

**DOCUMENT OF THE EUROPEAN BANK  
FOR RECONSTRUCTION AND DEVELOPMENT**

**AGRIBUSINESS SECTOR STRATEGY**

**REPORT ON THE  
INVITATION TO THE PUBLIC TO COMMENT**

## AGRIBUSINESS SECTOR STRATEGY

### RESPONSES TO THE PUBLIC CONSULTATION PERIOD – FEBRUARY TO APRIL 2010

The draft 2010 Agribusiness Sector Strategy was posted for public consultation on the EBRD website from 23 February 2010 for 45 days. The public was invited to submit written comments on the draft Strategy by no later than 16 April 2010.

Comments were only submitted by CEE Bankwatch Network, an international non-governmental organisation based in Prague, Czech Republic, and established in 1995 to monitor the activities of those IFIs that operate in Central and Eastern Europe. Gilles Mettetal, Director of the EBRD Agribusiness department, met representatives from CEE Bankwatch to discuss its comments on May 14 2010, at the Bank's Annual General Meeting in Zagreb. The responses presented below are a result of the Bank's own analysis of the issues raised and that meeting.

What follows below is the Bank's own summary of CEE Bankwatch's key comments (*in italics*) with the Bank response immediately beneath each comment. As a general remark applicable to all the comments, the Bank would like to highlight its role as a demand-driven, project-orientated financial institution. As such, its transition focus remains on individual companies across the EBRD region, rather than its ability to affect direct macro-economic or systemic change, which is limited.

#### **Comment 1:**

*In regard to transition in the Agribusiness sector, CEE Bankwatch suggests that the Bank clarify "what kind of transition is desirable in the sector". It believes that the Western Agribusiness models are "to a large extent environmentally unsustainable and will themselves need to undergo large changes in the coming years" so should not be followed exactly. Specifically, the Bank should make clear its policy on 1. how it will account for future oil and gas price rises that will make food transportation more expensive, and 2. how it will contribute to maintaining agricultural biodiversity through its projects.*

#### **Response 1:**

The original draft strategy appeared to focus heavily on the export role of the region in the Agribusiness sector to the detriment of local considerations. In the updated draft strategy, the Bank has rebalanced its objectives to give equal weight to sustainable, domestic food security as well as global food security.

#### **Comments 2 & 3:**

*CEE believes that, particularly in smaller countries, local food markets assure product diversity and local traceability, and minimise food transportation. The Bank should therefore remain cognisant of their strengths when addressing transition challenges in food supply, retail and distribution.*

*Efficiency gains resulting in decreased agricultural employment need to be offset by other employment opportunities if the bank is to have an overall positive impact. Particular care needs to be paid to the impact on women, considering their high participation in the agricultural workforce.*

**Responses 2 & 3:**

It is agreed that local production can offer significant advantages to the EBRD region. The revised draft strategy calls for an increase in technical cooperation funds, which the Bank will use to support local producers by emphasising backward linkages through the supply chain from larger scale, modern retailers and distributors – particularly in the region's smaller countries. By way of example, when investing in a milk producer in Ukraine in 2007, the Bank simultaneously organised a technical cooperation project aimed at improving milk collection from small/household farms.

Technical cooperation of this kind underlines the Bank's objective to create and support competitive enterprises in the region. At present, resources such as land and workers are under-utilised, whilst obsolete equipment lowers productivity in the sector. By seeking to modernise food supply chains, the Bank aims to create higher-value jobs in the region, to secure longer-term prosperity.

**Comment 4:**

*CEE Bankwatch believes that hypermarkets can and should be financed exclusively by the private sector.*

**Response 4:**

It was explained during the recent meeting that the EBRD must be additional in all projects it undertakes, which means that it must provide finance where commercial banks would not or, in the case of syndication, bring along significant commercial money into the project. This includes any support for hypermarkets and other food distribution formats. Additionally, the bank is committed to select retail/distribution projects with high transition impact along the whole local food value chain.

**Comment 5:**

*The EBRD should clarify how it will work to ensure the minimisation of packaging use and waste in its projects, especially considering that most of its countries of operation have undeveloped waste management systems.*

**Response 5:**

The Bank is committed to support modern packaging enterprises because their products (and associated supply chains) are already more efficient than the traditional products prevalent in the EBRD region. Furthermore, the Bank is committed to promoting recycling as part of the transition towards modern packaging: when supporting a bottle manufacturer in regional Russia in 2008, for instance, it also provided technical cooperation funds to assess the feasibility of glass recycling in the local area.