oil sub-sector was unsuccessful (similarly as in Egypt) see Box 9), as the government remains largely unsupportive of SMEs.

154. **In Türkiye, external factors derailed work on food safety standards under the Mugla Pine Honey GI project**, which aimed at the registration of a GI for such honey domestically and at the EU. It was to help the Ministry of Agriculture and local producers promote the product on domestic and export markets and strengthening backward linkages to local beekeepers. As of July 2022, the project's main output was a GI Book of Specifications (aligned with EU regulations), which was submitted to Türk Patent for approval. Unfortunately, the region was hit by forest fires in 2021 that have damaged pine honey production areas, and therefore it will take some time for production to recover and for the potential benefits of this GI to be realised. Nevertheless, after the pine honey GIs are registered nationally, their registration at the EU should be the next step of this project.

4.2.2. Improving laws and regulations

155. **The FAO/EBRD supported the development of a national law on agribusiness industry self-regulation in Ukraine, which is in the process of adoption.** The team also drafted a new national law on agricultural cooperation to encourage the formation of cooperatives, improving the integration of small-scale farmers into key value chains and increasing the share of agricultural gross domestic product managed by cooperatives (currently approximately 1 per cent as compared to 40 per cent in France). The law was adopted, and necessary amendments to fiscal legislation are now being made. So far one new cooperative was formed, the First Ukrainian Agrarian Cooperative. Although it cannot yet fully benefit from its status due to the lack of a legal framework, the cooperative is operational. It should be mentioned that the FAO/EBRD team has also worked on the improvement of agro-trade efficiency in Ukraine, preparing new legislation and regulations on the use of electronic phytosanitary certificates, which has been adopted recently. By replacing paper certificates, the e-certificates help to reduce the risk of forgery and cut the cost and time in agro-trading (even more needed in the current conflict situation). A series of projects supporting the efficiency of Egyptian grain imports (including streamlining phytosanitary regulations) brought substantial savings in inspection costs (Box 9).

Box 9: The FAO/EBRD support to Egyptian grain imports efficiency

As Egypt is one of the world's largest grain importers, the FAO/EBRD have been working there since 2012 with the aim of improving the business environment and consolidating grain suppliers' position, resulting in an increase of the private importers' share in grain imports from 40 per cent in 2017 to 60 per cent in 2021.

Phase III of this support (implemented during the Evaluation Period) focused on **streamlining phytosanitary regulations** and improving grain sampling and fumigation practices. Following several training sessions benefitting close to 1000 private and public stakeholders, CAPQ (the government plant quarantine inspection agency) had a better understanding of sampling techniques and that it was not always necessary to send Egyptian inspectors to every foreign port to carry out sampling.

Subsequently, the government of Egypt **substantially changed or clarified sampling practices for imported wheat consignments**, including the appointment of five international inspection companies to conduct sampling at the port of loading. According to FAO, this could result in up to a 50 per cent **savings in inspection costs in the range of several million dollars**. However, not all went as planned. The implementation of the e-phytosanitary system has been delayed while the national electronic system is being finalised[22].

The attempt to create an Egyptian Grain Suppliers Association (EGSA) was **less successful**. It was initially created under the FAO/EBRD project and operational, but it had to suspend operations due to the government's concerns that the association could be used as a platform for price collusion.

156. Under another policy dialogue project, the FAO/EBRD team was engaged in the institutional reform of the Ukrainian National Water Agency, under which water management and irrigation planning were transferred to a separate regional entity, eliminating the conflict of interest within this agency. The project also supported the design of a new tariff-setting system for irrigation water supply. It triggered a strong push by the government for large infrastructural investments in irrigation (currently on hold due to the war).

