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Arab NGO Network for Development  
شبكة المنظمات العربية غير الحكومية للتنمية

# Series of analysis on European Financial Institutions engagement in the Arab Region

**Paper #3**

**EIB and EBRD Interventions in the  
Arab Region in the AGRIBUSINESS Sector  
A Civil Society Insight**

## ***Arab NGO Network for Development***

### ***EIB and EBRD Interventions in the Arab Region in the AGRIBUSINESS Sector:***

#### ***A Civil Society insight***

*The following paper comes in a series of other papers, each tackling a different sector of focus within the EIB and the EBRD's interventions in the Arab Region. The purpose of this one is to provide information on the EBRD and the EIB's involvement in the region in the energy sector.*

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### Abstract:

*The following paper comes in a series of other papers, each tackling a different sector of focus within the EIB and the EBRD’s interventions in the Arab Region. The purpose of this one is to provide tentative background information on the EBRD and the EIB’s involvement in the region in the agribusiness sector. The papers are essential for monitoring the Banks’ work and involvement in the region from a rights-based perspective (how they affect Human rights and policy making). The aim is to provide information and data that help in advocating for the paper’s cornerstone: the right to food. Food security, food sovereignty and the effects of liberalization are all centered on the right to food. Therefore, firstly included is a summary of the Banks papers and studies that reflect their views and policies on the sector as well as brief descriptions of their agribusiness projects so far. Secondly, a quick review on the literature on agribusiness helps to identify the main challenges the sector faces. This section is also essential for the final recommendations.*

## I. Summary of the Bank's approaches and activities:

### **EBRD:**

The following is a summary of the Bank's assessments and papers on the agribusiness sector. The EBRD has undertaken an assessment for each country it intervenes in (or plans to).

The Bank's priorities in the MENA region include the agribusiness sector but are more focused on the energy, finance and infrastructure sectors. More precisely the Bank's priorities for the upcoming period concerning the agribusiness sector are *"Enhancing the agribusiness value chain to improve food security, strengthen the distribution chain, and develop a sector that accounts for a high share of employment"*<sup>1</sup>.

Furthermore, the transition gaps as defined by the EBRD are as follows:

- "low yields, a high level of input subsidization, difficult access to finance and limited specialized storage and logistic systems. Inefficient irrigation, lack of modern farming practices, including irrigation practices and the proper use of pesticides, the weakened competitiveness of the sector caused by subsidies and export bans, the lack of streamlined regulation to ease the process of owning and leasing agricultural land and in combination with a lack of alternative

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<sup>1</sup><http://www.ebrd.com/downloads/country/technical/assessments/egypt-assess.pdf> p.22

sources of collateral such as warehouse receipts, access to finance from banks is severely constrained"<sup>2</sup>

### **EIB:**

The EIB directly conducts its projects through the Facility for Euro-Mediterranean Investment and Partnership (FEMIP). FEMIP's stated goals are the growth and job creation in two priority areas: Private sector support and small and medium-sized enterprises. Agriculture or agribusiness is not cited as a separate sector for investments; instead, the industrial sector includes a part on agro-industry, and the environment sector includes a section on irrigation<sup>3</sup>.

After searching on their website, no report or analysis identifying challenges or approaches was found for the 4 following countries: Tunisia, Egypt, Morocco and Jordan. However, An EIB report published in April 2012 on the challenges of competitiveness and employment in Tunisia tackles the issue of employment and Tunisian fishery and agricultural products. The diagnostic, actions and actors involved and expected results are

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<sup>2</sup> Idem

<sup>3</sup><http://www.eib.org/projects/regions/med/index.htm>  
last checked 20/11/2013

similar to those identified by the EBRD (e.g. an improved valorization of agricultural products on both the domestic and international market)<sup>4</sup>.

