



Policy Brief: The Role of European Development Finance Institutions in Land Grabs

May 2013

Introduction and framing of the issues

Land investments in Africa and other developing countries have been on a very large scale in recent years: at least 80 million hectares of fertile farmland have been leased to foreign investors, involving some US\$100-140 billion.¹ The need for increased investments in agriculture, especially in Africa, is broadly recognised and foreign investors are generally welcomed by host governments. However, expected benefits to local development, poverty reduction and food security often fail to materialise. Too often, large-scale land investments are associated with loss of livelihood for the local populations and land grabs.

The drivers of large-scale land investments include increased demand for food production from countries facing water shortages and EU targets on biofuels in its Renewable Energy Directive. Also important are, the availability of cheap land and weak land governance - especially in customary and state land tenure systems in Africa and other developing countries - as well as carbon markets and offsets under approaches like the European Trading Scheme.

Key triggers of the recent wave in large-scale land investments are the 2007-8 food and financial crises, with equity investors and pension funds now seeking new asset classes for investment. This is leading to land being regarded as just another commodity to be bought and sold by international investors.

The impacts on communities affected by large-scale land investments are all too often loss of land and access to water and loss of biodiversity, which can increase poverty, malnutrition and food insecurity. Land

¹ Surface estimates are from Land Matrix Project while financial estimates are from High Quest Partners presentation to Global Agro-investing Europe, December 2012.

grabs also often involve human rights violations and conflict, as demonstrated by case studies done by APRODEV Agencies or other civil society organisations.

Aprodev commissioned research to investigate the involvement of European Development Finance Institutions (DFIs) in land grabs, of this involvement.² The evidence cited in this briefing shows that European DFIs are indeed involved in some land grabs, and there are real risks of being complicit in others in the future. Our research does not claim to present the full scale of this involvement; research was limited to scanning DFI websites, secondary research and information gathering with partners.³ Further work is needed to gather information on other large-scale land acquisitions and other funds supported by the DFIs.

How to identify land grabbing

'Land grab' is a term coined by the media to describe large-scale purchases or leases of agricultural or forest land on terms that do not benefit those already living there. A simple definition for land grabbing is "the transfer of rights to large areas (over 200 ha) of agricultural land from local communities to foreign investors."⁴ Such land grabs typically involve limited consultation with local communities, limited compensation, and a lack of regard for environmental sustainability and equitable access to, or control over, water resources.

A more comprehensive definition developed by the **International Land Coalition** and supported by APRODEV highlights the concrete problems that land grabbing may cause: i) a violation of human rights, particularly the equal rights of women; ii) not respecting the principle of free, prior and informed consent of the affected land-users; iii) not based on a thorough assessment, or in disregard of social, economic and environmental impacts, including gender impact; iv) not based on transparent contracts that specify clear and binding commitments about activities, employment and benefit sharing, and; v) not based on effective democratic planning, independent oversight and meaningful participation.⁵

While Africa is a focus of attention - where one half to two-thirds of land grabs are reported - land grabbing is a global phenomenon. Land grabbers tend to target

² The Role of DFIs in Land Grabs, internal report by Curtis Research for APRODEV, February 2013.

³ One of the tools we worked with is a collaborative database maintained by CSO cooperating through an informal network on the financing of land grabs, which APRODEV participates in.

⁴ European Commission (2002/2013) Science for Environment Policy, Issue 318, DG Environmental News Alert Service.

⁵ The Tirana Declaration by the international Land Coalition include the World Bank, FAO and several UN and CGIAR institutes as well as CSOs, see <http://www.landcoalition.org/about-us/aom2011/tirana-declaration>

countries where land tenure regimes are weak or poorly enforced, with low land lease and water rates and low wage costs and which provide favourable tax incentives, so that very high rates of return on investment can be achieved.⁶ The definition by the International Land Coalition can be complemented by that suggested by **Olivier de Schutter**, the UN Special Rapporteur on the Right to Food: “A global enclosure movement in which large areas of arable land change hands through deals often negotiated between host governments and foreign investors with little or no participation from the local communities who depend on access to those lands for their livelihoods.” According to de Schutter, land grabbing is the result of the increased volatility agricultural commodity prices on international markets and the merger between the energy and food commodities markets.⁷