157. **The effectiveness of the Bank's policy dialogue in Türkiye was lower although its objectives were arguably the most ambitious (and politically sensitive) as they aimed at enhancing the effectiveness of the agricultural subsidies system.** The third phase of work conducted since 2020 focused on designing and implementing a monitoring and evaluation system of the current support measures in line with best practices with the goal of informing policy making and ultimately moving towards less distortive measures. Consultants from the Frankfurt School of Finance successfully developed a dashboard in IBM Cognos for gathering data from multiple sources, tracking specific indicators, and producing statistics relevant for the sector. Also, an Action Plan for the implementation of a monitoring and evaluation system for subsidy effectiveness was developed. Although all the outputs of the project have been met there has been little traction to date in driving policy or regulatory reform. In particular, none of the consultants' recommendations have been implemented (the most important of which were the simplification of the support system, as well as changing the farm registry system to facilitate ministry monitoring). This was primarily due to very high staff turnover at the ministry (there have been three different counterparts in one year), preventing continuity and decision-making on key millstones. So far, the main outcome of this project has been limited to the dashboard for subsidy calculation and an improved understanding by Turkish authorities of how inefficient the

22. The development of the national system for exchanging phytosanitary information/certificates in Egypt (before they connect to the ePhyto Hub) was outside of FAO/EBRD control and beyond the scope of the project.

agricultural subsidy system has been. It is however unlikely that any reforms would be implemented for another two years due to upcoming elections although some reforms simplifying the subsidy system have a chance of being implemented in 2024 as part of a new agricultural strategic plan.

4.2.3. Promotion of innovation in agribusiness (through policy dialogue)

158. **In line with the Strategy's commitment to support innovation and advance technologies in agribusiness, the FAO/EBRD team also engaged in supporting technological transfer.** It sponsored a review of the utilisation of digital agricultural technologies in Ukraine, including surveys to identify key constraints, providing recommendations to accelerate the adoption of precision agricultural technologies and distributing ledger technologies and remote sensing in the grain sector. As precision agricultural technologies (e.g., variable rate application of fertiliser and pesticides) have significant potential for reducing CO_2 emissions generated by primary production, follow up activities included training selected agricultural associations on the application of a FAO tool to measure GHG emissions before and after adopting these technologies. However, it is too early to assess the outcomes of these activities particularly as the Russian invasion changed the priorities. The Bank has also recently engaged with the Kyrgyz Republic Ministry of Agriculture to work on a pilot project conducting a GIS analysis of agricultural fields in the Chui region. The key objective is to build a machine model that will utilise a combination of satellite imagery (e.g., Cloud GIS Google Earth Engine) and national statistical data to accurately map agricultural land use and forecast potential yields based on climatic and other assumptions. If completed this model has the potential to enable the ongoing monitoring of land-use efficiency and stimulate the introduction of modern farming methods to inform investment decisions. However, the results of this project cannot be assessed yet as it only commenced in the second half of 2022 after substantial delays partially due to COVID pandemic-related restrictions on consultant movement but also to the protracted process of revising and finalising the terms of reference. The latter issue was raised by the ministry during interviews with EvD. It is therefore important that the project's momentum be maintained.

4.3. Promotion of innovation in agribusiness requires new approaches

159. **Of the 14 evaluations (covering 23 projects with those with the same client bundled together) completed under this study half had components that could be considered as supporting innovation in the agribusiness sector.** In four of these projects. innovation components constituted a major part of the project and of the Bank's financing. They focused on the introduction of renewable energy generation or energy efficiency technologies i.e., biomass boilers, rooftop solar, and energy efficient refrigeration/air conditioning/LED lighting for retail stores. These were not cutting-edge innovations but rather relatively modern technologies that are widely applied in developed countries but less so in Ukraine and Türkiye. One project did finance more advanced technological solutions, i.e., yeast extracting technology, including autolyse lines, lines for the separation of yeast cells into components and a complex evaporation and drying technology. In the other projects, financing for advanced technologies represented a relatively minor component of the overall project or the Bank's finance was not directly used to fund the piloting or scaling of new technologies.

160. **There were also two examples of projects that aimed to use Bank-funded TCs to pilot highly innovative blockchain-enabled traceability technology and app-enabled, farm-level,** GHG monitoring within their respective supply chains. Unfortunately, neither of these TCs have been

implemented, either due to insufficient manpower to manage the process or due to taking more time for assessing the option of adopting a similar monitoring system from a parent company (which turned out to be impossible due to a proprietary rights issue). The companies in both projects claimed they intended to implement these TCs sometime in the future. If successful, these would represent two high-potential areas of agribusiness innovation (aligned with the Integrated and Green TQs) that the Bank could look to replicate across other projects.

