
APPROACH PAPER

Agribusiness sector review

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EBRD EVALUATION DEPARTMENT



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1. Introduction

1.1 Name and nature of the evaluation

This paper outlines the approach to be taken for an evaluation of the European Bank for Reconstruction and Development's (EBRD's) [Agribusiness Strategy](#), approved in July 2010 ("2010 Strategy"). The evaluation is being carried out by the EBRD's Evaluation Department (EvD). While the evaluation will principally cover the period during which the strategy was implemented (2011 to 2013) it will also look back at previous periods to track the evolution of the Bank's [Agribusiness sector strategy](#).

The evaluation will combine a "top-down" evaluation looking at the relevance of the strategy and how it was implemented, and a "bottom up" assessment of the performance of a sample of selected operations approved under the strategy. In respect of the latter, the evaluation will principally look at the implementation challenges - success and failures of operations in the Bank's key markets of Russia, Ukraine and Turkey early transition countries, and the Western Balkans since carrying out operations in these countries with known implementation challenges was a priority of the 2010 strategy (see section 1.3 below).

1.2 Rational for inclusion on the work programme

This special study follows up on [2008 EvD Special Study: 'Agribusiness Operations'](#) which provided guidance and ideas for the preparation of the 2010 strategy.

The Agribusiness team intends to prepare a strategy update (or a new strategy) in 2015. Therefore it is expected that this special study will provide retrospective and independent evaluation of the current strategy, and ideas for the strategy update.

1.3 Background and scope of the evaluation

The 2010 Strategy set the following four priorities for the Bank's operations in this sector (described in more detail in Annex1):

- Promoting food security, principally by increasing productivity, quality and safety of output for domestic consumption and export.
- Promoting regional differentiation, with the emphasis on ETCs and the Western Balkans.
- Promoting sustainable investments by addressing environmental and social issues, gender, energy efficiency and climate change.
- Continuing policy dialogue, principally linked directly to the Bank's investments.

While the evaluation will consider all elements of the strategy, its main focus will be on assessing the implementation of the two first priorities, namely the promotion of food security, and the support to regional differentiation, particularly in respect of early transition countries and the Western Balkans. The reason for this focus is twofold – first, the third priority will be looked at as a crosscutting issue for both the food security and regional differentiation priorities; and second, the recently-completed evaluation of the EBRD's experience with policy dialogue in Ukraine will be used for the assessment of the fourth priority, supplemented as necessary by experience from other countries.

According to 2010 Strategy, under the "food security" objective the Bank was to support primarily:

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- Projects which aim to increase productivity, quality and safety of output for domestic consumption and export by addressing persistent inefficiencies throughout the food chain, ranging from lack of competition and administrative barriers in retail and distribution, to low quality standards and productivity in processing and packaging;
 - Introduction of financing to farmers and food processors – directly, through support to large primary agriculture operations and commodity traders, and indirectly, through supporting schemes like warehouse receipt programmes and rural credit lines;
 - Introduction of modern technologies and inputs to farms and food processors (seeds, machinery, agri-chemicals), and sustainable farming techniques;
 - Better market access by improving storage and handling infrastructure (warehouses, grain terminals, distribution networks, cold storage facilities);
 - Roll out of modern food retail chains, primarily in rural areas.

Under the “regional differentiation” objective the Bank was to:

- Increase its activities in early transition countries, supporting projects that address inefficiencies and low productivity, particularly where up-to-date techniques and machinery can be introduced;
- Increase use of TC funds to facilitate project preparation and implementation in early transition countries;
- In Western Balkans concentrate on the improvement of efficiency and hygiene standards, cooperating with Food and Agriculture Organisation and using TC programmes;
- In other countries (Russia, Ukraine and Turkey) put greater emphasis on regional investments;
- In more advanced countries focus on upstream industries in close proximity to primary agriculture.

The study will review and assess the Bank’s operations in its primary markets of Russia, Ukraine, Turkey, primarily in relation to the strategy’s food security enhancement objective but also looking at the extent to which the last two bullet points of the regional differentiation objectives were taken into account. The Bank’s policy dialogue work in Russia and Turkey will be assessed in light of the findings of the Ukraine policy dialogue study to identify unique findings to those countries, if any. The operations will also be scanned to see the extent to which they aimed to address the third strategic priority of addressing environmental and social issues, gender, energy efficiency and climate change.