Agribusiness strategies

Africa is a particular target for the expansion of agribusiness since the commonly held perception or claim exists that it has ‘abundant’ fertile land and cheap production costs. Many donor-led initiatives such as the Alliance for a Green Revolution in Africa (AGRA), the new G-8 Alliance for Food Security and Nutrition and the Prosavana project in Mozambique are working to expand industrial agriculture schemes in Africa, involving extensive infrastructure development and export marketing initiatives. These programmes threaten to by-pass or crowd out investments in family-based farming systems; yet the latter have a much greater potential to become highly productive and are much better attuned to protecting the environment, generating jobs and stimulating local economies, as well being more culturally appropriate. Externally driven industrial corporate agriculture schemes not only often displace people from their land, they also displace local seeds and breeds, introduce technologies and farming systems that increase greenhouse gases and require deep policy changes to accommodate foreign investors.

Water and Carbon Land Grabs

Some 300 to over 450 billion m³ water resources per year has been taken in land grabs. Sixty per cent of these water resources have been acquired by companies from the UK, the USA, India, the United Arab Emirates, Egypt, China, South Africa and Israel combined. Countries which lost the most water per hectare to land grabbing have been Cameroon,

Tanzania, Papua New Guinea and Liberia.⁸ While water grabs are already happening, NGOs fear that land grabs related to the carbon markets are about to start because of the increasing interdependence of agriculture, climate change and trade. Global carbon markets and the EU’s European Trading Scheme (ETS) are likely to become additional future drivers of carbon land grabs. Many accuse the ETS of acting as a subsidy scheme for polluters who become investors. The risk is that agricultural carbon offsets will incentivise carbon land grabs by restricting local use of forest resources that are used to selling carbon credits or large scale investors selling offsets for biochar.⁹ Soil carbon offsets might also promote large scale monocropping or genetically modified crops as companies increasingly argue that they produce ‘climate-smart’ crops that limit greenhouse gas emissions by reducing fertiliser and pesticide use.

Overview of research findings into DFIs involvement in land grabs

The research commissioned by APRODEV analyses the involvement of nine European DFIs in investments where land grabs have been reported: FMO (Netherlands), DEG (Germany), CDC (UK), Norfund (Norway), Finnfund (Finland), Swedfund (Sweden), SIFEM (Switzerland), OeEB (Austria) and IFU (Denmark).¹⁰ It also analyses the internal guidelines of the DFIs to assess whether sufficient safeguards are in place to guard against involvement in land grabs.¹¹

What are Development Finance Institutions?

Development Finance Institutions are specialised development banks that are usually majority owned by national governments. DFIs provide funds either as equity participation, loans or guarantees, on a commercial/for-profit basis, to foreign or domestic investors. These investors will initiate or develop projects in sectors or countries in which traditional commercial banks are reluctant to invest without some

⁸ European Commission (2012/2013) Science for Environment Policy, Issue 318, DG Environmental News Alert Service.

⁹ Biochar is fine-grained charcoal which is applied to soils. It is a new technology promoted as a major geo-engineering solution to carbon sequestration. Biochar is produced by a process called pyrolysis that turns biomass from trees and crop residues into biochar. In addition, it produces two types of fuel (syngas and bio-oil) that can be used for heat and power. See Gaia Foundation, African Biodiversity Network and Biofuelwatch (2010) Biochar Land Grabbing,

¹⁰ The selection of nine DFIs is based on feasibility and relevance to APRODEV. Other NGO working documents look at SIMSET and PROPARCO, see reference document by Survie, France at <http://survie.org/billets-d-afrique/2013/220-janvier-2013/article/afd-agence-francaise-du>

¹¹ The full referenced research report is internal. However this briefing summarises and builds on the findings.

⁶ Pension funds involved in land deals speak of 12% annual returns, other investment funds of 25 to 40%.

⁷ Olivier de Schutter (2011) The Green Rush: The Global Race for Farmland and the Rights of Land Users, in: Harvard International Law Journal, Vol 52, 2011, p.504, see http://www.harvardilj.org/wp-content/uploads/2011/07/HILJ_52-2_De-Schutter.pdf.

form of official involvement. The purpose of DFIs is to develop the private sector in a way that leads to sustainable development and poverty reduction. Bilateral DFIs implement their government's foreign development and co-operation policy, yet they are usually little known to the general public. The 15 DFIs grouped in the Association of European DFIs had collectively invested €23.7 billion in 4,421 projects in 2011.