For more details on each of the assessment, the 2013 transition report and other papers reflecting the Banks views, please visit:

**EBRD**

Egypt: [http://www.ebrd.com/downloads/country/technical\\_assessments/egypt-assess.pdf](http://www.ebrd.com/downloads/country/technical_assessments/egypt-assess.pdf)

Tunisia: [http://www.ebrd.com/downloads/country/technical\\_assessments/tunisia-assess.pdf](http://www.ebrd.com/downloads/country/technical_assessments/tunisia-assess.pdf)

Jordan: [http://www.ebrd.com/downloads/country/technical\\_assessments/jordan-assess.pdf](http://www.ebrd.com/downloads/country/technical_assessments/jordan-assess.pdf)

Morocco: [http://www.ebrd.com/downloads/country/technical\\_assessments/morocco-assess.pdf](http://www.ebrd.com/downloads/country/technical_assessments/morocco-assess.pdf)

The 2013 transition report: <http://www.ebrd.com/downloads/research/transition/tr13.pdf>

**EIB:**

Tunisia: [http://www.eib.org/attachments/country/competitivite\\_emploi\\_tunisie\\_fr.pdf](http://www.eib.org/attachments/country/competitivite_emploi_tunisie_fr.pdf) (the paper could only be found in French)

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<sup>4</sup> [http://www.eib.org/attachments/country/competitivite\\_emploi\\_tunisie\\_fr.pdf](http://www.eib.org/attachments/country/competitivite_emploi_tunisie_fr.pdf) (the paper could only be found in French and the translation is personal).

## Projects approved so far:

### EBRD:

- A €15 million loan to the Spanish company Borges Holding, which will then be fully on-lent to Borges **Tunisia** (called the “Ultimate Beneficiary” by the EBRD). The loan is to fund part of the project’s total cost: €50 million. The beneficiary of the loan is a company that specializes in exporting unrefined olive oil to other groups mostly in Spain and Italy<sup>5</sup>. Another important aspect of this project is its expected environmental impact. The EBRD categorized it “B” in accordance with its 2008 Environmental and Social Policy, moreover, the client companies (namely Borges group and Borges Tunisia) have assigned staff to monitor environmental impacts and to ensure the application of the requirements and principles set by the United Nations Global Compact covering human rights, labour, environment and non-corruption.
- A €2.5 million loan to Lesieur Cristal in **Morocco**, which is, according to the Bank a major producer of edible oil, and soap. The loan is intended to finance the construction and launch of a new biomass boiler to support **energy**

**efficiency and reduce greenhouse gas emission.** “The boiler, which will be fuelled by processed olive waste, will enable Lesieur Cristal to further reduce its consumption of fossil fuel and electricity, and thereby reduce energy costs and boost sustainability, a priority for many Moroccan companies”<sup>6</sup>. What the Bank forgot or omitted to say about Lesieur Cristal, is that this “Moroccan” company is a subsidiary company of the French giant *sofiprotéol*<sup>7</sup>. According to the same report published by this company, *sofiprotéol* “expanded its market, and at the beginning of the year 2012 took control of Lesieur Cristal, the Number one producer of cooking oil in Morocco”<sup>8</sup>. Surprisingly enough, the Bank did not identify “**energy efficiency and reducing greenhouse emission**” as important in this “number one” company prior to its acquisition by the French giant (Knowing that the bank “responded to a call by the international community to extend its mandate to SEMED countries

<sup>5</sup> For more detailed information, <http://www.ebrd.com/pages/project/psd/2012/44443.shtml> last checked 13/11/2013

<sup>6</sup>

<http://www.ebrd.com/english/pages/news/press/2013/130916.shtml>, last checked 13/11/2013

<sup>7</sup>

[http://www.sofiproteol.com/uploads/media/Sofiproteol\\_Rapport\\_activite\\_2011.pdf](http://www.sofiproteol.com/uploads/media/Sofiproteol_Rapport_activite_2011.pdf), last checked 13/11/2013

<sup>8</sup>

[http://www.sofiproteol.com/uploads/media/Sofiproteol\\_Rapport\\_activite\\_2011.pdf](http://www.sofiproteol.com/uploads/media/Sofiproteol_Rapport_activite_2011.pdf), the report is in French and the translation is personal

since 2011). On another note, the Bank statement of the sustainability of the project is as follows: “With the launch of this new biomass boiler, more than half of Lesieur Cristal’s thermal energy needs will come from renewable sources, doubling the company’s current use of renewables. With the expected savings in energy and greenhouse gas emissions, Lesieur Cristal will stand out as one of the leading sustainable companies in the country”<sup>9</sup>.