Operations in early transition countries and the Western Balkans will be assessed against the regional differentiation objectives outlined above plus the extent to which they addressed environmental and social issues, gender, energy efficiency and climate change.

The study will concentrate on the three year period of the Bank’s operations under 2010 Strategy, that is, projects signed from 2011 to 2013 and will compare them with the operations signed and implemented during the three year period of 2008 to 2010 under the preceding strategy approved in 2002 to see the evolution of strategy and the extent to which lessons have been taken into account. The 2002 strategy set essentially similar priorities to those of 2010 Strategy, however without the regional differentiation objective (see Annex 1 for more details).

During 2011 to 2013 the Bank signed 115 projects, amounting to €2.12 billion and disbursed €1.99 billion. Early transition country and Western Balkan projects amounted to 52 in number and €344.1 million in volume, accounting for 45 and 16 per cent of the total number and volume respectively. Moreover, during 2011 to 2013 €3.3 million TC commitments were made (primarily for project due diligence-related assignments), of which €1.5 million was disbursed.

The evaluation will be divided into the following components:

- 1 The first component will consider the relevance of the 2010 strategy – did the EBRD plausibly aim to do the “right” things? Under this part the evaluation will look at the evolution of the Bank’s agribusiness sector strategy over a number of strategic periods with a view to identifying what factors influenced the evolution of the Bank’s strategy in this sector – there will be internal factors, such as changes to the Bank’s overall business and other objectives, and external factors at global, regional, country and sub-regional levels. The evaluation will seek to determine what drives agribusiness strategy and to make judgement calls on whether the EBRD is responding in a way that is plausibly the best way to deliver on the Bank’s mandate. Under this part, the evaluation will look at the process of strategy preparation, including participation, evidence of learning from experience, analytical underpinning and selected agribusiness/agriculture sector strategies of the selected countries of the bank’s operation.
- 2 The second component will consider the extent to which the EBRD implemented the 2010 Strategy. This will be primarily a desk analysis of the actual allocation of resources and consistency of the stated objectives of approved operations with the strategic priorities established. This part is an assessment of the efficiency of Bank resource allocation for achieving stated objectives.
- 3 The third component will consider delivery on the ground or the effectiveness of strategy delivery. Here the evaluation will become more focused. Delivery of the food security objective will, as noted above, focus on operations in Russia, Ukraine and Turkey since, while food security is important to all, it is these large countries that have the greatest influence on global food security. Here, it is envisaged that country visits will prepare up to five “light” evaluations of projects approved in 2011 to 2013 (the “Evaluation Period”). Delivery on the regional differentiation priority will focus on the early transition countries and Western Balkans as these are specifically identified in the strategy as being a target. The evaluation team will prepare will prepare up to five case studies using field work.

Bringing these three components together will provide the answers to three evaluation questions:

- To what extent was and is the Bank’s agribusiness strategy relevant?
- Is the Bank delivering on its strategy in an efficient manner?
- To what extent was implementation of the strategy effective?

1.4 Other relevant evaluation work

EvD’s previous sector review - [2008 EvD Special Study: ‘Agribusiness Operations’](#) focused on an evaluation of the Bank’s overall performance in the agribusiness sector up to 2007 and concluded that the Bank’s overall performance in this sector was *Successful*, while its projects achieved *Satisfactory to Good* transition impact. It highlighted the need for a new agribusiness strategy, which would more clearly address the processors and marketing companies and enhance their backward linkages. It stressed the

need for focused use of TC for policy dialogue, particularly in the early transition countries. It also recommended testing new delivery mechanisms for midsize projects and enhanced cooperation with the financial institutions and small to medium sized enterprise teams.

To date EvD has evaluated only five projects signed during the evaluation period (two in Russia, two in Ukraine and one in Serbia), accounting for four percent of total. This is mainly due to the Evaluation Period of 2011 to 2013 being quite recent. However more substantial evaluation body of work exists for the preceding period (projects signed between 2008 and 2010), that is there were six projects evaluated under four Operation Evaluation reports (full evaluations) and 17 projects evaluated under OPAV (EvD validation reports). Reviews of additional five projects were included as part of facility evaluations. In total, slightly over a quarter of all projects signed during the preceding period has been evaluated.