DFIs source their capital from national or international development funds and may benefit from government guarantees which ensure their credit-worthiness. DFIs can thus raise large amounts of funds on the international capital markets and provide loans or use equity on very competitive terms, frequently on a par with commercial banks. Their efficiency and expertise make them self-sustaining and even profitable, and they consequently form a valuable bridge as public-private partnerships. The investment activities of DFIs focus mainly on economic performance and return on investment, although some are now putting more emphasis on monitoring and reporting development outcomes.

Research by Eurodad shows that the scale of private sector financing from International Finance Institutions and European DFIs has increased dramatically. In 2010 external investments exceeded US\$40 billion; but by 2015, investment flowing into the private sector in developing countries is expected to exceed US\$100 billion, comprising almost one-third of external public finance to developing countries.¹²

European DFI investments in the agriculture sector

All nine European DFIs under analysis invest in the agriculture sector in the form of agriculture funds or investments in equity in companies. Their combined investment in agribusiness is estimated at over €1billion. Agribusiness clients include companies active in seeds and fertilisers; primary production and farming; infrastructure; commodity and food processing and trade and distribution.

These equity investments and agriculture funds - along with those supporting other sectors, such as energy and mining – run the risk of financing land grabs, directly or indirectly, now or in the future. European DFIs are involved in land grabs through directly financing agribusiness projects that gain control over farmland and by channelling finance into private equity, investment, hedge funds or funds-of-funds that do the same. This second channel is most problematic, given that there is little public information and little ability to monitor compliance with performance standards or guidelines. The growing tendency to channel

development finance through equity funds and the investment strategies used by investment funds need much more monitoring and analysis.

A related problem is that many funds in which DFIs are investing are domiciled in or linked to offshore financial centres such as Mauritius, the Cayman Islands or Luxembourg. This reduces transparency, increases the risk of corruption, and reduces states' revenues and hence capacities to provide their citizens with much needed public services like health, education and roads.

The UK's CDC works with 80 different fund managers and Norfund invests in over 50 funds. Finnfund invests in over 20 private equity funds, many of which are involved in the agriculture sector, and Swedfund also has investments in a small number of agriculture funds. Both DEG and FMO are major investors in agriculture but do not provide a full list of their investment portfolios. SIFEM, IFU and OeEB all invest in agriculture but their websites contain very little information on these projects.

The European DFIs are currently funding projects which involve land grabs while they have investments in other companies or funds which might involve land grabs, but for which sufficient information is lacking. The examples presented below are intended to encourage civil society organisations and others to conduct further investigations into the involvement of the European DFIs in land grabs.

DFI funded projects involving land grabs

Some of the European DFIs are involved in projects which either have been shown to involve, or strongly appear to involve, land grabs, in which there are adverse impacts on local populations.

DEG/FMO/ Swedfund – Addax Bioenergy (Sierra Leone):¹³

In February 2010, the government signed a Memorandum of Understanding with Addax Bioenergy Sierra Leone Ltd, a subsidiary of Addax & Oryx Group. The project will establish a sugarcane plantation, ethanol refinery and a biomass power generation plant and is the largest private sector investment in agriculture in Sierra Leone: €258 million for 57,000 ha on a 50-year lease which affects 13,000 people.¹⁴ Project works began in 2010 and production will begin in 2013. As well as DEG and FMO, the project is funded by several development banks, including the Emerging

¹² Eurodad (2012) Private Profit for Public Good?, see <http://eurodad.org/wp-content/uploads/2012/05/Private-Profit-for-Public-Good.pdf>

¹³ BIO is also involved, see 11.11.11 (2012) Doing business to fight poverty?

¹⁴ See AfDB (2011) Environmental, Social and Health Impact Assessment – Executive Summary; and <http://www.addaxbioenergy.com/en/the-makeni-project/facts-and-figures.php>

Africa Infrastructure Fund, whose ‘main sponsor’ of equity is DFID, which underwrote an initial \$100 million to the Fund. There have been various analyses of this project criticising it for utilizing land presently growing staple foods, insufficient consultation processes with local communities, and for failing to deliver on promises to promote local economic development.¹⁵

Norfund – Agrica / Kilombero Plantations (Tanzania): Norfund has a \$10 million equity investment in Agrica, which is a 5,000 ha rice farm in the Kilombero Valley in Tanzania, of which 3,000 ha have already been planted and where the first sales of processed rice were made in January 2010. Norfund’s investment will be used to continue expansion of the farm, including preparation of another 2,000 ha of land. Agrica is a UK-based company whose investors, as well as Norfund, include African Agricultural Capital. According to Chachage, 2,000 villagers were threatened with relocation, with negotiations then resulting in unkept promises to provide new farms, construct infrastructure and water canal and provide compensation. According to Mwami, villagers resisted relocation but eventually concluded compromise agreements.¹⁶

