

THE EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT ACTIVITY IN THE AGRIBUSINESS AREA

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Abstract: *EBRD involvement in the agribusiness sector spans all activities throughout the production chain, from farming, processing and trading to food distribution, packaging and retail. The Bank also plays a major role in developing the sector by supporting local and foreign corporate clients as well as micro, small and medium-sized enterprises.*

The paper aims to present EBRD forms of financing the agribusiness are, EBRD strategy in this area generally and in Romania. Another aim of the paper is to present the role and the importance of EBRD in financing agribusiness in Romania.

Key words: *agrobusiness, development, financing, strategy, performace*

INTRODUCTION

Agribusiness is a sector that has its charm and worth knowing to see what are the prospects for those who want to start a business. In the past 50 years, agriculture has known a drastic resizing its main inputs, namely businesses, acreage and workers. Thus, for who wants to work in this sector, opportunities exist, but on one condition: do not fall victim of deceptive illusions. First, who wants to invest in agriculture should know that can not easily enrich. Then, you have to have the precise technical knowledge and a certain passion for what you do. To be aware that will pay off the investment on long-term only. And lastly, be aware that the weather will be the mistress. Consequently, the risks of failure that characterize agricultural activity are higher than for initiatives in other sectors of the economy.

The secrets of those devoted to an agricultural activity are often transmitted from generation to generation. To know as many as you can it is better to specialize in a particular area and try to deepen it, attending courses, reading professional publications and, especially, gaining experience.

In practice farming you must take into account the fact that the value of land varies greatly depending on the exposure and soil composition. To limit the depreciation costs it must be "appropriate" carefully, based on the requirements of their business, size of equipment and facilities needed for business. Adherence to profile associations is a good thing for anyone who wants to do something in this area, because the associations are able to provide valuable advice and suggestions for those who want to invest money and resources in this area. Being a farmer is certainly the hardest to improvise. To devote to any productive activity, it takes experience to other agricultural enterprises. Without this experience, you should consider an initial loss, which is the price of direct learning on the field.

MATERIALS AND METHODS

The research was accomplished from a triple perspective, in which the conceptual methodological approach is correlated to the empirical study and to a variety of references to practical actions aiming the activity of the European Bank for Reconstruction and Development in the agribusiness are, based on the current knowledge in the field.

The results expressed in this paper were the result of a quantitative and qualitative analysis of the characteristics and the evolution of the European Bank for Reconstruction and Development activity in the agribusiness area, in the world generally, and in Romaniaia

especially, in the context in which EBRD directs an important part of the funds destined to Romania towards the agribusiness sector.

We didn't have omitted the EBRD strategy in the agribusiness area in general and in Romania.

RESEARCH RESULTS

A. The EBRD strategy in the agribusiness area

Fundamental transition challenges vary within the region and must be approached accordingly. Particularly in Early Transition Countries quality standards and controls are inadequate, growth of competition and restructuring remain slow, the necessary transport infrastructure is often lacking, modern retail business is still non-existent and finance is often unavailable. In a number of these countries, state interference in the sector still remains pervasive. In more advanced transition countries such as in the Western Balkans challenges are clustered around upstream production as well as SMEs particularly in rural and more remote areas and hence require a different set of investments.

Given the Agribusiness sector's impact on its surroundings – particularly in primary agriculture – it has become obvious that a sustainable investment approach addressing environmental and social aspects in a more systematic manner than before will become critical for the coming years.

The Bank intends to address these challenges by pursuing the following strategic objectives:

- ✚ Food Security – maximise the region's potential and help address global food imbalances by promoting market-orientated, systemic change;
- ✚ Maximise transition impact through a focused investment approach and increased regional differentiation (with an emphasis on ETCs and the Western Balkans);
- ✚ Promote a sustainable investment approach addressing environmental and social issues, including gender, energy efficiency and climate change adaptation more systematically;
- ✚ Continue to pursue its policy dialogue agenda.