Annex 4 presents the three main themes of findings identified in the past evaluations. In brief they are:

- **Due diligence**, particularly the depth and extent of market forecasting, adequacy of financial projections (including currency devaluation), legal due diligence (feasibility of legal provisions);
- Issues related to **project structuring**, particularly adequacy of working capital facilities, short-term debt refinancing, structuring of covenants or inclusion of energy efficiency components.
- **Results framework**, definition of project objectives and expected results, clarity and adequacy of transition benchmarks.

The Evaluation Team will be alert to these themes.

The [2011 EvD TC Operation Evaluation: 'The Food and Agriculture Organisation Framework Agreements'](#) assessed the Bank's cooperation with the Food and Agriculture Organisation primarily before 2009. It highlighted the need to strengthen the strategic orientation of the framework agreement and the institutionalisation of the EastAgri instrument.

The [2014 EvD special study: 'The EBRD's experience with policy dialogue in Ukraine'](#) includes the '[Case Study: Grain Sector](#)' on the Bank's activities in the grain sector and it will be utilised in this evaluation.

2. Monitoring and self-assessment

Monitoring reportsA review of a sample of agribusiness project monitoring reports indicates a relatively high success rate in respect of achieving physical objectives and financial performance (except for some Russian projects, where there are indications that several projects have been delayed, cancelled or only partially implemented).

Due to the prevailing small size of the projects in the ETC and Western Balkans, 75 per cent of them were signed and are monitored under various facilities (Western Balkans Local Enterprise Facility, DIF, FMSP, Direct Lending Facility and ASIF¹). Such projects are monitored in accordance with the facility monitoring rules (jointly under the facility or in rare cases separately). Therefore the body of project-specific monitoring reports related to these regions is very limited and lack of detailed project information will be one of the main challenges of this study (see section 3.2).

¹ WeBLEF – Western Balkans Local Enterprise Facility; DIF – Direct Investment Facility; FMSP – Facility for Medium Sized Projects; DLF – Direct Lending Facility; ASIF – Agribusiness Sustainable Investment Facility.

2.1 Transition and other impact monitoring

Out of seven transition attributes used by the EBRD to measure transition, the agribusiness projects targeted most frequently the following three: market expansion, demonstration effect, and setting standards for corporate governance and business conduct. A review of a sample of agribusiness projects signed during the Evaluation Period indicates that all stand-alone projects have TIMS, although some of these are not up to date. As the Evaluation Period is relatively recent (2011 to 2013) a number of TIMS indicate that some transition impact benchmarks are not yet due, particularly those related to demonstration effect or backward linkages. Projects implemented under the facilities (for example the Direct Lending Facility and the Western Balkans Local Enterprise Facility) usually have TIMS at the facility level and their transition impact might be more difficult to assess.

One trend which can be observed is that some of the more innovative “sustainability components” of the agribusiness projects, which were expected to bring substantial demonstration effect (for example recycling, biomass boilers and energy efficiency measures) failed to be implemented due to economic or technical infeasibility or lack of required legal/regulatory incentives.

2.2 Self-evaluation

It is envisaged that the (five) projects, which will be subjects of case studies will have self-evaluations prepared by their operation leaders. Moreover, EvD may request updated the monitoring reports and/or TIMS reports for projects, which will be subjects of additional “light evaluations” as sample or desk study projects.

3. Evaluation methodology

To address the three components described in section 1.3, the study will be divided into two main parts, the second part with two stages:

The first part, related to strategy analysis, will primarily rely on a desk review of background documents – sector and selected country strategies, interviews with the Agribusiness team staff and other Bank staff (for example the Office of the Chief Economist) involved in the agribusiness sector projects. External interviews will include interviews with decision-makers at selected Ministries of Agriculture and other relevant organisations, to find out to what extent the Bank’s Strategy was aligned with their own strategies and to seek their opinion on the Bank’s policy dialogue (approach and effectiveness), the adequacy of the priorities set in the Bank’s Agribusiness Strategy (and preferences for any new directions), and how successfully it was implemented in their country. Such interviews will be conducted in conjunction with field missions to review selected sample projects (more in section 3.1.2).

During such missions an attempt will also be made to interview independent sector experts (such as professors of agriculture at local universities). Moreover, Food and Agriculture Organisation representatives responsible for cooperation with the EBRD will be interviewed (while they are visiting London). The purpose of these reviews and interviews will be to seek insights into the first set of questions presented in section 1.3 and to extract strategic-level points to be presented as strategy-related findings and recommendations in the special study report.