- A €3.6 million loan to mezzanine Moroccan juice producer Citrumba. Its stated aim is to “to buy modern equipment, including new production lines”<sup>10</sup>. It will also expand the product range of the “Marrakech” brand and enhance distribution capacity”. Furthermore, it is specified that the Company Citrumba was launched in 2006 by a consortium called Groupe Delassus<sup>11</sup>. The group in question is already identified as the leading producer of fruits and vegetables in Morocco with a sales turnover of 750 million Moroccan Dinar

(roughly US\$ 93 million)<sup>12</sup>. The company also clearly states that it is export oriented. Its customers and standards are oriented towards export to the EU<sup>13</sup>.

- The EBRD is also providing a €65 million sovereign guaranteed loan to the “Office National de l’Electricité et de l’Eau Potable (ONEE)”<sup>14</sup>. The stated aim of the loan is “to support sovereign guaranteed loan”. The stated goals are that this loan will “help ensure access to drinking water for over 480,000 people in Azilal, Ben Guerir and Ouarzazate, and in 260 rural communities. It will also enhance water supply to urban areas”. Furthermore, “The project is complemented by a comprehensive technical assistance programme of €4.5 million financed by donor grants. These funds from the **Austrian Government**<sup>15</sup> and the EBRD’s SEMED Cooperation Fund and **SEMED Multi-Donor**

<sup>9</sup> <http://www.ebrd.com/english/pages/news/press/2013/130916.shtml> last checked 13/11/2013

<sup>10</sup> <http://www.ebrd.com/pages/news/press/2014/140203.shtml> last checked 11/2/2014

<sup>11</sup> Idem

<sup>12</sup> <http://www.leconomiste.com/article/une-affaire-de-famillebrientretien-avec-kacem-bennai-smires-pdg-de-delassusi> the article is in French and the translation is personal, last checked 10/2/2014

<sup>13</sup> <http://www.leconomiste.com/article/comment-delassus-une-entreprise-familiale-est-devenue-un-geant-des-fruits-et-legumes> the article is in French and the translation is personal, last checked 10/2/2014

<sup>14</sup> <http://www.ebrd.com/pages/news/press/2014/140129.shtml> last checked 10/2/2014

<sup>15</sup> <http://www.ebrd.com/pages/about/workwith/donors/countries/austria.shtml>

**Account**<sup>16</sup> will facilitate the project's implementation and enable the development of a stakeholder participation programme as well as a financial and operational performance improvement programme.”

the introduction of more efficient drip irrigation equipment and the provision of technical assistance. Nearly 8 000 small-scale farmers will benefit from this scheme in the regions”<sup>18</sup>.

### EIB:

1- A € 42.5 million for irrigation and agriculture has been approved by the EIB for the *Green Morocco plan*. Its stated aim is to “develop **modern farming while ensuring effective, sustainable management of water resources**”<sup>17</sup> and to “help finance the National Irrigation Water Saving Programme’s priority action of developing **high value added modern farming and increasing crop diversity and yields while finding sustainable irrigation solutions**”. The EIB expects that this plan will generate 20% to 50% water savings along with the reduction of losses in the public irrigation network. “Specifically, the loan will finance the conversion of 21 405 ha of the existing public irrigation network into localized systems thanks to

## II. The agribusiness sector in Arab countries: issues, challenges and recommendations from a Civil Society perspective.

### The right to food:

The right to food is a human right recognized and protected under international human rights and humanitarian law. It entails the right of all human beings “to feed themselves in dignity, either by producing their food or by purchasing it”.

The right to food requires States to provide an enabling environment in which people can use their full potential to produce or purchase food

For the Special Rapporteur, the right to food is:

*“The right to have regular, permanent and unrestricted access, either directly or by means of financial purchases, to quantitatively and qualitatively adequate and sufficient food corresponding to the*

<sup>16</sup>

<http://www.ebrd.com/pages/about/workwith/donors/countries.shtml#semed>

<sup>17</sup><http://www.eib.org/projects/press/2012/2012-135-maroc-la-bei-engage-42-5-meur-en-faveur-de-lirrigation-et-de-lagriculture.htm> last checked 20/11/2013

<sup>18</sup>idem last checked 20/11/2013



*cultural traditions of the people to which the consumer belongs, and which ensure a physical and mental, individual and collective, fulfilling and dignified life free of fear.”<sup>19</sup>*

**Trade and the Right to food:** The EU Social and Economic committee (EESC) in 2010 declared that: “food products are too important for the wellbeing of citizens; we cannot subjugate them to the caprices of a non-regulated free market”<sup>20</sup>. Furthermore, farmers have lost their ability to fix prices, making them “price-takers”, it is the opinion of the committee that augmenting quotas without fully abolishing them, and without taking demand into account is incompatible with the EU’s ambition of becoming a sustainable agricultural model”<sup>21</sup>. Seeing as both European Banks define as transition challenges low trade competitiveness and low trade volumes, it seem clear that they did not take into account the recommendations of the committee nor the UN Special Rapporteur on the right to food.

