

# Learning from multiple crises to build resilient agri-food systems



Photo: MHP field and poultry houses in the Vinnytsia region, Ukraine.

Between 2019 and 2023, EBRD investments in the agribusiness sector helped increase agricultural production in its countries of operation. However, in light of Russia's invasion of Ukraine and the climate and energy crises, the EBRD urgently needs to address the evolving challenges in the sector. To incentivise fairer and greener agricultural production, the EBRD must align its approach with the policy reforms underway in many of its countries of operations.

The merging of these crises demands a systemic transformation of the agriculture sector, presenting a unique opportunity to create decentralised, cooperative and resilient production. This shift will be vital for supporting rural development and ensuring food security, particularly in the context of Russia's invasion, which has starkly highlighted the need for food production and supply to become more resilient to an increasingly volatile market.

Released in June 2023, the EBRD's evaluation report of its 2019–2023 Agribusiness Sector Strategy<sup>1</sup> recommends heightening 'the strategic ambitions of the Bank in the sector by better promoting innovative agricultural techniques and

<sup>1</sup> EBRD Evaluation Department, [Food for Thought in Challenging Times: Evaluation of the Agribusiness Strategy 2019–23 and early results of its implementation](#), European Bank for Reconstruction and Development, June 2023.

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transformational approaches to tackle the challenges of food security and sustainable agribusiness'. The concept behind the EBRD's new Agribusiness Sector Strategy<sup>2</sup> is understood to be guided by the sustainable food systems approach recommended by the Food and Agriculture Organization (FAO) of the United Nations.<sup>3</sup> This holistic strategy is built on three interconnecting sustainability pillars designed to create food systems that are inclusive, economically viable, and productive while helping to reduce poverty, ensure healthy diets, and enhance environmental sustainability.

Bankwatch has been monitoring EBRD investments in the sector, particularly focusing on their environmental and social impacts. Given the urgent regional and global challenges, we urge the EBRD to consider the following proposals during its upcoming Agribusiness Sector Strategy review.

## Food security in focus: The need for resilient and decentralised agri-food systems

Small and medium-sized farms are the backbone of rural communities. They provide workplaces, budgetary support, social safety nets, local food security, and a greater chance of achieving ecological balance and sustainability. However, the prevailing trend for mass investment in large agricultural producers has led to the centralisation of agri-food systems. This imbalance puts land, knowledge, financial resources and political power in the hands of just a few companies. For instance, the EBRD's investments in Ukraine have primarily benefitted large agricultural holdings. Their client list includes Ukrainian agribusiness giants like MHP, Astarta, Nibulon, Kernel Group and Mriya. These companies are owned by some of Ukraine's wealthiest business people, including politically exposed persons.

The pandemic and Russia's war on Ukraine have exposed the vulnerabilities of global supply chains and centralised large-scale production. In contrast, networks of smaller producers have showed remarkable flexibility and resilience in the face of these external shocks. The value of smallholders, both in times of crisis and for developing sustainable food systems in Ukraine, is one of the key findings of the World Bank's third Rapid Damage and Needs Assessment. The report emphasises supporting small and medium-sized enterprises (SMEs) as a priority for rebuilding the sector and the country.<sup>4</sup>

### EBRD's wartime investments in Ukrainian agribusinesses

Since the start of Russia's full-scale invasion in 2022, the EBRD has provided substantial direct loans to Ukrainian agribusinesses, totalling EUR 287 million in 2022 and 2023. A significant proportion of this funding (EUR 214 million) went to a single company – MHP.<sup>5</sup> A vertically integrated agricultural holding and Europe's largest poultry producer, MHP largely focuses on intensive poultry production in central Ukraine. The EBRD's support enabled MHP to increase its exports to the EU by a massive 47 per cent between 2022 and

<sup>2</sup> Based on information provided to civil society organisations at an Agribusiness Sector Strategy consultation held at EBRD headquarters in London and online on 9 April 2024.

<sup>3</sup> Food and Agriculture Organization of the United Nations, [Sustainable food systems: Concept and framework](#), *Food and Agriculture Organization of the United Nations*, 2018.