Norfund - Matanuska (Mozambique): Norfund has loans and equity capital in Matanuska - a banana plantation in northern Mozambique employing around 2,600 people - in excess of NOK 55 million. The project, which, sells to the multinational Chiquita, is in its first phase, which consists of planting and putting 3,000 hectares into production. According to analysis by Friends of the Earth, repeated labour law violations, restricted free movement and restricted access to water and fertile land have led to worsening food security among neighbouring communities.¹⁷

Norfund - Agri-Vie (Africa): Norfund has invested NOK 64 million in Agri-Vie, a private equity investment fund focused on food and agribusiness in Sub-Saharan Africa. Other investors include Sanlam Life, Development Bank of Southern Africa, Industrial Development Corporation, Kellogg Foundation, European Investment Bank and International Finance Corporation. Agri-Vie has invested in various land deals in Africa, notably the highly controversial 20,000 hectare New Forests Company project in Uganda, which has displaced over 20,000 people.¹⁸

Norfund - Green Resources (Tanzania, Mozambique, Uganda): Norfund has invested around NOK 50 million in Green Resources, a Norwegian company, which is one of Africa’s leading forestry enterprises. Green Resources is developing the commercial tree-planting industry and aims to expand related local industry through operations centred on a sawmill. According to various sources, the project affects around 8,000 farmers and fishermen and has restricted their access to land and threatens their livelihoods. It has also been reported that the company has harassed villagers and removed cultivated crops.¹⁹

Norfund – Beira (Mozambique) and SAGCOT (Tanzania) ‘growth corridors’: Norfund funds the Beira corridor project which is putting 190,000 ha under irrigation and whose supporters include agribusinesses such as Yara, Sun Biofuels, DuPont and Rio Tinto plus donors including DFID, Norway, AGRA and the World Bank. Norfund also funds the Southern Agricultural Growth Corridor (SAGCOT) project, a public-private partnership established in 2010 which pledges to bring 350,000 ha of land under agricultural production and to generate \$2.1 billion of private sector investment in agriculture over 20 years. The project’s founding partners include Unilever, Monsanto, Diageo, Syngenta, SAB Miller, Yara, AGRA and DuPont. This is a large-scale industrial agriculture project whose benefits to local small farmers may well be restricted to a small group of farmers and to their working as outgrowers for multinational corporations. Project documents boast of large tracts of unutilized land being available to foreign investors and

¹⁵ See i) Sierra Leone Network on the Right to Food, Bread for All, Bread for the World, EED (2011) Independent Study Report of the Addax Bioenergy Sugarcane-to-Ethanol Project in the Makeni Region in Sierra Leone, at <https://sites.google.com/site/silnorf/news-1/news>; ii) Swedwatch (March 2013) No land, no power at http://www.swedwatch.org/sites/default/files/summary_addax_swedfund_0.pdf; iii) Oakland Institute (2011) Understanding Land Investment Deals in Africa: Country Report – Sierra Leone at http://www.swedwatch.org/sites/default/files/summary_addax_swedfund_0.pdf; and iv) SRF, Switzerland at <http://www.srf.ch/player/tv/eco/video/land-grabbing-gener-firma-veraergert-afrikanische-bauern?id=2cba21ec-d555-44f6-8bcb-371f17597c6a>

¹⁶ See i) Chambi Chachage (October 2010) Land acquisition and accumulation in Tanzania: The case of Morogoro, Iringa and Pwani Regions, pp.12-14, at <http://www.commercialpressuresonland.org/research-papers/land-acquisition-and-accumulation-tanzania>; ii) Abunuwasi Mwami (2011) Land Grabbing in a Post-Investment Period and Popular Reaction in the Rufiji River Basin, p.20, at <http://farmlandgrab.org/post/view/20864>

¹⁷ Friends of the Earth (2011) Lords of the Land: Analysis of Land Grabbing in Mozambique, pp.55-56, at <http://www.foei.org/en/resources/publications/pdfs/2011/lo>

<rds-of-the-land-analysis-of-land-grabbing-in-mozambique/view>

¹⁸ Oxfam (2011) The NFC and its Uganda plantations, at <http://www.oxfam.org/sites/www.oxfam.org/files/cs-new-forest-company-uganda-plantations-220911-en.pdf>.

