

Joint civil society comments on the draft EBRD Food and Agribusiness Draft Strategy 2025

The draft of the new strategy is holistic, recognising key sustainability challenges related to agricultural development.¹ Moreover, there has been a shift from a discourse of competition to one of environmental, social and economic interests. Now, the strategy develops a narrative of the beneficial synergy of these sustainability domains, seeing opportunities in environmentally sound practices. Agroecology, alternative proteins, short supply chains and other trends in sustainable approaches and practices are defined as areas of opportunity for further exploration and engagement.

The strategy aims at transforming the food and agribusiness sector into a more sustainable and resilient system. At the same time, a few gaps would be beneficial to address to achieve environmental and social sustainability goals, particularly in setting targets for performance monitoring. These are several objectives where we foresee room for further improvements:

Policy dialogue, advisory projects, and cooperation with other IFIs are incorporated into the strategy as key elements to drive sustainable transformation in food systems. It implies collaboration with stakeholders, technical assistance programs, engagement policy-making initiatives and frameworks, and with a focus on inclusivity, the bank aims to achieve a synergistic effect.

The strategy includes regional priorities to address specific challenges and political and social transformations. We encourage the EBRD to develop further regional priorities in each country's strategy with specific sustainable food systems development indicators. Countries of the bank's operations have various legacies of past policies and uneven transparency and inclusion in the decision-making process. As good governance is equally significant for the sustainable transformation of agri-food systems, the bank needs to identify region- and country-

¹ European Bank for Reconstruction and Development, [Draft Food and Agribusiness Strategy 2025](#), European Bank for Reconstruction and Development, October 2024

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specific policy dialogue priorities crucial for the sustainable development of agriculture.

The strategy emphasises collaboration with various stakeholders, primarily focusing on private-sector engagement. However, the document fails to adequately prioritise engagement with local communities and small and medium farmers directly affected by agricultural policies yet often marginalised. Effective policy dialogue should include voices from those who experience the impacts of these policies firsthand, ensuring that their needs and perspectives are adequately represented. This is particularly important in the case of very sensitive but crucial reforms in many countries of the bank's operations. Issues of land relations in many countries can easily undermine the intentions of investments in agricultural development, where, instead of economic empowerment, projects may contribute to the marginalisation of farmers, workers and rural communities. Investment in Uzbekistan's cotton production is one case that clearly illustrates this.

Land rights violations & exploitation of farmers in Uzbekistan, case of Indorama Agro LLC

Nearly 70% of Uzbekistan's arable land is used to produce cotton and wheat - crops whose cultivation is imposed on farmers by a centralised planned economy. The land in the country is state-owned and leased to farmers, whose land use rights are limited and not properly protected. This gap is often exploited to pressure farmers, making them dependent and vulnerable.

The privatisation of the agriculture sector resulted in the establishment of so-called clusters, vertically integrated cotton producing companies that combine production, processing and often the manufacture of cotton goods. Although the intended goal of introducing the cluster system was to enhance productivity and reduce the role of the state in cotton production, it has in fact led to controversial practices relating to compulsory land acquisition and the exploitation of farmers in Uzbekistan.²

In 2018, by governmental decision, 50,000 hectares of land in the Kashkadarya and Syrdarya regions of Uzbekistan,³ where 2,897 farms operated, were transferred to a single company: Indorama Agro LLC. Out of the original 2,897 farms, 1,068 farms are now under the company's control, acquired through pressure or deceptive practices that led farmers to sign so-called 'voluntary' land lease terminations. These developments coincided with the EBRD loans to Indorama Agro LLC totalling USD 70 million in 2021.⁴

² Uzbek Forum for Human Rights, [Cotton Clusters and the Despair of Uzbek Farmers: Land Confiscations, Bank Contracts and Failed Payments](#), Uzbek Forum for Human Rights, 2 April 2020.

³ Cabinet of Ministers of Republic of Uzbekistan, [Decree On measures to create a modern cotton textile production by the company "Indorama"](#), Cabinet of Ministers of Republic of Uzbekistan, 8th of August 2018

⁴ European Bank for Reconstruction and Development, [Project Summary Documents, Indorama Agro Capex Loan](#), European Bank for Reconstruction and Development, accessed on 5 November 2024.

The promised job creation by the project has not materialised. Instead, it has laid off hundreds of workers and misclassified former farmers who previously had employee status to service providers. This change denies them employment security and statutory benefits, such as pension contributions and sick pay. It also excludes them from trade union membership, leaving them vulnerable to exploitation. Farmers contracted to deliver cotton to the company have complained about low prices for their crops, high costs for production inputs, and late payments. Meanwhile, in two regions where Indorama Agro LLC operates, levels of unemployment and reliance on social assistance have tripled in recent years.⁵

This EBRD's investments in the company have exacerbated existing vulnerabilities among farmers and rural communities rather than providing the promised economic benefits, highlighting the need for systemic reforms in Uzbekistan's agricultural sector. The bank should contribute to such reforms, including fair and transparent land relations and better engagement practices instead of bolstering a dysfunctional system that denies the empowerment of farmers.⁶

Lack of participation and risks of retaliations for raising questions pose a severe barrier to much-needed sustainable agricultural transformations. **The bank needs to contribute to policy developments which ensure fair access to the means of production, particularly land. Ensuring inclusive participation must be an integral part of investment projects**, especially in regions with limited civic space and where fundamental freedoms are restricted.