<sup>4</sup> World Bank Group, [Ukraine – Third Rapid Damage and Needs Assessment \(RDNA3\): February 2022 – December 2023](#), *World Bank Group*, February 2024.

<sup>5</sup> European Bank for Reconstruction and Development, [Project Summary Documents](#), *European Bank for Reconstruction and Development*, accessed 24 April 2024.

2023,<sup>6</sup> despite not constructing any new rearing facilities during this time. Local communities have long expressed concerns about the environmental and health impacts of MHP's highly concentrated grain, fodder and poultry production facilities. Thus far, the EBRD has made no attempt to address these existing concerns or any future potential impacts.

In 2022-2024, the EBRD also provided loans to intermediary banks under the Food Security Guarantee (FSG) and the Resilience and Livelihoods Guarantee (RLG) with the goal of providing access to financing for SMEs engaged in farming and other agricultural activities.<sup>7</sup> These investments are intended to bolster agricultural micro-, small and medium-sized enterprises (MSMEs) in Ukraine, including supporting sustainability efforts led by smallholders. As of April 2024, the EBRD has invested nearly EUR 410 million through intermediary banks across 24 projects.<sup>8</sup> The positive trend of increasing investments focused on agricultural MSMEs over the past two years should be further developed and expanded. However, there is also room for improvement in making intermediary financing more transparent and accessible to SMEs.

Ukraine's state-run programme – Affordable Loans 5-7-9% – is a popular financial tool among farmers. Agricultural SMEs, especially those working in recently liberated territories and near frontlines, heavily depend on external financing to maintain food production during the war. Therefore, obtaining access to fair and affordable loans is essential for their survival.<sup>9</sup>

## Revising the approach to livestock production

The EBRD's new Agribusiness Sector Strategy needs to fundamentally overhaul its approach to financing animal farming. Specifically, investments in intensive livestock production must be phased out due to the following well-documented issues:

- **Inadequate assessment and monitoring:** Existing procedures for intensive livestock production companies fail to properly evaluate environmental and social impacts, engage with stakeholders, and carry out monitoring.
- **Environmental and health risks:** Intensive livestock production poses serious risks to water, air and the wider environment. This leads to increased pollution and degradation, raises the levels of greenhouse gas emissions throughout the supply chain, and increases health risks related to zoonotic diseases and the development of antimicrobial resistance.
- **Misalignment of standards:** While the EBRD promotes higher standards and practices among its clients at the international level, the focus is often solely on issues of food safety for consumers. True improvement demands higher production standards that mitigate the negative impacts of intensive livestock operations on the environment and on local communities.

<sup>6</sup> Giorgio Leali, '[Ukrainian chicken kings 'shocked' by French attacks](#)', *Politico*, 20 February 2024.

<sup>7</sup> European Bank for Reconstruction and Development, '[Project Summary Documents](#)', *European Bank for Reconstruction and Development*, accessed 24 April 2024.

<sup>8</sup> Ibid.

<sup>9</sup> Ministry of Reintegration of the Temporarily Occupied Territories of Ukraine, '[The program of affordable loans of 5-7-9% should work for the de-occupied territories](#)', *Ministry of Reintegration of the Temporarily Occupied Territories of Ukraine*, 12 June 2023.

## Land reform for fair competition

Large-scale land ownership and operation by vertically integrated agribusinesses, frequent recipients of EBRD financing, is a characteristic feature of centralised food production systems. This concentration of land fosters monopolies in agri-food systems, both locally and nationally. Limited access to land, a key means of production, stifles fair competition. Decades after the Soviet era, many EBRD countries continue to struggle with establishing fair and sustainable land relations. The EBRD's new strategy must incentivise transparent and equitable land reforms and practices on the ground.

### Land grabs and rights violations in Uzbekistan and Ukraine

Reports from the ground reveal troubling instances of landowners being pressured to rent or sell their land to large agribusinesses operating as monopolies. Uzbekistan provides a stark example. Despite recent reforms, some considered controversial, deeply ingrained Soviet-era practices, low institutional capacity, and limited protections have left agricultural land rights in a precarious state. This fosters land concentration and monopolies in sectors like cotton production. The Uzbek Forum for Human Rights has highlighted a number of abusive practices, including artificially low cotton prices, unrealistic production targets, inflated input costs and unpaid debts that leave many farmers destitute.