¹⁹ See i) Tor A. Benjaminsen et al (2011) Conservation and Land Grabbing in Tanzania, pp.14-16; ii) Oxfam (2012) Our Land, Our Lives: Time out on the global land rush, p.1; iii) Oakland Institute (2011) Understanding Land Deals in Africa: Mozambique, pp.33-4; iv) Friends of the Earth (2011) Lords of the Land: Analysis of Land Grabbing in Mozambique, pp.49-50 at <http://www.foei.org/en/resources/publications/pdfs/2011/lords-of-the-land-analysis-of-land-grabbing-in-mozambique/view>; v) Tree-planting Project Threatens Food Security (5 May 2012) at <http://www.framtiden.no/english/other/tree-planting-project-threatens-food-security.html>.

indicate that beneficiaries will be medium and large, rather than small, farmers, defining a small farmer as one with a turnover of less than \$5,000 per year, 10 times more than most Tanzanian small farmers.²⁰

DFI funding of possible land grabs

The European DFIs support a range of projects and funds that run the risk of involving land grabs, but on which there is little publicly available information. Those that should be subject to monitoring and further investigation include the following:

FMO - El Tejar (Brazil/South America): In July 2008, FMO signed a \$15 million loan to El Tejar, a leading farm operator and agribusiness group in South America. Proceeds from this loan were used to fund the acquisition of new land and farms in Brazil and to support an increase to 668,000 planted ha in 2009.

Finnfund - Goldtree (Sierra Leone): Finnfund has invested \$10 million in Goldtree Plantations in Sierra Leone, a project that will establish an oil palm plantation, refinery and packaging plant in Kailahun district. The project was established by Pan-African Agribusiness Limited, and is also backed by the African Agriculture Fund. The project involves 30,800 hectares comprising a nucleus plantation plus 8,000 farmers who will grow, harvest and market oil palm fruit through the company.

DEG/CDC/SIFEM - Kendall Court Mezzanine (Asia) Bristol Merit Fund: DEG, CDC and SIFEM all invest in Kendall Court, which is providing loans to support land acquisition and planting in three Indonesian palm oil estates belonging to Provident Agro (PA). PA is a holding company of 11 palm plantation companies in Sumatra and Kalimantan, with a total planted area of 42,759 ha and land bank of 50,476 ha. Kendall Court is registered in the Cayman Islands.

Norfund - Casquip (Swaziland): Norfund has invested loans and equity capital of NOK 30 million in Casquip Starch, which is an agricultural/ industrial project for growing cassava and producing starch from the roots. The processed product will primarily be exported to paper manufacturers and food producers in South Africa. Land was acquired in 2008 and various labour conflicts lead to mediation by the Minister of Labour.

CDC/Finnfund/IFU - Silverland / Silverstreet (Africa):

CDC, Finnfund and IFU have investments, along with the Danish pension fund, PKA, in the \$450 million Silverlands Fund. This fund is domiciled in Luxembourg and managed by Silver Street Capital, a UK-based hedge fund. Silverland will deploy capital across Malawi, Mozambique, South Africa, Tanzania, Uganda, and Zambia and focus on farmland and primary production, backing businesses that grow grain, soya, fruits, vegetables, sugar, tea, and coffee.

CDC/IFU - Actis Africa Agribusiness Fund: In 2006, CDC made a \$83 million investment in Actis' agribusiness fund, which took over several companies previously owned by CDC. The fund acquired land concessions for teak plantations covering over 8,000 ha in Tanzania and 18,000 ha in Southern Sudan, two crop and livestock farms in Zambia covering 57,000 ha and 2,000 ha, and a 4,000 ha rubber plantation in Côte d'Ivoire, although it has since exited from some of these investments.

CDC/SIFEM - GEF Africa Sustainable Forestry Fund: CDC (\$50 million) and SIFEM (\$10 million) invest in this fund, along with the International Finance Corporation. The fund is managed by the GEF Management Corporation, a leading manager of forestry assets in emerging markets. GEF Africa Sustainable Forestry Fund, a Canadian limited partnership, is a \$150 million, 12-year private equity fund dedicated to investments in forestlands or forestry-related companies and projects in Africa. The Fund anticipates investing in 750,000 ha of forest during its life and by 2012, had forestry plantation projects under development in South Africa and Ghana and a 8,000 ha teak farm in Tanzania that includes 20,000 ha of 'conservation land'.