The recent global financial and economic crisis has constituted a significant setback to realising the region's potential in the Agribusiness sector. Thanks to its transaction expertise and knowledge of the sector, the EBRD continues to be uniquely placed to help the region tackle remaining transition challenges and increase production.

The Sector Strategy outlines the EBRD's approach to tackling the diverse challenges present in its sector, taking into account the current environment in the Bank's countries of operations as well as the global economic conditions, the extensive experience of the Bank in the sector, and specific lessons learned. In order to implement its strategic objectives, the EBRD will continue to strengthen its local presence and continue with its disciplined business driven approach to deliver high quality projects.

B. The EBRD Agribusiness Sustainable Investment Facility

To help companies in the region to capture commercial benefits the EBRD has created the Agribusiness Sustainable Investment Facility (ASIF), a financing facility to fund a wide range of energy efficiency, environmental and social projects within the agribusiness sector.

ASIF was launched in 2010 and builds on the Bank's wide experience in sustainable energy investment. The Bank has committed more than €6.1 billion in sustainable energy investments, of which almost €200 million has been in the agribusiness sector.

Since its launch ASIF has evolved to fund not only energy efficiency measures but also resource efficiency such as projects to utilise waste produce in manufacturing processes and to maximise water use.

This is an important area to invest on because improved sustainability can:

- ✚ increase profitability by reducing energy costs
- ✚ increase resilience by reducing reliance on volatile raw materials/commodities
- ✚ improve environmental and social performance.

Until the present this investment facility was used in the following countries:

➤ In Serbia, the Bank helped finance a biomass boiler in Victoria Group's soya processing operations. Fed on straw and oilseed husks, the boiler replaced two natural gas steam generators, leading to a fuel saving of approximately 60,000 GJ per year, and almost eliminating the plant's reliance on natural gas. Payback for this investment is less than three years.

➤ In Ukraine, the Bank helped Nibulon, a leading local grain producer and trader, to create an efficient, low-emissions grain logistics network based on modern crop storage facilities and a fleet of new river barges along the River Dnieper. This will significantly reduce transport costs.

➤ In Bulgaria, the Bank financed Boni, a meat processing company, to make environmental improvements to its pig farms to comply with strict new EU environmental permits. These investments allow Boni to export its products into lucrative EU markets.

C. EBRD involvement in the agribusiness area in Romania

In 2012, the EBRD signed 26 projects in Romania worth €612 million, its second highest volume ever. In total, 57 per cent of investments were in the private sector, with over 5 per cent in equity and 22 per cent focused on sustainable energy investments. In addition the Bank syndicated over €140 million and mobilised over €2.2 billion of financing.

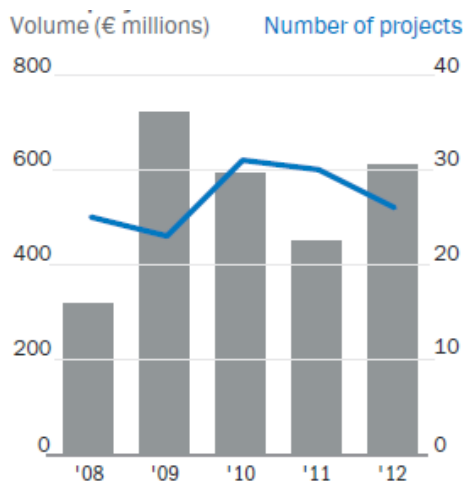


Figure 1 EBRD projects in Romania in the period 2008-2012

Source: <http://www.ebrd.com/pages/country/romania.shtml>

The financial sector, the energy and infrastructure sectors and the production side of the economy are the focus areas of the EBRD's country strategy for Romania. As outlined in the strategy – approved in February 2012 – the Bank will maintain its role in supporting the banking and non-banking financial sector, continue to support renewable energy and

energy efficiency investments and expand its municipal infrastructure activities in transport, water and wastewater projects, including co-financing with EU structural funds.