The bank's new strategy focuses on smallholders. SMEs' (small and medium-sized enterprises) importance is described in the context of economic sustainability, human capital development, promotion of inclusive initiatives, access to finance, and their role in local economic development. Fair access to resources, including financial ones, for smallholders has been a long-standing issue in IFI investment in the sector. Moreover, in some cases, projects supported by IFIs, and EBRD in particular, led to strengthening monopolists in national markets: this is evident in both the cases CEE Bankwatch Network is following in Uzbekistan (Indorama Agro and cotton production) and Ukraine (MHP and poultry production). Thus, these IFI investment practices indirectly contributed to the centralisation of agri-food systems, which led to the gradual displacement of smallholders. Therefore, a new strategic approach to provide more investments, technical support, and advisory support for smallholders is necessary and welcome. Previously (2019-2023), EBRD's direct investments into agriculture for SMEs accounted for only 3 per cent. The new strategy aims to increase private sector investments by 20 per cent with social/inclusion components through direct transactions and intermediary financial institutions.

⁵Lynn Schweisfurth, [Land-Grabs – The New Red Flag For Uzbek Cotton Sector](#), *Uzbek Forum for Human Rights*, 19 February 2021.

⁶Uzbek Forum for Human Rights, [Land Grabbing and the Exploitation of Farmers. Implications for Indorama Agro](#), *Briefing to EBRD Annual Meeting Samarkand*, *Uzbek Forum for Human Rights*, May 2023.

At the same time, the bank needs to address challenges in many countries where it operates. These challenges include systems that are incompatible with smallholders' existing practices, limited access to resources for small and medium producers, and issues with market integration faced by these producers. The bank aims to reach this target audience via direct investments and through local financial institutions. In this regard, **developing more specific regional targets would contribute to more balanced investments and even access to finances by SMEs** in countries like Ukraine, Türkiye, and other countries in Central, Eastern, and Southern Europe. Here, the share of projects involving SMEs from 2019 to 2023 was significantly smaller in certain countries. For example, it was only 15 per cent for Ukraine and approximately 13 per cent for Türkiye. Simultaneously, the average project size was more significant than others, with EUR 31 million in Ukraine and EUR 50 million in Türkiye. This indicates that the dominant portion of investments in these countries was going to large-scale producers.

The strategy emphasises technical support for proper due diligence as one of its key instruments for achieving targets. Multiple cases demonstrate systematic gaps in how the bank's clients implement its social and environmental policies and standards. These gaps arise from various factors, including the bank's limited capacity to assess all of its investment projects adequately. Therefore, capacity development for monitoring and evaluating projects is crucial to ensure the investments' environmental and social safeguards.

Lack of baseline assessment and growing cumulative impacts of the biggest poultry producer in Ukraine.

Myronivsky Hliboproduct (MHP), a vertically integrated agricultural holding and Europe's largest poultry producer, has received substantial financial support from the EBRD. Since 2010, EBRD investments in MHP have totaled nearly EUR 500 million, with EUR 190 million provided in 2022 and 2023 alone.⁷ When combined with the loans of other IFIs, the company has received over EUR 1 billion in total – the largest share of private investments in Ukrainian agriculture.⁸

In just an over a decade, MHP developed number of greenfield projects in central Ukraine with IFI's investment projects. Despite the scale of production – including dozens of millions of chickens and vast areas of farmland for fodder production - and continuous expansion with new facilities, there has never been a comprehensive assessment of all the company's production sites. Moreover, failure to classify any of the MHP projects as 'A' category led to a lack of required baseline studies. These studies are essential for understanding the environmental and infrastructural impacts before initiating large-scale operations. The absence of any baseline study has made it extremely difficult

⁷ European Bank for Reconstruction and Development, [Project Summary Documents](#), *European Bank for Reconstruction and Development*, accessed 5 November 2024.

⁸ Frederic Mousseau, Maya Tsingos, [When European Institutions Sacrifice Farmers for Corporate Profit](#), *Oakland Institute*, 26 February 2024

for affected communities to defend their rights against pollution and local infrastructure damage caused by MHP's activities, despite abundant evidence of these problems.⁹

Local communities have been raising concerns regarding environmental impacts (foul odours, air, water, and soil pollution), damage to infrastructure, and inadequate community consultations under the threat of reprisal. In 2018, community representatives and several civil society organisations lodged a complaint to the EBRD's Independent Project Accountability Mechanism (IPAM).¹⁰ Now six years later, IPAM is set to release its anticipated Compliance Review Report, which will identify areas of non-compliance with the EBRD's environmental and social policies.