CDC - Saratoga Asia II: In 2007, CDC made a US\$50 million commitment to Saratoga Capital's Asia II fund, which controls Global Kalimantan Makmur, an Indonesian oil palm plantation company with a 41,000 ha concession in Sanggau, West Kalimantan. The CDC is also involved in Saratoga's oil palm plantation interests through Kendall Court, which has invested in another Saratoga controlled palm oil company, Provident Agro.

CDC/Swedfund - Emerging Capital Partners: CDC and Swedfund invest in Emerging Capital Partners (ECP), the first private equity group to raise more than \$1.8 billion for investment in companies across Africa, and which invests in more than 40 countries. ECP is the subject of a criminal investigation by EU and Nigerian anti-corruption authorities related to money laundering in Nigeria. ECP also invests in Anvil Mining, the subject of a legal case in Canada for killings in the Democratic Republic of Congo.

²⁰ See i) Investment Brochure for Mozambique Agricultural Growth Corridor', undated, at www.growafrica.org; Beira Agricultural Growth Corridor: Delivering the Potential, undated, p.11 and pp 30, 42 at www.beiracorridor.com; and ii) Helena Paul and Ricarda Steinbrecher (2012) African Agricultural Growth Corridors: Who benefits, who loses? at <http://www.econexus.info/african-agricultural-growth-corridors-who-benefits-who-loses>.

Problems with DFI internal guidelines

The European DFIs under analysis have insufficient safeguards in place to ensure that they are not involved in land grabs. The main problems are:

Inadequate awareness of the risk of contributing to land grabs: Analysis of the DFI websites shows barely any mention of land grabs and the risk that DFI investments in agribusiness, energy or mining might contribute to them. This suggests that the issue is largely off the radar of the DFIs, although we understand that land grabs are being discussed internally among some DFIs.

Inadequate and/or unimplemented principles for responsible investment: The joint European Development Finance Institutions (EDFI) Principles on Responsible Financing, adopted in May 2009, are inadequate on paper. While the individual codes and principles adopted by the different DFIs may be stronger on paper than the EDFI Principles, they may not be being implemented in practice.

The EDFI's Principles on Responsible Financing are inherently weak: They only 'encourage' investor companies to establish an open dialogue with their stakeholders, rather than require this. The lack of open, transparent dialogue with communities affected by projects is a major problem in, and cause of, current land grabs. EDFI members are only committed to 'strive to' ensure – rather than simply 'ensure' - respect for human rights and environmental sustainability. This is a serious problem in that any company can say that it is 'striving' to achieve respect for human rights; the key is to ensure that investments actually require this. EDFI institutions are committed only to 'benchmarking' their support for projects against the UN Declaration of Human Rights, the ILO Core Conventions and the IFC Performance Standards on Economic and Social Sustainability and associated Environmental and Health & Safety Guidelines. This benchmarking does not require *compliance* with these standards, it simply requires that projects are assessed against them.

The EDFI or DFI websites appear to make no mention of the Voluntary Guidelines on the Governance of Land Tenure which, while imperfect, is the first ever global land tenure agreement promoting a rights based approach which has the potential to protect community rights in the face of possible land grabs.

Insufficient transparency on investments: Information provided by the DFIs on their investments is very limited. Three of the nine DFIs analysed – FMO, DEG²¹ and OeEB - do not even publish their entire portfolio on their websites. The other DFIs, although listing their full

portfolios, generally publish only rudimentary, or else no, information on individual project investments. This lack of transparency is a serious problem, meaning that it is not possible for outsiders to assess project impacts or the worthiness of an investment before it occurs.

Continuing use of tax havens: Many of the DFI investments involve tax havens and all DFIs appear to use them. The use of tax havens in DFI investments encourages unscrupulous, indeed illegal, activity and reduces transparency. This increases the risk of land grabs and that investments will not be adequately scrutinised and monitored for their impact on people. DFI use of tax havens also contributes to the loss of tax revenues by developing countries. The EDFI has drawn up guidelines for the use of offshore financial centres by DFIs. But rather than outlawing the use of tax havens, these explicitly allow for their continuing use by DFIs.

APRODEV recommendations

APRODEV joins many others in condemning land grabs due to their violation of human rights, lack of impact assessments and transparency of contracts, and lack of consent and meaningful participation by poor farming communities.