161. **To expand the assessment of the intensity of the Bank's promotion of innovation beyond the sample of Evaluated Projects, EvD conducted a desk review of five additional projects that were recommended by the team as those with innovative features.** The review results are presented in Annex 12. In summary, they confirmed that two projects (one in Turkmenistan and one in Türkiye) achieved excellent results, the technology was advanced and certainly pioneering in each country. However, results from the other three projects were either unclear or not yet ready for the assessment. Based on project evaluations and the desk review, the following key findings relating to the promotion of innovation in EBRD's agribusiness projects were identified.

- **The Bank has successfully financed some, although relatively few, investments in innovative agribusiness technologies, which reduce carbon emissions and water use across the value chain**, including the circular economy and renewable energy generation at the producer level, recyclable packaging, and energy efficient stores. However, in many cases the exact results of these projects (and the scale of the benefits they bring) were unknown due to a lack of precise data.

- **There is limited evidence that the EBRD has financed the diffusion of innovative practices, despite it being a key theme in the Strategy, such as smart, digital, or precision agriculture at the primary producer level.** In some cases (e.g., Kernel Project Paton), the TI claimed by the Bank was around the client rolling out precision agriculture technologies, but there was little evidence that the Bank's financing has played any role in driving this innovation (it was already an area of focus for the company and the Bank was purely providing WC finance). This indicates that the Bank's usual demand-driven approach to pipeline development is unlikely to lead to a significant volume of these projects given their risky nature and that the Bank should consider alternative approaches described below.

- **The promotion of technology transfer is also a key area of focus under the Integrated TQ in the Strategy**, and one project in Türkiye is a good example of how financing can be used as a mechanism to catalyse skills and knowledge spillovers into the agricultural sectors in COOs. The Bank should seek to replicate successful technology transfer projects in other COOs, particularly those that are very reliant on inputs, skills and agri-technology from overseas, as this could contribute substantially to transformation in specific agricultural sub-sectors.

- **The use of TCs to drive innovation at the project level has been opportunistic, with a couple of potentially high-impact and replicable engagements** (e.g., around traceability and GHG measurement, reporting and verification). To date the Bank has arguably missed an opportunity to utilise TCs in a more systematic, catalytic and targeted way, such as through funding or de-risking pilots in similar Green or smart agricultural technologies or models across a range of value chains and geographies to test their viability and drive demonstration effects.

162. **Given these findings, the Bank should consider stepping up its ambition under the next agribusiness strategy by committing to playing a more active role in promoting the transfer of advanced agribusiness technologies to its COOs, particularly those supporting sustainable agricultural intensification** (see Section 2.1.1). This would put the Bank at the forefront of the "fourth agricultural revolution" currently ongoing in more developed countries but not yet widely embraced by the Bank's COOs (Box 10).

Box 10: The fourth agricultural revolution

The first agricultural revolution is characterized as the advent of modern farming, the second began during the industrial revolution when crop rotations were introduced, and the third revolution saw the dawn of synthetic fertilizer and genetic breeding techniques, accelerating farmland productivity.

The fourth agricultural revolution (also known as Agriculture 4.0) aims to adopt technology in all aspects of farming, from crop yields to harvesting to logistics and transportation. The focus of Agriculture 4.0 is to increase technology adoption rates in farming, driving effective and efficient change that increases productivity in a sustainable and eco-friendly way.

Agriculture 4.0 focuses on using robotics and artificial intelligence, the Internet of Things, vertical farms, drones, and solar energy in farming practices. This adoption ultimately leads to increased crop yields, cost and manual labour reductions, along with reduced wastage of water, pesticides and fertilizer.

The sector will also have to adapt to the impacts of climate change as extreme weather events such as droughts and floods will become even more common by 2030. Under the fourth agricultural revolution the agricultural industry is adopting technology to overcome these challenges.

163. It would also align the Bank's agribusiness operations much more closely with its flagship GET initiative, the Paris Agreement, and its own aspirations to become a leading institution in climate-related finance. At a minimum, this will likely require mobilising grant and TC funding in a more catalytic way to de-risk investments in new technologies and business models. It will also likely require the Bank to define the types of innovation it is seeking to promote more clearly and focus on a few targeted areas, rethink its pipeline development process, and more proactively identify agribusinesses seeking to make these types of investments in COOs, and consider alternative financing modalities (e.g., equity, blended finance) given the risky and often early-stage nature of these investments.