ANND therefore recommends that the Banks reassess what they see as changes in harmony with the right to food, the Special Rapporteur’s and the EESC recommendations and what they stipulate.

<sup>19</sup> <http://www.srfood.org/en/right-to-food> , last checked 23/11/2013

<sup>20</sup> <http://www.eesc.europa.eu/?i=portal.fr.press-releases.8247> , the quote is in French and the translation is personal, last checked 11/20/2013

<sup>21</sup> Idem

## **Food Security:**

According to the FAO, Food security is “when all people, at all times, have physical and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life”<sup>22</sup> The FAO has defined four pillars to food security: availability, access, utilization, and stability<sup>23</sup>. Ensuring these pillars and their perenity has to be a priority among policy makers and their agendas.

**On Food prices and Subsidies:** Ensuring stability and viable political transition periods in Arab countries passes inevitably by a stabilization of food prices. It is also central for guaranteeing food security and the right to food. On the other hand, the EBRD’s assessment of Egypt and other countries identifies “a high level of input subsidization”<sup>24</sup> as one of the transitional challenges”. So far, no steps have been proposed nor implemented by the EBRD to address this “challenge”. However, if there were any reforms or steps that attempt to reduce food subsidies in countries that witnessed

<sup>22</sup>

<http://www.fao.org/docrep/003/w3613e/w3613e00.htm> , last checked 18/11/2013

<sup>23</sup>

[http://www.fao.org/fileadmin/templates/wsfs/Summit/Docs/Final\\_Declaration/WSFS09\\_Declaration.pdf](http://www.fao.org/fileadmin/templates/wsfs/Summit/Docs/Final_Declaration/WSFS09_Declaration.pdf) last checked 18/11/2013

<sup>24</sup>

[http://www.ebrd.com/downloads/country/technical\\_assessments/egypt-assess.pdf](http://www.ebrd.com/downloads/country/technical_assessments/egypt-assess.pdf) p.20 last checked 20/11/2013

uprisings, and that are already prone to instability and volatile prices, this would in no way achieve what the EBRD aims for: *Enhancing the agribusiness value chain to improve food security, strengthen the distribution chain, and develop a sector that accounts for a high share of employment*<sup>25</sup>.

Therefore, ANND recommends that the EBRD aligns its policy recommendation with its stated objective of improving food security. This entails a non-removal of subsidies given the current political turmoil. Improving food security passes by securing affordable prices to all. With this regard, the EBRD is invited not to advance recommendation that can cause food prices to hitchhike.

It is clear that the global economy, with all its growth, has failed to take care of both poor farmers and food consumers across the vast majority of developing countries and least developed countries (LDCs). In other words, they still need support from their own governments, supported by the global community. Several CSOs are already calling on the WTO to revise their Agreement on Agriculture (AoA) in a way that they allow developing countries to use such subsidies for public programmes on food to support poor farmers and consumers and to ensure food security.

In the same sense, we call on the Banks not to promote projects that aim at reducing subsidies in order to increase trade in agricultural projects.

### **Food sovereignty and the revision of the paradigm:**

The main idea behind the concept of food sovereignty advanced in the mid-nineties is that people have the right to define their own food system. It puts the individual who produces at the center of decision on food policies rather than the corporations and market institutions. Many believe the birth of this concept lies in the failure of “food security advocates” to achieve concrete changes and ensure the right to food. Indeed, as a concept, food security pays little to no attention to the current political economy of the global food regime and its adverse effects; namely: dispossession of small scale farmers, global environmental degradation. Peter Rosset, writing for the **Institute for Food and Development Policy** in 2003 stated that: “food sovereignty goes beyond the concept of *food security*... it means that... [everyone] must have the certainty of having enough to eat each day[,] ... but says nothing about where that food comes from or how it is produced”<sup>26</sup>. In a 2009 report on the WTO presented before