Invest in smallholders to improve equitable and sustainable productivity in African agriculture

More investments in African agriculture are urgently needed. Although large scale investments are not always bad, it is a fallacy to believe that they will solve the long standing problem of low productivity in African agriculture. Small scale and women producers constitute the backbone of agricultural production in Africa, and will continue to do so. There is great potential to increase the productivity of small scale producers through sustainable agriculture.²² The main challenge today is not only to mobilise resources for agricultural investments, but to use and channel these resources so that small scale producers benefit, the subject of the forthcoming UN High Level Panel of Exports report on investments in small scale agriculture. Competitiveness should not be confused with resource efficiency: When looking at efficiency per hectare, small farms perform better, while large scale plantations may be more productive per active labourer.²³

²¹ DEG publishes a list of holdings in its annual report, but this does not appear to be its full portfolio.

²² Ecumenical Advocacy Alliance (2012) Nourishing the World Sustainable: The Scaling Up of Agroecology, at http://aprodev.eu/files/Trade/eea_scalingupagroecology2012.pdf

²³ See i) O.de Schutter (2011) The Green Rush, p 545 ff; ii) FAO (2010) Status and Prospects for Smallholder Milk Production. A Global Perspective; and iii) DIE ZEIT (11 February 2010) Fish in Danger. Issue 7, p.34: Graphic.

Going beyond performance standards and voluntary guidelines

In Sierra Leone, Addax Bioenergy has made an effort to comply with the various performance standards required by its funders in regard to its land investment. The company has also taken additional measures to mitigate its impact: it has developed a Farmer Development Programme with the FAO to encourage farmers to grow more rice, and has signed Acknowledgement Agreements with landowners, which no other company has done before. Results from the company's own assessments show that overall household income in the project areas have increased since the start of operations. However, the project still involves problems associated with land grabs. A recent report by SwedWatch²⁴, for example, has recognised that Addax has tried to act as a responsible investor. However, this report, as well as project monitoring reports published by Bread For All and the Sierra Leone Network on the Right to Food²⁵, have found that many community members, especially women farmers, have been largely excluded from the land lease consultation process, and that the employment opportunities and farmer development programme offered by the company have not compensated all of those who had leased their land to the company. Many communities also risk losing access to essential water sources. These findings show that current guidelines and performance standards are inadequate to protect affected land users from threats to their livelihoods. The Roundtable for Sustainable Biofuels in Lausanne has recently appeared to legitimise land grabs by providing Addax with certification.²⁶ A forthcoming report by the Action for Large Scale Land Acquisition Transparency (ALLAT), Bread for All, Christian Aid and Cordaid provides further analysis of the three largest land investments in Sierra Leone, including Addax Bioenergy. The report finds that for many individuals and households the costs associated with large-scale land investments (increased food insecurity, loss of biodiversity, reduced access to water, foregone government revenue) outweigh the benefits (temporary and some permanent jobs, road infrastructure, and increased rice cultivation under the Addax Bioenergy Farmer Development Programme).

Support grassroots resistance to land grabs

In the absence of rules preventing land grab deals in many countries, communities and social organisations

²⁴ Swedwatch (March 2013) No land, no power available at http://www.swedwatch.org/sites/default/files/summary_addax_swedfund_0.pdf

²⁵ Sierra Leone Network on the Right to Food, Bread for All, Bread for the World, EED (2011) Independent Study Report of the Addax Bioenergy Sugarcane-to-Ethanol Project in the Makeni Region in Sierra Leone, at <https://sites.google.com/site/silnorf/news-1/news>.

²⁶ See press release by Swiss based NGO Platform on Biofuels from 15/03/2013 at [http://www.painpourleprochain.ch/index.php?id=29&nocache=1&tx_ttnews\[tt_news\]=751&tx_ttnews\[backPid\]=46&cHash=ffe012d0ea294de422671c5b57ce3770](http://www.painpourleprochain.ch/index.php?id=29&nocache=1&tx_ttnews[tt_news]=751&tx_ttnews[backPid]=46&cHash=ffe012d0ea294de422671c5b57ce3770).

are resisting projects on the ground, often in situations of extreme tension and violence. Civil society organisations, human rights groups, farmers associations and others are forming alliances to appeal to political leaders and to launch court cases to stop harmful projects. This is occurring in Senegal, Cambodia, Cameroon, Benin, Cote d'Ivoire, Tanzania, Mali and Mozambique. Human rights organisations and NGOs are lending legal support to communities to challenge land evictions and investment deals in the courts, including training paralegals and people at the grassroots about their rights. In some cases, investors are trying to stop these efforts by threatening legal suits. In some countries, like Ethiopia, questioning such projects is legally very problematic, if possible at all. In numerous other cases, such as Cambodia, Mali, Senegal and Cameroon, resistance has met with physical repression from private or state security forces. There are also numerous cases of projects creating conflicts within communities that degenerate into violence.²⁷