The second part, related to the evaluation of the extent to which the strategy was implemented will be undertaken in two stages. The first stage will address the study’s second component – effectiveness of the strategy implementation (as described in 1.3) and will be primarily a desk analysis of the actual allocation of resources and consistency of the stated objectives of approved operations with the strategic

priorities established. This stage will aim to assess the efficiency of Bank resource allocation for achieving stated objectives.

The second stage will address the third component (as described in 1.3) and will concentrate on a review of the Agribusiness team's selected projects in order to establish the degree to which they demonstrate delivery on the strategic objectives set, the challenges of so-doing and will aim to find out what we can learn from this to help inform the future strategy. This stage of the review will rely primarily on (project-related) background document review (including TC consultants reports) of selected projects, client interviews (in respect of the sample and case study projects), and interviews with relevant Bank staff and selected consultants who worked on agribusiness technical cooperation projects. The experiences of other IFIs and organisations (primarily the Food and Agriculture Organisation of the United Nations (FAO), The International Fund for Agricultural Development (IFAD), International Finance Corporation (IFC) and Asian Development Bank (ADB)) in addressing the financing and reform needs of the agribusiness sector, particularly in the early transition countries and Western Balkan countries will be reviewed to the extent possible, based on the available documentation and telephone interviews with the relevant staff.

This stage of the review will combine:

- Five case studies of selected projects (these will be primarily from early transition countries and Western Balkan countries, but one case study is envisaged from the Bank's primary market country of either Russia, Ukraine, or Turkey), which will be subject to a more detailed review, including country policy context, the description of the selected project's main achievements and issues. The case studies will be subject to evaluations using EvD usual methodology (shorter but similar in format to OPA validations), and identification of project-specific findings and recommendations;
- Additional evaluation of two to four sample projects from each of the five key countries/regions (Russia, Ukraine, Turkey, early transition countries and Western Balkans) using "light evaluation" methodology (using indicative ratings, without detailed justification and narrative focused on lessons and recommendations stemming from these samples).

In total, about 20 projects will be reviewed, which together with the completed five evaluations will account for about 20 to 25 percent sample coverage of all projects signed in the Evaluation Period.

Moreover, two to four projects signed during the preceding period will be also reviewed to compare project design and implementation quality (and because some of them might be more "mature" and offer more interesting lessons/findings than more recent projects).

The document review and, particularly, client, consultant and staff interviews are expected to provide the main material for answering the evaluation questions.

The overall sector performance evaluation will apply the OECD-DAC criteria of relevance, effectiveness, efficiency, transition impact and sustainability to assess the degree of the Bank's success to deliver the strategy.

The field missions will have two main objectives. The first will be to interview decision-makers at selected Ministries of Agriculture, to find out to what extent the Bank's strategy was aligned with their own and how it was implemented in their country. Regional managers from other organisations, such as the European Union, Food and Agriculture Organisation of the United Nations, the World Bank Group, International Finance Corporation and bilateral donors will be also interviewed. The second objective will be to verify

the achievement of the case study and sample projects' operational and transition objectives, discuss with the clients the efficiency of the Bank's work and identify applicable lessons.

The sample projects will include projects signed in Russia, Ukraine and Turkey, which will be reviewed with a view to establish the extent to which they contributed to the food security priority and also helped deliver on the environmental, social and gender priority as noted above. The role of policy dialogue will be looked at using the Ukraine policy dialogue study as a starting point. Some of these projects (particularly those with the same client or/and located close to case study projects) will be visited and their clients interviewed. Others may be subject to desk review only.

So far, EvD has completed five evaluations of projects signed during the Evaluation Period. These evaluations will be analysed and their findings, recommendations and ratings taken into account in reaching overall conclusions.

The output of this exercise will be a Special Study report (of approximately 25 to 30 pages plus linked documents/annexes). A presentation and question and answer session with Audit Committee will be held if requested. A presentation to EvD, and the Agribusiness team will be made.