Interviews with farmers and workers employed by EBRD's client Indorama Agro, one of Uzbekistan's largest agricultural producers, reveal instances of illegal land confiscation, restricted land access, and a host of other rights violations leading to loss of livelihoods. Additionally, levels of unemployment and social assistance reliance have tripled in recent years in areas where Indorama Agro operates.<sup>10</sup>

Ukraine's own protracted land reforms illustrate similar challenges. Reforms intended to protect smallholders have instead accelerated land consolidation, giving rise to the domination of export-oriented agricultural holdings focused on monoculture production across vast rented lands. The first phase of Ukraine's agricultural land sales market (July 2021 to December 2023) was supposed to give smallholders a foothold in the market. However, the pandemic and the war severely hampered their ability to purchase land.<sup>11</sup> Despite these challenges, Ukraine is set to press forward with further liberalisation of the land market even as the war rages on.

Fact-finding missions carried out by Bankwatch at MHP project sites in Ukraine found villagers struggling to receive fair rental prices for their land, with many reporting coming under pressure to re-sign their contracts for next periods. Under this monopolist environment, villagers and farmers have very little alternative opportunities to cultivate land.<sup>12,13</sup>

<sup>10</sup> Lynn Schweisfurth, [Land-Grabs – The New Red Flag For Uzbek Cotton Sector](#), *Uzbek Forum for Human Rights*, 19 February 2021.

<sup>11</sup> Latifundist Media, [ВАР зареєструвала петицію, в якій просить відкласти відкриття ринку землі для юридичних осіб](#), *Latifundist.com*, 6 November 2023.

<sup>12</sup> Natalia Kolomiets, Fidanka Bacheva-McGrath, [Black Earth: Agribusiness in Ukraine and the marginalisation of rural communities](#), *CEE Bankwatch Network*, September 2015.

<sup>13</sup> On 5 June 2018, community members of villages in Vinnytsia Oblast filed a [complaint](#) with the EBRD's Independent Project Accountability Mechanism in relation to MHP operations in the region.



Photo: Village houses and farms in the Vinnytsia region, Ukraine.

## Strategic opportunities

### 1. Transforming agri-food systems through targeted investments and policy dialogue

More sustainable agricultural development can be achieved through technological innovation combined with better governance and managerial practices. The FAO's approach to sustainable food systems takes a suitably comprehensive view, embracing the complexity and interconnectedness of existing systems while addressing their specific challenges and needs.<sup>14</sup> Therefore, to develop and realise investment projects that bridge more context-specific gaps, the EBRD should group its countries of operation by their regional characteristics: natural, social, economic, and political. Tailored subregional strategies of this kind would facilitate effective policy dialogue and pave the way for a gradual, just transition towards sustainable food systems.

For example, several countries within the EBRD regions have either committed to the EU accession process or assumed EU candidate country status. These undertakings will require immense coordinated efforts to bring their agri-food systems up to date and improve environmental and safety standards. Through its investments, the EBRD can help accelerate this process by promoting higher standards throughout the industry, fostering policy dialogue, and advising national decision-makers.

This will also necessarily involve reducing tensions and barriers that might prevent timely adaptation to the EU's Common Agricultural Policy and environmental governance. Given the dramatic differences in agricultural production methods between countries outside the EU (like Ukraine) and those within the bloc

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<sup>14</sup> Food and Agriculture Organization of the United Nations, [Sustainable food systems: Concept and framework](#), Food and Agriculture Organization of the United Nations, 2018.

itself, it is imperative that the EBRD develops sector-specific strategic goals and action plans for these countries.

Ukraine, Moldova and Georgia have clearly stated their EU ambitions, while the remaining Eastern Partnership countries have committed to improving governance. This behoves international investors such as the EBRD to create stronger incentives for clients in these countries to implement the EU's green agenda for agriculture. This will help streamline their integration within the EU, adopt codes of good agricultural practice<sup>15</sup> and best available techniques,<sup>16</sup> and reduce and prevent environmental pollution from the sector.