Protect and improve security of tenure

More effective ways are needed to protect security of land tenure, such as anti-eviction laws, tenancy statutes, land user rights, and policies aimed at ensuring more equitable access to land, especially for women. Research has pointed to a number of legal systems that can act as the interface between private and public law to protect land user rights. Examples include customary, collective and community land tenure agreements that promote sustainable land use and equitable access to land. In some countries, citizens' farmland funds, solidarity capital funds and citizens' organisations with collective purchasing power are being established that could inspire policies to bring land back into the commons.

APRODEV recommendations to DFIs

The EU and its Member States have a responsibility to ensure that public money is not used for land grabbing.

Practice transparency

DFIs must list their entire investment portfolios. More details on individual investments should be provided on DFI websites. This should include information on the impacts on communities from project investments. Where there is evidence of land grabbing, transparency standards must prevail and DFIs must disclose what is otherwise considered to be commercially sensitive information. EU legal provisions on Freedom of Information need to be assessed and implemented much more aggressively to overcome information barriers concerning agricultural land-related investments in third countries.

²⁷ Reports of conflicts can be consulted at www.farmlandgrab.org

Independent monitoring and complaint mechanism

There needs to be independent monitoring and complaints mechanisms, including the possibility of sanctions to make DFIs comply. The role of national parliaments must be strengthened and mechanisms for ombudswomen, independent monitoring and remedies must be set up.

Address, avoid and undo the risk of land grabs

DFIs must explicitly recognise that their investments can contribute to land grabs. They should make mention of this on their websites as part of a process to develop policies to safeguard against it. Where land grabs have occurred, DFIs should withdraw from those projects or redesign them so that they respect local communities' rights.

Binding human rights for investments

The EDFI Principles need to be revised and significantly strengthened, in particular to require investments to comply with international standards, require open dialogue with those affected (based on principles of Free, Prior and Informed Consent) and adhere to the Voluntary Guidelines on Governance of Land Tenure and monitor its implementation. DFIs should call for this revision. DFI bilateral policies also need to encompass the above features and need to be implemented in practice.

Revise performance standards

Research in Sierra Leone has found that IFC and other performance standards and guidelines are inadequate to protect all affected households, women and communities against loss of biodiversity and water rights, which in turn can lead to more food and nutrition insecurity. IFC and DFIs should explore how the UN Guiding Principles for Business and Human Rights, based on the so called Ruggie framework "Protect, Respect and Remedy" can be implemented in IFC and DFI policies and guidelines. Ultimately, human rights guidelines should become binding standards for companies.

Stop use of tax havens

DFIs should commit to ending their use of tax havens, both inside and outside the OECD. This can be aided by supporting the development of a clear definition of tax havens (using, for example, the Financial Secrecy Index and the ongoing work in the European Union on creating a common EU definition). The transparency of investments needs to be increased by requiring investor companies to present their annual accounts on a country-by-country and project-by-project basis, which would enable governments and civil society to identify tax avoidance and evasion by companies.

Acronyms

BIO – Belgian Investment Company for Developing Countries
 CDC – Commonwealth Development Cooperation
 CGIAR – Consultative Group on International Agricultural Research
 DEG- Deutsche Investitions- und Entwicklungsgesellschaft mbH
 DFI- Development Finance Institute
 EAIF – Emerging Africa Infrastructure Fund
 EDFI – European Development Finance Institutions
 EU – European Union
 FAO – Food and Agricultural Organisation of the United Nations
 FMO –Netherlands Development Finance Company
 GEF – Global Environment Facility
 IFAD – International Fund for Agriculture and Development
 IFC – International Finance C
 IFU – Danish International Investment Funds
 OECD – Organisation for Economic Cooperation and Development
 OeEB –The Development Bank of Austria
 PROPARCO – Société de Promotion et de Participation pour la Coopération Economique
 RSB – Roundtable on Sustainable Biofuels
 SAGCOT – Southern African Growth Corridor in Tanzania
 SIFEM – Swiss Investment Fund for Emerging Markets
 SIMEST- Società Italiana per le Imprese all'Estero

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