

Evaluation of the 2010 Agribusiness Sector Strategy



EBRD Evaluation department
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This EvD Special Study evaluates the relevance, efficiency and effectiveness of the 2010 Agribusiness Sector Strategy and its implementation from 2011 to 2013. Progress was made in priority areas including food security, regional differentiation, sustainability and policy dialogue. Several findings and recommendations are made to improve the future agribusiness sector strategy and implementation.

Highlights

Food security

Financing for broadly defined primary agriculture increased and exceeded targets. However support for crop production (farming) was relatively modest. Some clients believe that the Bank remains excessively risk-averse in respect of farming projects and that deeper, primary-agriculture specific expertise is needed at the EBRD to model and assess the risks of farming.

The food manufacturing sub-sector accounted for the largest share of the Bank's project number. Nearly a third of the Bank's financing was directed to retail projects (44 per cent in Russia) – the largest sub-sector in volume terms. However the extent of its contribution to food security varied considerably.

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

Regional differentiation

Nearly all agribusiness projects supported regional differentiation very well as most of them were based in the rural regions of the EBRD's countries of operations. Selected projects specifically targeted the poorest regions of the countries.

Sustainability

Agribusiness nearly quadrupled its financing in support of the Sustainable Energy Initiative (SEI). It typically followed up on energy audits and funded smaller energy efficiency components of larger projects.

Environmental and social action plans were only partially effective at promoting sustainability as they were largely unfunded and more ambitious objectives were often delayed or missed.

Policy dialogue

30 policy dialogue TCs were undertaken mainly in food safety and quality. High level policy issues especially in grain and dairy sectors were also targeted with the UN FAO achieving tangible results in several countries.

The next strategy could usefully set more ambitious and specific targets for agribusiness policy dialogue work, which is an area where the team has demonstrated considerable ability in collaboration with others.

The EBRD should consider (together with the UN FAO and other international financial institutions) assisting selected countries in drafting their agricultural or agribusiness strategies. This could be used as an entry into a long-term policy dialogue process.

Results frameworks

The strategy lacked results frameworks and monitoring metrics.

Results frameworks for priority countries should be provided with expected outcomes and impacts from planned activities articulated. Where feasible, results should be expressed through clear, measurable indicators and targets.

An explicit theory of change should be developed that connects what the EBRD plans to deliver with the outcomes and impacts to which it hopes to contribute.

Agribusiness team organisation and cooperation

Cooperation with many other Bank teams was effective. Greater coordination and collaboration with the infrastructure team would help address strategic priorities.

In-house primary agricultural expertise should be strengthened to better assess the risks and opportunities of upstream projects.



Approach

This evaluation combines 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 principally looks 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.

It asks the following questions:

- To what extent was and is the Bank’s agribusiness strategy relevant? Did it aim to do the right things?;
- Is the Bank delivering on its strategy in an efficient manner? This looks at efficiency of implementation and resource allocation (through desk study); and,
- To what extent was implementation of the strategy effective? This reviews the delivery of food security in operations in Russia, Ukraine and Turkey (through site visits and light project evaluations approved from 2011 to 2013).

Findings

Project deliveries

Agribusiness has been one of the Bank’s most prolific teams. It consistently delivers a large number of projects and accounts for about 10 per cent of the Bank’s total volume, which is a consequence of the ambitious quantitative targets set for the team. The volume has generally been seen as the main measure of the Bank’s success in this sector.

Demand driven approach

There has been a degree of tension between the Bank’s strategic and demand-driven approach in agribusiness, with the latter often prevailing due to the structure of the Bank’s incentive system. Narrow, company-level transition was targeted by over 40 per cent of transition impact benchmarks, while transition related to frameworks for markets, institutions, laws and policies was absent from the benchmarks in the project sample reviewed.

High business volume and project numbers should be treated as an input within the results framework, and set it as part of a success indicator only if it leads to systemic changes addressing sectoral transition challenges, for example providing credibility

Four Strategic Priorities of the 2010 Strategy

- 1) **Food security:** Promoting food security, principally by increasing productivity, quality and safety of output for domestic consumption and export;
- 2) **Regional differentiation:** Promoting regional differentiation, with the emphasis on the EBRD’s early transition countries and the Western Balkans;
- 3) **Sustainable investments:** Promoting sustainable investments by addressing environmental and social issues, gender, energy efficiency and climate change;
- 4) **Policy dialogue:** Continuing policy dialogue, principally linked directly to the Bank’s investments.

to facilitate policy dialogue with the government, resulting in systemic changes.

A clear link between the use of funds and the expected impact on operations should be established, with appropriate measures and benchmarks.

Reduction of transition gaps

Progress in reducing agriculture sector transition gaps in agribusiness between 2010 and 2014 has been modest. The sector-level transition indicators score improved in only one country and deteriorated in another while others were unchanged. This does not mean that the EBRD’s contribution was modest as the situation could have been worse without the EBRD’s presence.

The next strategy could usefully establish a stronger logical link between sector transition gaps and the choice of strategic priorities, at least for selected gaps and priority countries.

Improving centralised family run businesses

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

TC and policy dialogue unit

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

In-house primary agricultural expertise should be strengthened to better assess the risks and opportunities of upstream projects.

Performance

- **Relevance- Good:** The sector’s transition challenges were well identified but only partially reflected in the operational priorities. Food security lacked specific definition. Performance metrics and results framework were lacking.
- **Efficiency – Good:** The team was well organised along four regional lines with dedicated unit for technical cooperation and business advice . Cooperation with the UN FAO, EBRD energy efficiency and climate change, financial institutions and legal transition teams was good.
- **Effectiveness- good:** Policy dialogue with the UN FAO and EBRD legal transition team achieved tangible results in Ukraine and Serbia, with the Integrated Approach for the Grain Sector in Ukraine. Geographic indicators for selected local food products and improved food safety standards were achieved in the Western Balkans. Contributions were made to preparation of several crop receipt legislations. Project level effectiveness was *satisfactory to good*.
- **Overall – Successful:** Agribusiness projects mostly fit well within the broadly drawn strategy, with resources effectively leveraged, and with strong cooperation with the UN FAO.

Read the full report at www.ebrd.com/evaluation.

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