3.1 Deliverables

This should include for example:

- Facilitating a discussion during investigation of the main issues with all members of the relevant operation team (improving evaluation capacity, reinforcing evaluation practices, contributes to learning process)
- A main report – ten pages for an investment evaluation- to include a recommendation and key lessons that were learnt by the operations team from the project and identification of strengths (due diligence, design, execution) (may evidence lessons learned);
- executive summary;
- board summary;
- web summary;
- web blurb;
- presentation to banking team/s and the Evaluation Department & question and answer session;
- presentation to the Audit Committee and question and answer session where relevant;
- presentation to Evaluation Cooperation Group (ECG), other parties & question and answer session
- potential preparation of input of case study into e-learning module

3.2 Potential problems and limitations of the study

“Food security”, as defined in 2010 Strategy, is a very broad concept and covers diverse projects and many sub-sectors. It will not be possible to review all of them during this study and therefore there might be important omissions. Nevertheless, EvD will strive to select the most representative and diverse projects as case studies and sample projects.

Moreover, many of the Bank’s activities in the Agribusiness sector, particularly in the early transition countries and Western Balkans have been very fragmented, with an average project size of €6.6 million and were signed under various facilities, for which background and monitoring documentation is often limited (or does not exist at all). This will pose a challenge and might require closer engagement with the bankers responsible for such transactions. Small number of evaluations completed by EvD on agribusiness projects does not help either.

4. Administrative arrangements

4.1 EvD team

Tom Bartos, EvD Senior Evaluation Manager, will lead this review and will be supported by Saeed Ibrahim, EvD Evaluation Analyst. It is also envisaged that Keith Leonard, EvD Senior Adviser, in addition to acting as a peer reviewer, will provide input in the course of the preparation of this study with a focus on the policy dialogue component of the strategy and possibly carried out one or more case study investigations.

4.2 Reviewers

An external expert will review the draft report. A consultant, expert in agribusiness or/and agriculture strategy and policy formulation/evaluation, will be selected to assist with data collection and the identification of key lessons and recommendations.

4.3 Timetable

Milestone	(2014) Date
Approach paper circulated and approved	May
Background documentation review	March - June
Internal data collection and interviews	June-July
Desk study – strategy review and desk evaluations	May-July
Field missions	June – October
Draft report circulated to internal peer reviewers	Early November
Draft sent to External Panel	Mid November
Draft submitted to CE	Late November
Draft circulated for Management Comments	December
Final editing and final distribution	January 2015

Annex 1: Bank's Strategic Priorities in the Agribusiness Sector

The 2010 Strategy sets four priorities for the Bank's agribusiness operations:

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

The Bank aimed to continue supporting projects that increase the level of productivity, quality and safety of output for domestic consumption and export in a sustainable way. Its investments were to contribute to an increased availability of food and promote better market access. The Bank also intended to improve the accessibility of food products and increase food safety domestically, enhancing the market in rural areas. Moreover, the Bank was to expand its efforts to promote financing solutions for primary agriculture in accordance with sound banking principles. In order to achieve this, it was to continue cooperating with successful local entrepreneurs, multi-national companies, other international (financial) institutions and commercial banks and funds. The objective was also to be pursued through the use of rural credit lines. All of the above were seen as critical to transforming the sector into a healthy, modern economic channel for uninterrupted food supply and increased food security.

2) Promoting regional differentiation, with the emphasis on early transition countries and the Western Balkans

The Bank was to continue paying special attention to countries at earlier and intermediary stages of transition, where agribusiness plays an important role but still lacks efficiency due to limited market orientation. In these countries, the Bank was to continue working throughout the entire value chain and continue attempts to support upstream agriculture through vertical integration.

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

A specific focus was to be placed on investments linked to energy efficiency, carbon emission reduction and environmental improvements, in particular through new initiatives such as the Agribusiness Sustainable Investment Facility that targets energy efficiency, and environmental and social investments. This was to entail closer cooperation with the Bank's Environment and Sustainability Department and the Energy Efficiency and Climate Change team (E2C2) on a project level. This integrated investment approach was to address enterprises in more advanced countries of operations in the first instance, while gradually widening its scope to include less advanced countries, in line with increased awareness and willingness to adjust.

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

To be effective, the Bank's policy dialogue initiatives were to remain linked directly to EBRD core competencies of investment-related programmes, such as support for legislation related to warehouse receipt financing and collateralisation of previously privatised land. The Bank was also to build further on the ongoing cooperation between the private and public sector with the objective of intensifying dialogue

on key issues affecting private sector investment. Policy dialogue was to continue to rely on the successful EBRD/Food and Agriculture Organisation of the United Nations cooperation agreement and the EastAgri network. Moreover, specific TC funds were to be used for other initiatives such as cooperation with the Bank's Legal Transition Team. Geographic and sub-sectoral programmes were to be designed with the objective of translating policy dialogue, technical assistance and specific financing solutions into bankable projects addressing transition bottlenecks in different regions.