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<sup>25</sup> [http://www.ebrd.com/downloads/country/technical\\_a  
ssessments/egypt-assess.pdf](http://www.ebrd.com/downloads/country/technical_assessments/egypt-assess.pdf) p.22 last checked  
20/11/2013

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<sup>26</sup> Rosset, Peter (2003). Food sovereignty: global rallying cry of farmer movements. Backgrounder, 9(4), Fall 2003. Oakland: Food First. <http://www.nyeleni.org/IMG/pdf/FoodSovRosset.pdf> , last checked 19/11/2013

the Human rights Council in Geneva, Olivier de Schutter warns that more liberalization will only lead to increased food insecurity: “States have to conserve their space and freedom to enact policies that protect local markets from food prices volatility on the international market. It is also essential for states to have the necessary flexibility to protect their market against abrupt and brutal import waves. Programs aiming at managing offer and demand and others aimed at managing markets in this sense, essential”<sup>27</sup>. A year prior to that, De Schutter addresses a crowd of roughly 350 at the Université du Québec a Montréal (UQAM) campus. His intervention is entitled: “Food security and Food sovereignty: What is left of us in our dishes?”<sup>28</sup> De Schutter referred to the fact that there are nearly one billion people suffering from hunger in the world, 80% of who are those who produce our food: small peasant farmers, landless labourers and livestock herders. “The food crisis is the last drop, the ultimate evidence that the present system no longer works. He added that “it is irresponsible to pretend that the solution to this crisis lies in free trade”<sup>29</sup>.

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<sup>27</sup> The quote is from the website of UPA (Union des producteurs agricoles du Québec) and is in French, the translation is personal:

<http://www.upa.qc.ca/ScriptorWeb/scripto.asp?resultat=176724>, last checked 20/11/2013

<sup>28</sup> The translation from French is also personal (*Sécurité et souveraineté alimentaire: Que reste-t-il de nous dans notre assiette?*):

<http://www.upa.qc.ca/ScriptorWeb/scripto.asp?resultat=390225>, last checked 20/11/2013

<sup>29</sup> <http://www.abcburkina.net/en/nos-dossiers/vu-au-sud-vu-du-sud/673-306-la-souverainete-alimentaire-a->

It is therefore clear that the concept of food sovereignty is one that implies the adoption of a whole new and different paradigm. This new paradigm aiming at the realization of the right to food entails: “Relocalization of food systems, trade and agricultural policies that support agricultural producers, improved incomes for less competitive farmers, less competition for natural resources between export-led agriculture and agriculture for local needs, access to fresh and nutritious foods for urban consumers, multiplier effects on the local economies, Ecological benefits”<sup>30</sup>. In this same presentation published on the website of the EU social and economic committee, De Schutter emphasizes on the need to adopt multi-year strategies and to monitor progress in order to ensure a smooth transition from food security to food sovereignty<sup>31</sup>.

### **Desertification and the Right to food:**

About 90% of the total area of the Arab Region lies within arid, semi-arid and dry sub-humid areas. The area is characterized by harsh environment, fragile ecosystems and limited water resources and arable lands.

By the end of this century and in spite of the national, regional and

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[son-promotEUR-aux-nations-unies](http://son-promotEUR-aux-nations-unies) last checked 20/11/2013

<sup>30</sup> Olivier de Schutter: *From food Security to Food sovereignty: Implications for the EU*,

<http://www.eesc.europa.eu/resources/docs/de-schutter.pdf> last checked 20/11/2013

<sup>31</sup> Idem

international efforts to combat desertification and alleviate the effect of drought and desiccation, desertification is still one of the major environmental problems in the Arab Region. The rapid increase in population, along with the changing of consumption patterns and life styles, resulting in increasing food demand, has hastened land degradation in this arid environment. Land degradation in the Arab Region due to misuse is widespread and is proceeding at accelerating rates. Failures of resource management policies are aggravated by overgrazing, overexploitation of water and land resources, over cultivation of marginal lands, deforestation, and the use of inappropriate technologies<sup>32</sup>. None of the concerns and challenges identified and addressed by the EIB or the EBRD take into consideration the misuse of arable land or the issue of desertification. The only issue tackled by both banks and that can be partially linked with desertification is the misuse of water resources and the reduction of losses in irrigation networks. This is a welcomed and much needed step but it is not enough to halt desertification or mitigate its effects.