5. Key issues, lessons, and recommendations

5.1. Key issues

5.1.1. Strategy

164. **The areas of crucial importance for the future of agribusiness are not sufficiently targeted by the EBRD.** Climate change mitigation and adaptation opportunities, the types of innovations to be promoted, or gaps in food safety and other standards that limit exports are examples of areas that need to be addressed more strategically. Relevant but limited diagnostics by the EBRD (around irrigation and food security) did not fully identify specific areas of focus to make operational priorities more targeted. Similarly, in the Strategy, broad definitions of some operational priorities limited the strategic selectivity of projects. One of the top focus areas, "Enhanced productivity and value addition" (linked to Competitive TQ), was very broadly defined. It provided little basis for selectivity in the choice of projects, enabling the Bank to finance any agribusiness project. Policy dialogue objectives were also defined in general terms, providing little information on what the Bank intends to achieve in this critical area and where and how it intends to achieve it.

165. **Limited promotion of much needed innovation in primary agribusiness.** The Bank promoted innovation in agribusiness financing as well as around energy efficiency technology. However, there were few projects that catalysed technological innovation in primary agriculture (particularly crop farming) as WC and capex financing for trading, processing and retail store expansion dominated the portfolio. Agricultural production in many COOs is still dominated by small-scale farmers utilizing outdated and inefficient practices and technology, which will not be addressed by downstream investments alone. Refocusing on food security will require increased support to primary agriculture, which should be combined with the transfer of modern farming techniques.

166. **Insufficiently broad diagnostics risk leading to limited implementation.** Lack of diagnostics on e.g., climate change mitigation and adaptation opportunities, types of innovations to be promoted or gaps in food safety and other standards that constrain exports reduced the capacity of the Strategy to clarify operational priorities that would have helped the team focus on those topics that are aligned with long-term EBRD objectives.

167. **Limited utility of the PMF to capture results.** Output indicators lacked granularity and did not reflect specific operational priorities under each TQ while many outcome indicators were relatively basic and often did not measure the degree of change achieved by a project. The context impact indicators were of low utility. None of the indicators were monitored and aggregated, making the PMF useless for providing guidance to Management.

5.1.2. Efficiency

168. **Good efficiency but increased challenges and workload may hinder the effectiveness of the EBRD in the future.** During the Evaluation Period the Agribusiness Team was generally able to cope well with the challenges posed by the pandemic and the increased administrative workload, which was mostly related to the alignment of projects with the Paris Agreement/climate risks. This considerably increased data sourcing and paperwork processing as well as pressure to design more complex and sophisticated projects to respond to the Strategy's ambitious

objectives. Although the team organised itself well to face these challenges, the 2021 results demonstrate fatigue and strain. There were also no resources to properly monitor and manage results (e.g., in respect to the PMF). The current challenges related to the war on Ukraine and the food security crisis (the country being the team's prime operational ground) represent a new and extraordinary challenge to the Agribusiness Team. To fully respond to this challenge, as well as to step up the promotion of Green, inclusive and innovative agribusiness solutions (particularly in primary agriculture), the team will require additional resources.

5.1.3. Operations

169. **Weaker additionality of WC financing in selected countries.** The Bank had strong additionality with its longer-term (usually capex) financing however its additionality with respect to short-term WC loans was not always clear. It was evidently additional in Central Asia and Türkiye but local banks in some other countries reactivated this financing after a temporary suspension due to the pandemic, while the state banks in SEMED have been offering subsidised loans to support agribusiness. EBRD's requirement to repay the entire revolving loan before it could be lent again was not well aligned with the highly seasonal financing needs of some of the clients.

170. **Misalignment of some project benchmarks and those monitored by the companies.** Clients monitored several indicators but often not exactly those that the Bank set as project benchmarks (e.g., around CO_2 reduction, renewable energy generation or export volumes) thus making any comparison with original targets very challenging. For instance, CO_2 abatement was measured per square meter, rather than by store or it was unclear how much/what kind of "state-of-the art" energy efficient equipment was installed. Export expansion benchmarks (related to Integrated) were often set for countries rather than for regions. The former benchmarks were often missed although exports to the overall region increased.

171. **"Watering down" inclusion-related training objectives.** The EBRD has not fully delivered on some initial targets, which often included rigorous professional training of a specific number of youths, women, or suppliers by clients' corporate academies. The evaluation found that in reality the content of courses and length of training often appeared to be much less ambitious (some turned out to be one-day virtual classes rather than degree courses). Employers did not always seem fully committed to sponsoring this type of broader education due to concerns that they might lose good employees to competition. Accreditation of corporate academies was rarely achieved, while the numbers of universities cooperating with them, as well as the nature and intensity of such cooperation, were not always clear. Gender targets for employees were set as absolute numbers rather than as a share of total staff, even though the latter would be more appropriate given the fast growth of some businesses supported.

172. **Flaws in project design.** The Inclusion-related cases above, as well as those aimed at increasing backward linkages to local suppliers point to over-ambitious transition objectives or an inadequate assessment of the client's capacity (or will) to achieve them. They also demonstrate the challenges the team faces when undertaking projects with repeat clients, which require increasingly ambitious transition targets to be approved.

5.2. Lessons and insights

General

- The Bank can have a significant impact on enhancing productivity and driving increased agribusiness employment by investing in primary production. Focusing on vertically integrated agribusinesses that are engaged in both production and processing may be a good entry point for the Bank to further scale up investments in primary agriculture.

Additionality

- Some of the Bank's WC revolving loans (i.e., with an annual clean-up period) did not match the seasonal requirements of agro-production. As local banks increasingly offer similarly priced but more flexible loans, the Bank's additionality in these countries will need to stem from business advice, TCs and grants or through lending to SMEs, which domestic banks view as too high-risk.

- Hard currency loans, which the EBRD can provide, remain highly additional in SEMED because domestic banks there do not currently have access to hard currency to on-lend domestically, while SMEs are unable to access hard currency loans from global banks due to their scale and perceived risk. Hard currency financing is critical for the purchase of inputs.

Backward linkages

- The promotion of backward linkages to local suppliers (often targeted under the Bank's WC financing) is more effective if it incorporates active assistance to enhance quality standards at the local suppliers' level. Many aggregators are "rationalising" their supply chains and typically avoid working with many small-size suppliers due to variations in the quality of their product. However, in cases where technical support was provided to suppliers for quality improvements, product quality increased and a project's backward linkages were strengthened. Thus the promotion of backward linkages to local suppliers (often targeted under the Bank's WC financing) is more effective if it incorporates active assistance to enhance quality standards at local suppliers' level .

- If financing is provided for the expansion of a borrower's own plantations, it is unlikely that such a project will result in expanded backward linkages to local farmers. The opposite is more likely; the borrower will now source crops primarily from its own expanded plantations.

Green-related lessons

- There has been increased interest among agribusiness clients in renewable energy (RE) generation to support their energy-intensive operations as payback periods from such investments have decreased significantly because of the sharp increase in global energy prices .

- Multinational companies often have ongoing initiatives focused on improving their environmental performance. Thus, there is potential for the Bank to capitalise on this motivation to deepen impact under the Green TQ. This is particularly the case where the company has a wide network of suppliers, as using it as an entry point could lead to systemic improvement, e.g., if it passes environmental standards onto suppliers.

- Immediate opportunities for organic food production are currently limited because the main organic consumer markets (the EU) are depressed following the "cost of living crisis". However, this can change as a healthy lifestyle (including healthy food) remains a top priority for many consumers in developed countries. The viability of the organic food business has been proven in the past by some of the Bank's clients and support to organic farming will remain important for the promotion of the Green agenda.

- Packaging costs often constitute a very high proportion of many food exporters' products (especially in SEMED) as EU importers require high quality packaging, which is unavailable from local producers and must be imported from the EU. This may create an opportunity for the Bank to promote new investments in sustainable packaging.

Inclusive-related lessons

- Corporate academies may cooperate with accredited schools and universities, but it is very difficult and costly for them to obtain accreditation. Such objectives proved unattainable under several projects.

- Fast-growing companies (fuelled by the Bank's financing) often increase their employee numbers in proportion to their growth, including women (especially in retail as the number of stores increases). However, although the number of women grows, their share in total employees/managers often remains the same. This impacts gender-balancing benchmarks.

Food safety and quality standards

- Working with processors who have a large supplier base can be a highly effective entry point to improving standards and productivity across entire value chains, particularly if the main client is financially incentivised to work with suppliers to improve their operations.

Financing agribusiness with local banks

- The EBRD can effectively promote innovative financing mechanisms for agribusiness in ETCs through a combination of risk-sharing with and capacity-building at local banks to apprise and structure loans. However, the Bank should have realistic expectations as to the pace at which local banks' risk appetites can shift before the banks are willing to extend more innovative products such as inventory-backed loans without the EBRD risk-sharing.

E-retail

- E-grocers are unlikely to quickly achieve profitability. Even established e-grocers in Western Europe remain unprofitable. Market share and gradual growth (mainly among the young populations of large cities) are the main strategic goals of their shareholders. These might be more suitable than profitability as project success indicators in the short term.

Policy dialogue and TCs

- To participate in the Bank-led policy dialogue, fast-growing private agribusiness companies need to see clear commercial benefit for themselves. Moreover, the Bank's active guidance is needed to engage them in such a dialogue.

- Fast turnover of staff at the counterpart governmental bodies such as ministries has been a key impediment to effective policy dialogue. Including those representing other authorities (e.g., presidential administration, municipalities) in the working groups as counterparts/stakeholders, can improve the continuity of the process and expedite decisions.

- Significant momentum can be lost with TCs if the consultant selection process is not run rigorously and if the Bank does not provide the necessary support to the client during the process.

- For many potential agribusiness SMEs, business advice (provided under ASB or Agribusiness Advisory) can be the most attractive component of the EBRD's offering. Financing can be accessed often from state banks but high-quality technical consultants are difficult to find.

- Pandemics (like the recent COVID-19) impose limitations on the effectiveness of consultancy assignments, requiring careful planning of TCs, which are the main backbone of a project's TI.

5.3. Recommendations

5.3.1. Strategic

173. **Recommendation 1: Sharpen the strategic ambitions of the Bank in the sector by better promoting innovative agricultural techniques and transformational approaches to tackle the**

challenges of food security and sustainable agribusiness. In particular assuming that food security becomes part of strategic priorities again, the new strategy should consider sustainable agricultural intensification as one of its operational priority areas in line with the evolution promoted by other IFIs and to foster synergetic approaches combining different TQs.

174. **Recommendation 2: Approach "innovation" more strategically and proactively**, improving the value proposition of the Bank for its clients and better targeting sustainability gaps with innovative agricultural techniques in particular. This assumes a clearer definition in the new strategy of a few types of technological innovation that the Bank would like to promote and focus on and that may include dedicated TCs/grants to de-risk investments in new technologies and business models. The Bank could also more proactively identify agribusinesses seeking to make these types of investments and consider alternative financing modalities (e.g., equity, blended finance) given the risky and often early-stage nature of such investments.

5.3.2. Operational

175. **Recommendation 3: Set clearer operational priorities** by avoiding catch-all definitions and by including more precise objectives tailored for each of the Bank's key target countries/regions to ensure the strategy provides effective guidance for project selection and for identifying niches of strategically aligned business development (e.g., renewable energy, energy efficiency improvements, gender equality). This can be facilitated by expanding diagnostics to include the analysis of gaps related to the Bank's main strategic initiatives (GET and EIS) to identify types of projects and activities the Bank could do effectively in these areas and provide the means for actively promoting the targeting of such areas.

176. **Recommendation 4: Better specify and articulate the main objectives of policy dialogue.** Setting clear goals for the key countries/regions, building on broader sector policy goals identified in the CS and aligning them better with investments and the Bank's strategic initiatives to unlock potential for growth for clients and potential for additional business for the Bank.

177. **Recommendation 5: Enhance the PMF** to serve as a management tool for monitoring the portfolio's alignment with the strategy's objectives and achievement of results. This could be done in particular by adding further granularity to output indicators, expanding outcome indicators, and presenting the PMF monitoring plan, with appropriate resources allocated to periodically aggregate indicator results.

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Please note: The annexes are not published externally for confidentiality reasons.

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