The 2010 Strategy was not dramatically different from the 2002 Strategy, which set out the following operational priorities:

- Continue to finance the downstream food and drink sectors as an effective means to support upstream primary production and related industries;
- Expand the range of products specifically geared to the agribusiness sector;
- Improve rural credit systems;
- Increase policy dialogue with member countries in cooperation with other development institutions.

During the preparation of the 2010 Strategy, the Bank took into account some of the recommendations of the [2008 EvD Special Study: 'Agribusiness Operations'](#), and the Bank's changing priorities, such as the move east- and southwards, increased sustainability and the energy efficiency focus. However, the 2010 Strategy principally constituted an update, rather than a major shift in direction in terms of the strategy.

Annex 7 to the 2002 Strategy ("Strategic Objectives, Priorities and Actions"), included a table which briefly specified objectives according to the above-mentioned operational priorities and listed the actions to be undertaken (it is included as Annex 2 of this document).

The 2010 Strategy broadly defined the Bank's objectives alongside the four priorities (for example, food security – maximise the region's potential and address global food imbalances by promoting market-oriented systemic change). It did not define any specific quantitative results or objectives to be achieved, however a table in an annex to the strategy (included here as Annex 3) presented an assessment of transition challenges in the Agribusiness sector by country and by type of challenge (for example market structure).

This table also showed the level of the overall transition challenge/gap for each country as at 2005 and 2009. It demonstrated that during these four years the transition gap in the agribusiness sector decreased in eight countries (32 per cent of all countries), while it remained unchanged in 17 (68 per cent of the total). This analysis implied that the Bank's ultimate objective under the 2010 Strategy was to further narrow the transition gap in this sector, particularly in early transition countries and Western Balkan countries where the transition gap was assessed in 2009 as "large" (four countries) or "medium" (17 countries). A similar analysis will be also used in the Special Study as one of the measures of the Bank's performance in this sector, particularly in the focus region.

In addition to the 2002 and 2010 Strategies, the EBRD's activities in the agribusiness sector during the Evaluation Period (particularly during the later years) were also guided by the Private Sector for Food Security Initiative (the PSFS Initiative). This initiative was developed by the Bank following the 2007 to 2008 global food crisis, which demonstrated that significant investment would be needed in agriculture in order to guarantee global food security. Based on the Food and Agriculture Organisation's estimates such investments would have to come primarily from the private sector and therefore a business environment conducive to private investment would be needed. The PSFS Initiative stressed that some of the Bank's

countries of operations (for example Russia, Ukraine and Kazakhstan) have huge potential to become primary food exporters (particularly of grain) to the rest of the world. Many countries have been moving in the right direction (for example Ukraine became the second largest grain exporter in the world in 2013), however continued effort is needed to ensure stable yields, improved infrastructure and policy environment to sustain growth in this sector.

The PSFS Initiative was developed based on the Bank's successful approach to removing bottlenecks to private investments in the Ukrainian grain sub-sector from 2007 to 2009. After this experience, the EBRD was invited to co-chair with the Asian Development Bank the Multilateral Development Banks Working Group on Food and Water Security, a platform that also contributes to G20 discussions. In November 2011, ExCom approved the formal launch of the PSFS Initiative, which is now set to cover most of the Bank's countries of operations. The PSFS Initiative is led by the Agribusiness team and the Office of the Chief Economist and implemented jointly with the Legal Transition Team.

The PSFS Initiative is based on six priorities:

- Responding to price volatility through improved access to finance;
- Improving policy transparency through public-private platforms;
- Linking exporters and importers to enhance global supply and demand chains;
- Linking water and food production for resource efficiency and sustainability;
- Improving IFI coordination;
- Capacity building for agribusiness in the southern and eastern Mediterranean and early transition countries.

The operational priorities set for the PSFS Initiative are therefore similar to those of the 2010 Strategy. However they are slightly more specific and focused, and incorporate some new themes/priorities specific to food security (for example linking exporters and importers, capacity building and improved IFI coordination). The initiative's target areas are further specified on an annual basis.