Tackling the issue of desertification becomes of paramount importance if one looks at its detrimental effects on the right to food, the environment and the productivity of the

agricultural sector. *“By impoverishing the natural potential of the ecosystems, desertification also reduces agricultural yields making them more unpredictable. Therefore, it affects the food security of the people living in these areas. The people develop a survival strategy to meet their most urgent requirements, and this, in turn, helps to aggravate desertification and hold up development”*<sup>33</sup>. These survival tendencies lead to overexploitation of available lands and resources (especially water resources) thus worsening desertification and its effect on climatic crises (droughts) which causes hunger and weakens the economies of the countries affected by desertification, particularly when they have no other resources than their agriculture or where agriculture is a prominent sector for production and employment<sup>34</sup>.

In light of the above-mentioned, we recommend that the EBRD takes fully into account the desertification phenomena and its implications in the region when it assesses countries and implements projects. Furthermore, certain countries require more attention, projects and cooperation in order to reduce water waste and halt deforestation which are, as many a study have shown, essential to the right to food. On another note, the EBRD classes projects by referring to their environmental impact. Class B projects are not being ratified for execution in

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<sup>32</sup>Asma Ali Abahussain and al. , *Desertification in the Arab Region: analysis of current status and trends*, Journal of Arid Environments (2002) 51: 521–545

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<sup>33</sup> idem

<sup>34</sup>idem

Europe and the same should be done in MENA countries. According to the project profile, the Borges project in Tunisia is a Class B one. Indeed, the usage of certain techniques to increase oil production has several negative environmental impacts that should be taken into account and are not to be promoted.

### **Food prices and the peoples' revolutions:**

Several studies and stats show that the recent revolutions witnessed in the MENA region have triggered exceptional hikes in food and fuel prices which have mostly affected the poor and middle income sectors of society<sup>35</sup>. High inflation, a result of high dependence on imports has been constantly increasing since the 2008 crisis (with Egypt and Tunisia showing very high rates). On the other hand, Morocco, a country just partially affected by the regional popular movements, recorded the lowest inflation rates among Arab countries. This outlines the importance of food prices for political stability and continuance in a country<sup>36</sup>. Ensuring stability and viable political transition periods in Arab countries inevitably passes by a stabilization of food prices. This is also central to guaranteeing food security.

**On Competition policy:** Likewise, one point of concern is how the bank is

envisaging competition policy. If this is to be a standard to be adopted in Egypt and other countries, it indeed poses a number of issues. The Bank has identified subsidies and export bans as being hindrances to the competitiveness of agribusiness in Egypt. While that might be partially true, given the current circumstances the country, but also the whole region is witnessing, the primary objective should be ensuring food security. Primacy should be given to responding to local needs, not competing in the global economy while a lot of Egyptians are struggling to find basic food supplies. In that matter, there is a contradiction with what the bank sets as a priority for the 2012-2013 period: *“Enhancing the agribusiness value chain to improve food security”* and what it recommends to the challenges it identifies *“ensure the sector is competitive without subsidies and export bans and further reducing the role of the state in the sector in order to promote efficiency and limit reliance on subsidies”*. Reducing subsidies will cause inflation in food prices and removing export bans will cause an increased reliance on imports for securing the country’s needs. Given prices’ volatility implied by more integration in the global market, it is the last thing developing countries in political turmoil need.

In line with the previous recommendations, we call on the EBRD to rethink on the potential consequences of removing export bans in MENA countries

<sup>35</sup> Zurayk, R. 2011. *Food, Farming, and Freedom: Sowing the Arab Spring*. Charlottesville, VA: Just World Books.

<sup>36</sup> Anthony O’Sullivan, Marie-Estelle Rey and Jorge Galvez Mendez, *Opportunities and Challenges in the MENA Region*, 2012

like Egypt. We urge the EBRD not to promote projects and advance recommendations that call for more liberalization at the detriment of local needs, stable food prices that ensure food security and the right to food in a broader sense.

Several CSOs and expert have agreed that this “Arab Awakening” has to be accompanied by a “food policy awakening”. Indeed, the link between the uprisings and food insufficiency has been more that demonstrated during the past two years (especially in Egypt). Interviews with the Professor of the faculty of agriculture in Cairo University and the Chairman of the Farmers’ Association show that the sector is still suffering from practices worthy of the corrupted former regime. A small example of the problems at hand here is the shortage of subsidized fertilizers. They are being sold at unreasonable prices in the black market thus causing annual losses of LE 5billion (US\$ 840). The agricultural Society and its officials are the ones selling these fertilizers to black market traders. The lack of fertilizers means that the yields of vegetables, fruit, cotton, sugarcane and rice have all suffered severely<sup>37</sup>.

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<sup>37</sup><http://213.158.162.45/~egyptian/index.php?action=news&id=21543&title=The%20agricultural%20conspiracy%20continues>

### **On the value chain approach:**

There is a more or less consensus in the agribusiness development field that the newly advocated for “value chain approach” is not easy to define neither are its implications. A 2007 paper prepared for the WB indicates that “In view of development literature’s current lack of clarity about the concepts and methods relating to value chains, there is risk that sooner or later the benefits of the value chain approach will be overshadowed by unmet expectations and the concept may be categorically discarded”<sup>38</sup>. A value chain describes all the activities required to bring a product or service “through the different phases of production, including physical transformation, the input of various producer services, and response to consumer demand”<sup>39</sup>. To better refine this definition, one can say that “The primary focus of supply chains is thus on cost and efficiencies in supply, while **value chains** focus more on value creation, innovation, product development, and marketing”<sup>40</sup>.

However, a 2010 study by FAO shows that in addition to the value chain approach to agribusiness, one should also keep a keen eye on value chain financing.

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<sup>38</sup>

[http://www.technoserve.org/files/downloads/vcguide\\_nov12-2007.pdf](http://www.technoserve.org/files/downloads/vcguide_nov12-2007.pdf) page 1, last checked 10/2/2014

<sup>39</sup> Kaplinsky, Raphael and Michael Morris. “A Handbook for Value Chain Research,” September 2000.

<sup>40</sup>

[http://www.technoserve.org/files/downloads/vcguide\\_nov12-2007.pdf](http://www.technoserve.org/files/downloads/vcguide_nov12-2007.pdf) page 9, last checked 10/2/2014



The term is defined as follows: “The flows of funds to and among the various links within a value chain comprise what is known as *value chain finance*. Stated another way, it is any or all of the financial services, products and support services flowing *to and/or through* a value chain to address the needs and constraints of those involved in that chain, be it a need to access finance, secure sales, procure products, reduce risk and/or improve efficiency within the chain.”<sup>41</sup> The paper also argues that understanding value chain financing from the perspective of the value chain (i.e. the agribusiness sector) rather than that of finance institutions can improve overall effectiveness by:” 1) identifying financing needs for strengthening the chain; 2) tailoring financial products to fit the needs of the participants in the chain (in the MENA case, small scale farmers) 3) reducing financial transaction costs through direct discount repayments and delivery of financial services; and 4) using value chain linkages and knowledge of the chain to mitigate risks of the chain and its partners”<sup>42</sup>.

In addition, a 2012 paper entitled “*Value chain development for rural poverty reduction: A reality check and a warning*”<sup>43</sup>, argues that the value chain development approach has to take into consideration additional dimensions

<sup>41</sup> <http://www.fao.org/docrep/017/i0846e/i0846e.pdf> page 2, last checked 2/10/2014

<sup>42</sup> Idem, page 3, last checked 2/10/2014

<sup>43</sup>

<http://practicalaction.metapress.com/content/a55770173lg24425/> last checked 2/10/2014

when dealing with poor people in rural areas. The usual approach assumes that poor households “1) *have sufficient resources to effectively participate in value chain development*; 2) *do not face substantial trade-offs when using these resources*; and 3) *are able to assume higher risks when reinvesting capital and labor*.”<sup>44</sup> Nonetheless, it is also argued that identification and implementation of non-market interventions are required to for enabling minimum income household’s participation in the value chain. These include: a holistic approach to value chain development, an asset-based approach of households and SMEs (and not assuming they are a homogenous category)<sup>45</sup> and *adequate linking of technical, business, and financial services*;

On another note, a 2013 publication by the UNCTAD (*Shared Harvests: Agriculture, Trade and Employment*), indicates that in countries like Bangladesh and Indonesia (in which the agricultural sector is similar to the one in Egypt or Morocco) increased productivity in agriculture increases unemployment. Less labor is required for the same output<sup>46</sup>. A corollary of this is that labor is “freed from agriculture” and moves to other sectors. However, non-negligible short term impacts are the increase in

<sup>44</sup> Idem page 1, last checked 2/10/2014

<sup>45</sup> <http://aje.sagepub.com/content/34/4/587.short>

<sup>46</sup>

[http://unctad.org/en/PublicationsLibrary/ditctncd2013d2\\_en.pdf](http://unctad.org/en/PublicationsLibrary/ditctncd2013d2_en.pdf) last checked 2/10/2014

unemployment and the social repercussions implied by the time this “employment transfer” takes place. Furthermore, technology import is skill-biased; it will increase employment amongst skilled workers and increase unemployment among low-skilled ones. Tentative propositions for dealing with these impacts are:

- Ensuring proper training on technology and knowledge transfer, so that import of new agricultural technology goes hand in hand with increasing skills of agricultural workers.
- Since the approach is a **value chain approach**, any technical changes at the level of agricultural production should be link to investment at other link to the chain and ensure that the job lost from agriculture are created in other links.
- The banks should plan overall intervention at the (national) value chain level, and not spot its intervention here and there.
- Furthermore, one should weld value chain approach of growth with inclusive rural development policies. The overall aim is to curb rural exodus, unemployment and to alleviate poor people in rural areas.

### Theories on Multistakeholder engagement (MSE) in the agribusiness sector:

Studies dating back to the early 2000 have shown that “MSE across private, public and nonprofit, have been considered the collaborative paradigm of the 21<sup>st</sup> century to move beyond market and state failure”<sup>47</sup>. The *International Food and Agribusiness Management Review* (IFAMA) in its 2013 special issue on MSE and agribusiness highlighted the fact that the food and agriculture sector provides a unique space to analyze policy decisions to undertake MSEs. This is because of the high number of interlinked issues and challenges inherent to this sector, namely: “food security, climate change, deforestation, obesity, the use of technology in food production, violation of human rights and animal welfare”<sup>48</sup>. When it comes to the MENA region, issues like food security, climate change, deforestation and the violation of Human Rights (chiefly the right to food) are of paramount importance when tackling issues related to the private sector’s engagement in the agribusiness sector. Although the banks at hand here are not local ones, their projects and involvement make them more important than local

<sup>47</sup> Austin, J. E. 2000, *Strategic Collaboration between Nonprofits and Businesses*. Nonprofit and Voluntary Sector Quarterly 29 (1): 69-97

<sup>48</sup> Domenico Dentonia and R. Brent Rossbfood: *Towards a Theory of Managing Wicked Problems through Multi-Stakeholder Engagements: Evidence from the Agribusiness Sector*; International Food and Agribusiness Management Review Volume 16, Special Issue A, 2013



private sector organizations. With this in mind, it is worth noting here what the theory of political Corporate Social Responsibility (CSR) finds in this matter: When trans-boundary issues (like the European banks strategies) reduce the deliberative power of governments, firms need to invest in MSEs<sup>49</sup> and collaborate with nonprofit and public sectors to minimize harm and provide long term stable growth<sup>50</sup>.

While the EBRD have a declared Public Information Policy, it is not transparent about all stages of its intervention in receiving economies. For example, there is a need for more information and transparency regarding the process of dialogue that the EBRD undertakes with national authorities around regulatory and legislative reform<sup>51</sup>. It is in this sense that Civil society organizations should advocate that disclosure include the kind of proposals/ models of regulatory reforms that the EBRD promotes with governments and other partners.

On another hand, the above-mentioned notes on the literature on Multistakeholder engagement in Agriculture show the clear benefits of

engaging with the latters before setting any priorities or ratifying projects. In this context, we urge the banks not to limit their discussions to official instances and to include civil society, local communities, farmers and their unions (among other relevant Stakeholders).

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<sup>49</sup>Scherer, A. G., and G. Palazzo., *The new political role of business in a globalized world: A review of a new perspective on CSR and its implications for the firm, governance, and democracy.* Journal of Management Studies 48(4): 899-931. 2011

<sup>50</sup> Freeman, R.E. *Strategic Management: A stakeholder approach.* Cambridge University Press, 2010

<sup>51</sup> These reforms lie at the heart of designing the functioning of the market for development purposes and at the heart of interaction between private sector actors and development processes.

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