## 2. Implementing climate and circular-economy solutions

Addressing sustainability in the face of the climate crisis requires long-term assessments and forecasting. Unfortunately, baseline data on environmental and operational conditions in many countries remains limited. The EBRD's Agribusiness Sector Strategy evaluation highlights the need to introduce climate change adaptation measures, with a focus on technology and innovation.<sup>17</sup>

To tackle the climate crisis, several EBRD countries have conducted technology needs assessments.<sup>18</sup> These countries include Ukraine, Georgia, Armenia, Azerbaijan, Kazakhstan, Mongolia, Morocco, Tunisia, Lebanon and Jordan. All of these assessments identify agriculture as one of the priority sectors for climate change adaptation. The assessments conducted by Ukraine, Armenia and Jordan go further by pinpointing specific technologies for climate change mitigation in the agriculture sector. These assessments include lists of priority technologies that have the potential to reduce or sequester greenhouse gas emissions, deliver multisectoral benefits, reduce costs, and overcome implementation barriers.

The EBRD's upcoming Agribusiness Sector Strategy aims to develop a holistic approach to food systems in alignment with the principles of the circular economy. This involves tackling negative environmental and social impacts throughout the production chain (including client suppliers and other external parties) and over the entire course of the production life cycle. The EBRD's Agribusiness Sector Strategy evaluation highlights the need for effective social engagement and recommends the adoption of a 'landscape approach' to ensure the inclusive and transparent implementation of the new strategy. These measures are intended to deliver multisectoral benefits and strengthen the three interconnected sustainability pillars on which future food systems will be built.

## 3. Enhancing environmental standards

To achieve the sustainability goals of its upcoming strategy, the EBRD needs to enhance its capacity and mechanisms for assessing, preventing, minimising, and monitoring negative environmental and social

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<sup>15</sup> European Commission, [Nitrates: Protecting waters against pollution caused by nitrates from agricultural sources](#), European Commission, accessed 25 April 2024.

<sup>16</sup> European Commission, [Sustainable production: best available techniques](#), European Commission, accessed 25 April 2024.

<sup>17</sup> EBRD Evaluation Department, [Food for Thought in Challenging Times: Evaluation of the Agribusiness Strategy 2019–23 and early results of its implementation](#), European Bank for Reconstruction and Development, June 2023.

<sup>18</sup> United Nations Environment Programme, United Nations Environment Programme Copenhagen Climate Centre, [Map of countries' technology priorities](#), Technology Needs Assessment, accessed 25 April 2024.

impacts. In order to identify the contextual challenges and needs of local communities and businesses, social engagement mechanisms should be made an integral part of these evaluations. This is particularly relevant as many EBRD countries are either developing or transitioning nations with limited governance and public participation structures in place.

To incentivise the adoption of better standards and practices, the EBRD must strengthen its project due diligence, including risk and impact assessments as well as performance monitoring. Relying solely on national regulations and current mainstream practices is insufficient. The EBRD needs to go the extra mile to truly ensure its agribusiness investments contribute to a just transition and meet the sustainable development needs of the region.

## Delivering strategy goals in the field

To achieve its sustainability goals in the agribusiness sector, the EBRD must strategically promote sustainable rural development, high environmental standards, and innovation at both policy and project levels. This involves:

- enhancing its capacity and mechanisms for assessing, preventing, minimising, and monitoring negative environmental and social impacts;
- investing in measures that specifically address underestimated issues such as soil degradation and the restoration and development of water infrastructure;
- addressing sectoral weaknesses, particularly poor transparency and competitive distortions caused by the dominance of large enterprises;
- strengthening the capacity of public institutions and supporting legislation in areas like nitrate pollution, food safety and security, and protecting public health from agribusiness pollution and epidemic risks such as avian flu;
- providing liquidity for smaller farms and banks to encourage greater sustainable investment;
- phasing out large-scale livestock production and prioritising the ethical treatment of farm animals; and
- investing in circularity and decarbonisation by promoting resource efficiency as well as climate adaptation and mitigation measures within the agriculture sector.