The EBRD's new investments in the company's operations must address the longstanding issues of local communities and gaps in due diligence. Given that these new investments are occurring during an ongoing war in Ukraine - when national environmental governance and regulatory systems are limited - the bank must ensure a proper cumulative impact assessment is conducted to evaluate the effects of its decade-long investment period.

Connecting this issue with **the EBRD's cooperation with commercial banks**, which are involved as intermediaries between the bank and SMEs, the strategy includes tasks aimed at building their capacity for scaling up sustainability-driven investments. Intermediary financial institutions' capacity to follow the strategic goals on sustainability needs to be developed, including project evaluation, monitoring and adjustments. Therefore, the strategy's performance framework must reflect a specific target indicator. Additionally, **the transparency of such investments by private financial institutions needs to be developed, and public outreach to the key audience of SMEs about the emerging opportunities needs to be made.**

The environmental sustainability pillar of the strategy largely keeps the same focus as the bank's previous agribusiness strategy - on climate change actions for decarbonisation and resilience building for the agri-food system. However, other environmental challenges related to biodiversity, water, soil, air, and ecosystem services maintenance and reinforcement are addressed less clearly. This is particularly noticeable among examples of GET (green economy transition) investment projects under the previous strategy and also in the performance monitoring framework of the new one. The framework sets more representative tracking indicators and units of measurement for related climate action progress. For others,

⁹ Alexandre Andrade Sampaio, Caitlin Daniel, Accountability Counsel, [Proper EBRD policies can avoid further disgrace in Ukraine and elsewhere](#), *Euronews*, 21 June 2024.

¹⁰ European Bank for Reconstruction and Development, [IPAM Case Registry](#), *European Bank for Reconstruction and Development*, accessed on 5 November 2024.

the indicators appear somewhat subjective; the real impact cannot be assessed without additional quantitative and qualitative information.

For instance, the indicator ‘Number of client companies contributing to biodiversity conservation (water, land), natural resource preservation, and waste management’ on its own might not be enough to conclude positive real-world improvements. In such cases, **it would be beneficial to have additional indicators that would help track changes in the environment before, during, and after the project took place.** If a client introduces better practices of agrochemical use, then quantitative and qualitative parameters of the environment (water, air, soil, biodiversity) would make progress tracking easier.

Last but not least, the strategy overlooks **environmental risks regarding certain types of agricultural production**, as some of them are inherently riskier in terms of environmental impacts and are closely associated with environmental degradation and the acceleration of the climate crisis, such as intensive factory animal farming. Moreover, animal farming doesn’t exist on its own. A long and intricate supply chain is necessary for this kind of production, from fodder growing and processing to waste and by-product management. As described above, in the case of intensive poultry production in Ukraine – a proper cumulative assessment of impacts is missing, making it impossible to set site-specific mitigation measures.

Additionally, the strategy should further develop two crucial targets for the sustainable transformation of animal farming: animal welfare and food loss & waste. While animal welfare standards are mentioned under the environmental sustainability pillar, the bank needs to include it as one of the priority activities with clients working in animal farming, as well as a topic for political dialogue regarding the sector’s transformation.

Tackling food loss and waste (FLW) is one of the most prioritised areas of opportunity of the strategy, as an essential measure to decrease greenhouse gas (GHG) emissions from the sector. Animal by-products are another major source of GHGs, pollution of the environment and associated health risks along the food production supply chain. Banks should address such sources of emissions by investing in good farming practices for manure and other by-products management among their clients and promote solutions through advisory and policy dialogue. Developing guidelines, like those on the FLW issue in Greece and Türkiye, could be particularly valuable for other big producer countries, like Ukraine.

Key Recommendations:

1. **Policy Dialogue and Stakeholder Engagement:** EBRD should strengthen collaboration with stakeholders, including local communities and smallholder farmers, to ensure their voices are included in agricultural policy-making processes. This engagement is crucial for ensuring that the needs and perspectives of those directly impacted are represented, particularly in regions with limited civic space.

2. **Further Development of Regional Priorities:** EBRD should continue developing specific sustainable food system indicators tailored to the unique challenges and political contexts of each country within EBRD's operational regions. This includes identifying region-specific policy dialogue priorities promoting good governance and more balanced investments across various regions, particularly where smallholder representation has been underrepresented.
3. **Strengthen Capacity for Monitoring and Evaluation:** The bank needs to enhance its capacity to evaluate its projects' adherence to social and environmental standards, particularly in countries with weak environmental governance systems. This includes building the capacity of intermediary financial institutions to align with sustainability goals and ensuring transparency in investment practices.
4. **Address Broader Environmental Challenges:** The strategy should expand its focus beyond climate change and develop more representative indicators for tracking the progress of other environmental issues, such as biodiversity, water, soil health, and ecosystem services.
5. **Promote Sustainable Practices in Animal Farming:** EBRD should incorporate measures for specific environmental risks associated with intensive factory farming into the strategy's framework. It should include activities directed at issues of losses and waste along the supply chains (especially animal farming by-products) and animal welfare standards.

These comments were produced together with the following partner organisations:

