LANDGRABBING:
The role of Development Finance Institutions
and a Swiss case study (Addax Bioenergy)

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Bread for all / Brot für alle
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Content of presentation

1. Role of Development Finance Institutions

2. Swiss case study (Addax Bioenergy)
Study of Bread for all and Fastenopfer

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When Development Cooperation becomes Land Grabbing

The Role of Development Finance Institutions
Development finance institutions

- Schweizer Regierung, SECO
- Europäische Bank für Wiederaufbau und Entwicklung (EBRD)
- Asiatische Entwicklungsbank (ADB)
- Afrikanische Entwicklungsbank (AfDB)
- African Agriculture Fund (AAF)
- Agvance Africa – Fund of Funds
- Fund for African Private Sector Assistance (FAPA)

- IFC
- MIGA
- Weltbank Gruppe
- International Fund for Agricultural Development (IFAD)
- Interamerikanische Entwicklungsbank (IDB)
Summary of the study

- Switzerland supports development banks with development aid money and is represented in the governing boards.
- Development banks finance some land grabbing projects in Cambodia, Mali, and Sierra Leone.
- Generally development banks support large agric projects (e.g., soybean for animal feed or sugarcane for biofuels).
- Rural population loses large tracks of fertile land, forests are cut, food security is negatively impacted. Few find jobs in the plantations.
- Compensation paid by investors for land purchases or leases are low or nonexistent.
The World Bank Group is involved in different ways:

- Direct funding of projects
- Co-funding investment funds
- Giving technical assistance to governments in order to give access to foreign investors who grab land.

The African Development Bank also is involved in several land grabbing projects (direct funding)
Land Management and Administration Project in **Cambodia** (World Bank)

New Forest Company in **Uganda** (Agri-Vie Agribusiness Fund, funded by IFC)

Forced relocation in Gambella in **Ethiopia** (IFC and World Bank)

Addax Bioenergy in **Sierra Leone** (African Development Bank, among others)
Landgrabbing in Sierra Leone: a Swiss case study
Map of Sierra Leone

- Quifel Agribusiness
  - 74,000 ha
  - Loko, Massama, Chiefdom
  - Port Loko, District
  - Palm oil/food production

- Sepahan Afrique
  - 30,117 ha (total)
  - Buba, Romende, Chiefdom
  - Port Loko, District
  - Palm oil and rice production

- Quifel Agribusiness
  - 27,000 ha
  - Koya, Chiefdom
  - Port Loko, District
  - Palm oil/food production

- Addax Bioenergy
  - 20,000 ha
  - Makanie, Gbanti, Chiefdom
  - Bombali, District
  - Sugarcane plantations for ethanol production

- SOCFIN
  - 6'000 ha
  - Pujehun District
  - Palm oil
Executive Summary: Environmental, Social, and Health Impact Assessment (p.21)
Austrian links to Addax Bioenergy

- ADA
- PIDG
- Emerging African Infras. Fund
- Addax Bioenergy
- OeEB
- Finance Ministry
- African Development Bank
Addax Bioenergy (based in Geneva)
Fuel ethanol and electricity

Leased 57’000 ha of land for a period of 50 years and sugarcane plantations cover 10’100 ha

13,617 people live in areas affected by the project.
Factsheet on Addax Bioenergy (II)

EUR 267 million investment (half of which from development banks)
- Swedish Development Finance Institution Swedfund
- Netherlands Development Finance Company (FMO)
- African Development Bank (AfDB)
- German Investment Corporation (DEG)
- UK-based Emerging Africa Infrastructure Fund (EAIF)
- South African Industrial Development Corporation (IDC)
- Belgian Development Bank (BIO)
Land Lease Agreement:

- Disputes have to be resolved by an arbitration tribunal in London.
- Duration the lease (50 years + 21 years) dispossessing a whole generation of people of their land and loss of sovereignty.

Source: Independent Study Report on Addax Bioenergy, SiLNoRF, June 2011
Land Lease Agreement signed by the Company and by Chiefdom Councils (not by land owners)

Many promises of the „eradication of poverty, provision of development packages such as health facilities, school buildings, community centers, jobs for all the youth“

Limited or no knowledge of the terms of the Land Lease Agreement

=> No Free and Prior Informed Consent (FPIC)

Positive impacts

Job creation (1400 jobs, mostly casual workers)

Land Lease fees paid to land owners (USD 8/ha/year)

New house and safety vests.
Positive impacts

New roads constructed (240 km)

Contracts awarded locally to SMEs (USD 10 million)
Addax Bioenergy set up a 2,000 ha Farmer Development Programme (FDP) with 60 community fields with farmer trainings
Addax took **large tracks of fertile lands** from the farmers Programme of Addax to mitigate its impact on food security:

1. **is not working well**: yields were low in one of three Chiefdoms because of late land preparation, infertile soils and/or inadequate seeds. The harvests could not ensure the food security in this Chiefdom.

2. **is not sustainable** as it relies on expensive external inputs, such as chemical fertilizers and pesticides. Support from Addax only during 3 years.
Negative impacts

Local **food price increases** (eg. palm oil price +50%)

**Compensation payments** for destroyed trees do not reflect real value (one off payment for one oil palm: USD 14; annual income from one oil palm: USD 60)
Conflict of interests (!): Chiefs receive thousands of USD of land lease fees per year!

Tax exemptions: more than USD 140 million taxes saved over the next 10 years (corporate income tax and import duty)
Good profits for Europe

Break-down of added value.
Source: Concerns of civil society organisations and affected land users on Addax Bioenergy, September 2012.
Cumulative impact on food security (in Sierra Leone)

- 21% of total arable land already leased
- 30% malnutrition rate

Cumulative impact on water availability (Addax uses 26% of river flow of largest river in Sierra Leone during dry months)

Indirect impact on forests
Biofuels **compete with food production** (food price increase)

The EU’s biofuels policies alone could push up food prices between now and 2020:

- oilseed prices by up to 33%,
- maize by up to 22%,
- sugar by up to 21% and
- wheat by up to 10%

Recommendations

- No public financing for land grabbing
- **Binding human rights** for investments
- Reduce the demand for biofuels
- Secure **access to land** for farmers
- Stronger support of **small-scale agriculture** (not large scale industrial projects)
Thank you for your attention.

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