In addition, the EBRD will support local businesses and foreign-owned companies, through direct investments, loans to small and medium-sized enterprises (SMEs) and via private equity funds, focusing particularly on value-added sectors such as manufacturing, agribusiness and technology.

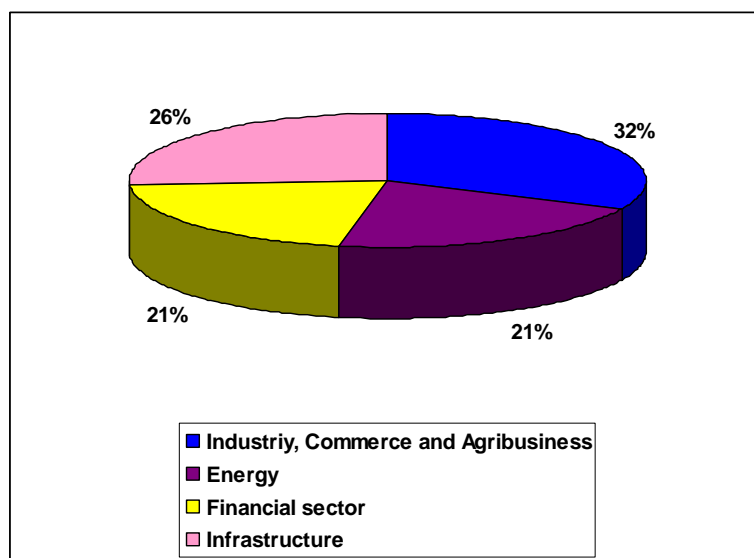


Figure 2 Sector breakdown of current EBRD projects in Romania

Source: realised by the author using dates from <http://www.ebrd.com/pages/country/romania.shtml>

Where:

- Industry, commerce and agribusiness comprises agribusiness, manufacturing and services, property and tourism and telecommunications
- Energy comprises natural resources and the power sector
- Financial sector includes investments in micro, small and medium-sized enterprises via financial intermediaries
- Infrastructure comprises municipal environmental infrastructure and transport

The EBRD's main focus in Romania is support for the private sector (both local companies and foreign investors), energy (including improving energy efficiency and renewables) and infrastructure development. The Bank also provides loans via local banks to support the real economy.

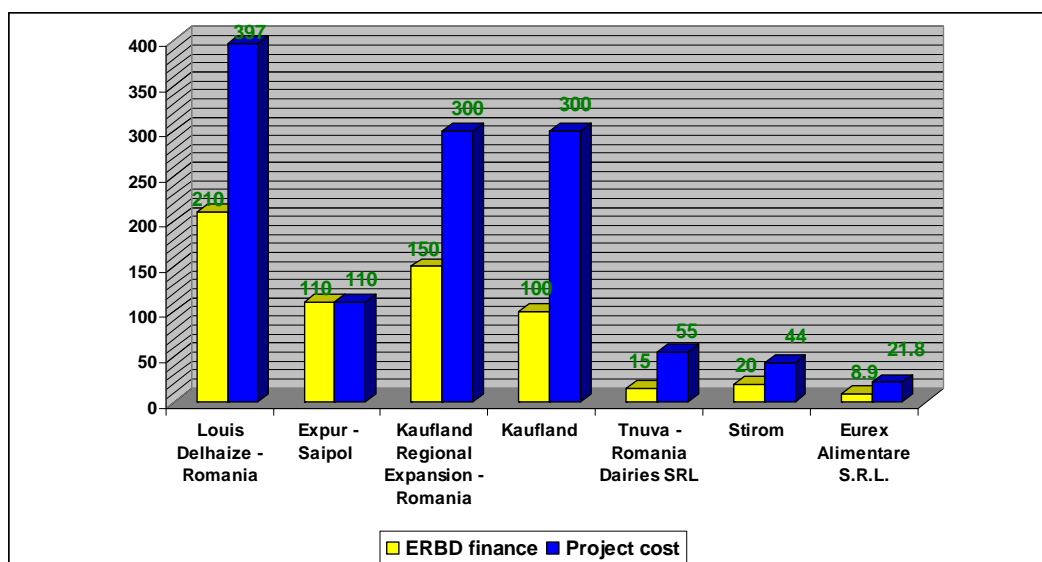
Regarding the agribusiness area, between the years 2000-2014, EBRD financed 7 projects, as shown in the table below:

Tabele 1

Projects financed by EBRD in Romania in agribusiness area in the period 2000-2014

Date	Project Title	Public/ Private	ERBD finance (EUR million)	Project cost (EUR million)	% in total amount
08 Sep 2011	Louis Delhaize - Romania	Private	210	397	52,90
30 Iul 2010	Expur - Saipol	Private	110	110	100
01 Mai 2009	Kaufland Regional Expansion - Romania	Private	150	300	50
05 Dec 2006	Kaufland	Private	100	300	33,33
19 Aug 2005	Tnuva - Romania Dairies SRL	Private	15	55	27,27
04 Mar 2005	Stirom	Private	20	44	45,45
15 Oct 2004	Eurex Alimentare S.R.L.	Private	8,9	21,8	40,83

Source: realised by the author using dates from <http://www.ebrd.com/pages/country/romania.shtml>

**Figure 3 ERBD financing of the agribusiness projects in Romania**

Source: realised by the author using dates from <http://www.ebrd.com/pages/country/romania.shtml>

EBRD Strategy for Romania in the following period aims:

✚ Promoting stability and expanding the range of products in the financial sector. Given the economic and financial uncertainty globally continues to be felt, the stability of the financial sector is still in danger. Additional measures are also required in development areas such as leasing, insurance and the local capital markets.

✚ Strengthening infrastructure through increased efficiency and a greater involvement of the private sector. It requires the development of the national infrastructure, particularly roads and, where possible, the introduction of private sector investment through concessions/public-private partnerships and privatization carriers. In many infrastructure operations (in areas such as those of water, waste, roads, railways, district heating, etc.) is necessary to improve operating efficiency and reduce dependence on grants and state funding.

✚ Energy sector restructuring and increasing energetic efficiency and sustainability. A large part of Romania's energy sector is still owned by the state and must

be restructured and/or privatized in order to stimulate investment and promote efficiency. Despite improvements in recent years, Romania is still an economy based on intensive energy consume and must make further progress in the transition to an efficient and low carbon emissions.

✚ Encouraging investment in the manufacturing sector of the economy. Given the fact that Romania is a consumer-based economy, it is important to introduce new products and processes in areas such as the production and agribusiness, both in domestic companies as well as in those owned by foreign entities. Future growth prospects also depend on the development of competitiveness, increasing export capacity, production intended for import substitution products and improving the business environment in order to attract more foreign investments in an environment increasingly competitive.

CONCLUSIONS

The EBRD offers various forms of financing, including tailored long-term loans, working capital loans, commodity finance, equity, guarantees and multi-project facilities. Each is individually designed to meet the changing needs of agribusiness clients across the region. The EBRD Technical Cooperation Funds Programme provides funding to improve the preparation and implementation of the EBRD's investment projects and to provide advisory services to clients. It is funded by governments and international institutions and managed by the EBRD. Each year the programme provides about €80 million to finance a wide range of activities of consultants and other experts.

The region still faces substantial transition challenges that prevent it from exploiting its large unrealised production potential. In order to realise this potential fully, persistent market inefficiencies throughout the food chain must be addressed – from insufficient competition and cumbersome administrative barriers in retail and distribution, low quality standards and productivity in processing and packaging, to inadequate access to finance, weak institutions and policies in primary agriculture.

In Romania, agribusiness is not the most financed area of EBRD but some important projects benefited from banks support.

It is mandatory for the Romanian economy to benefit from EBRD support in order to be able to develop in conditions of sustainability.

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