Also, the framework for the PSFS Initiative clearly sets the SEMED region (historically a net food importer) as one of the key areas for the Bank's intervention – the theme, which was absent from the 2010 Strategy. This is due to the decision and approval process to enable the Bank to operate in this region, which took time and was only recently completed. In effect, the Bank designated agribusiness as a top-priority for its operations in most of the southern and eastern Mediterranean countries (for example, agribusiness is the second priority out of five sectors in Morocco, third out of seven in Tunisia and second out of five in Egypt).

The PSFS Initiative is still ongoing, and it is too soon to fully evaluate its success or impact. However, it has been operational long enough, and its strategic importance has been sufficiently high, to warrant taking its objectives into consideration during the Special Study.

Annex 2: Strategic objectives, priorities and actions (from 2002 Agribusiness Strategy)

Objectives	Priorities	Actions
Finance downstream food and drink sector as an effective mean to support upstream primary production and related industries	<ul style="list-style-type: none"> – Provide flexible packages and services to our clients; – Emphasise on sub-sectors with strong backward linkages, in particular food retail; – Work with strong local companies. 	<ul style="list-style-type: none"> Continued/improved business development & client management; – Special efforts on sub-sectors such as food retail; – Improve knowledge of local companies in core countries.
Expand the range of products specifically geared to the agribusiness sector	<ul style="list-style-type: none"> – Continue and expand implementation existing successful sector specific products; – Focus on products with strong demonstration effect/transition impact; – Innovate with new products. 	<ul style="list-style-type: none"> – Continue multi project facilities or similar framework transactions; – Continue and expand Warehouse Receipt Programme; – Continue attempts to implement agri-leasing facilities; – Carefully test new products such as logistical support and suppliers credit.
Improve rural credit systems	<ul style="list-style-type: none"> – Provide credit lines or risk sharing to local banks with strong agribusiness portfolio; – Involve major companies which can work as risk mitigant; – Make an effort on smaller countries where size of transaction might be an issue. 	<ul style="list-style-type: none"> – More Warehouse Receipts programme and Agri-leasing; – Try to replicate risk sharing schemes such as Danone milk); – Provide adequate technical assistance to local banks when requested.
Increase policy dialogues with member countries in co-operation with other institutions	<ul style="list-style-type: none"> – Focus on sectors with investments related issues; – Use our position as a 'bridge' between industry, governments and banks; – Establish dialogue with IFIs and institutions involved in our sector in the region; – Co-operate with European Union on Institutional Buildings. 	<ul style="list-style-type: none"> – Continued dialogue on Warehouse Receipts laws; – Provide advice on specific sub-sectors (for example oilseed sector strategies); – Organise, with the help of Food and Agriculture Organisation, seminars: Budapest March 2002, AGM, May 2002; – Help European Union to implement pre- accession

Annex 3: Assessment of transition challenges from 2010 Agribusiness Strategy

(*Early transition and Western Balkans countries)

	Market Structure	Institutions/ Policies	Overall 2009	Overall 2005
CEB				
Croatia	Small	Medium	Small	Medium
Estonia	Small	Medium	Small	Small
Hungary	Small	Small	Small	Small
Latvia	Small	Medium	Small	Small
Lithuania	Small	Medium	Small	Small
Poland	Small	Small	Small	Medium
Slovak Republic	Small	Small	Small	Small
Slovenia	Small	Medium	Small	Small
SEE				
*Albania (WB)	Medium	Large	Medium	Medium
*Bosnia & Herzeg. (WB)	Medium	Large	Medium	Large
Bulgaria	Medium	Medium	Medium	Medium
*FYR Macedonia (WB)	Medium	Large	Medium	Medium
*Montenegro (WB)	Small	Large	Medium	N/A
Romania	Medium	Medium	Medium	Medium
*Serbia (WB)	Medium	Medium	Medium	N/A
Turkey				
Turkey	Medium	Medium	Medium	N/A
EEC				
*Armenia (ETC)	Medium	Medium	Medium	Medium
*Azerbaijan (ETC)	Medium	Medium	Medium	Large
*Belarus (ETC)	Large	Medium	Large	<i>Large</i>
*Georgia (ETC)	Medium	Medium	Medium	Large
*Moldova (ETC)	Medium	Medium	Medium	Large
Ukraine	Medium	Medium	Medium	Large
Russia				
Russia	Medium	Medium	Medium	Large
CA				
Kazakhstan	Medium	Medium	Medium	Medium
*Kyrgyz Republic (ETC)	Medium	Medium	Medium	Medium
*Mongolia (ETC)	Medium	Medium	Medium	N/A
*Tajikistan (ETC)	Medium	Large	Large	<i>Large</i>
*Turkmenistan (ETC)	Large	Large	Large	<i>Large</i>
*Uzbekistan (ETC)	Medium	Large	Large	<i>Large</i>

Annex 4: Summary findings from agribusiness evaluations 2009-2013

This table below presents selected common themes from evaluations of agribusiness projects which were signed during the Evaluation Period.

Common theme	Report/Project	Description	Example Finding
1. Due Diligence	A company in the Western Balkans	Two operations: a loan to a company in the Western Balkans to: (i) finance the regional expansion of grocery stores, supermarkets and hypermarkets in the companies' respective markets, and (ii) refinance their short-term debt.	Information provided by the client/sponsor, which is critical for the project structure and covenants, needs independent (or Bank) verification.
			Due diligence for operations which involve large exposure to imports, must include sensitivity analysis in respect of local currency devaluation, as well as propose measures to mitigate the adverse effects of a potential devaluation.
			Thorough due diligence should be performed for all larger retail operations, comprising target population's purchasing power analysis, catchment area, competition and shopping habits analysis.
	A company in eastern Europe	A loan to finance client pre and post-harvest working capital needs of agricultural activities in Ukraine.	It is essential that Bank due diligence reveals any substantial corporate finance activities planned by clients in the short term.
	A company in the Western Balkans	A loan to support the balance sheet restructuring of the client, energy efficiency investments in sugar operations and provide working capital financing for primary agricultural activities.	Due diligence should consider consolidation opportunities for co-borrowers and, where appropriate, explore the possibility of providing assistance to beneficiaries considering consolidation. Extra efforts should be exerted to investigate possible or planned acquisitions during the course of EBRD due diligence.
A company in eastern Europe and the southern and eastern Mediterranean	Loan to two companies within a group to finance the acquisition of port and storage infrastructure, and enabling grain sourcing (working capital tranches).	The feasibility of political carve-outs in sponsor's guarantee to be better assessed during due diligence.	

2. Project Structuring	A company in the Western Balkans	As above.	If the Bank's loan is used to re-finance short-term debt, the Bank should ensure that there are covenants limiting the client's ability to re-incur further unsustainable short-term debt.
	A company in eastern Europe	As above.	When structuring a working capital facility secured against a pledge of commodities, the Bank needs to analyse carefully both the current working capital needs and anticipated commodity market movements, so as to ensure the availability of the pledge throughout the lifetime of the facility.
	A company in eastern Europe and southern and eastern Mediterranean	As above.	The teams should consider "combined" ratios and business covenants in the project structuring where co-borrowers have joint and several obligations Energy audits can prove an efficient way to identify energy efficiency-related investment opportunities during the project structuring.
3. Results Framework	Nibulon	This operation provided a loan to part finance a capital investment programme in grain storage, handling and river transport equipment.	An insufficiently developed results matrix that would allow the collection of quantifiable monitoring data and measurement and rating against objectively verifiable indicators.
	A company in eastern Europe and southern and eastern Mediterranean	As above	Where project objectives include an expansion of operations, a clear link is needed between project actions and expected outcomes.
	A company	Loan to enable the client to maintain its leading position in the edible oil sector. It enabled the client to secure a stable working capital basis during the financial crisis.	The objectives and operational targets of a project should be presented at the outset in sufficiently precise form to provide meaningful benchmarks and allow effective monitoring and assessment.

Inadequate due diligence, deficient project structuring and lack of results frameworks (including lack of meaningful and quantifiable benchmarks), were the issues most commonly highlighted in evaluations concerned with agribusiness projects signed between 2009 and 2013. While these issues have been a recurring theme in EvD evaluations, irrespective of the project sector, they were especially important in agribusiness projects, considering the inherently volatile nature of agricultural activity, which is subject to many input variables and the concomitant effects on the performance of agribusiness projects and clients.

Moreover, evaluations in Ukraine, Serbia, Bosnia & Herzegovina and Russia have shown that repeat clients and multiphase projects are becoming increasingly common in the EBRD agribusiness sector financing. Evaluations have indicated that their repeat nature has particular implications for the formulation, monitoring and achievement of transition and environmental objectives.