



UNDERSTANDING LAND INVESTMENT DEALS IN AFRICA

ADDAX & ORYX GROUP BIOENERGY INVESTMENT IN SIERRA LEONE

LAND DEAL BRIEF | JUNE 2011

Background

Addax Bioenergy Sierra Leone Limited is the company behind the most developed land deal in Sierra Leone to date.¹ “Renewable energy” subsidiary of Addax & Oryx Group, a Swiss-based energy corporation,² Addax has leased 20,000 hectares for 50 years in the Bombali district to grow sugarcane to produce ethanol for export to Europe and electricity from the by-products to be sold in Sierra Leone.

Rationale Behind the Lease

According to World Bank standards, nobody in the project area should be worse off than before. This aims at protecting vulnerable people like so-called land tenants who have been farming land or raising cattle on lands belonging to traditional landowners. Addax Bioenergy will make sure that these people can continue to live off alternative lands in the neighborhood or offer other compensation measures.

— Addax Bioenergy³

The Addax project has been lauded for full disclosure and transparency of its operations, completion of an Environmental, Social, and Health Impact Assessment (ESHIA), and its stated intention of creating local employment – an estimated 3,000 locally recruited workers in the first phase of production (2010-2013), increasing to 4,000 in the second phase of production (2013-2015).⁴

Financed by European Development Finance Institutions⁵ and the African Development Bank to a large extent, the project has to adhere to IFC Performance Standards,⁶ Equator Principles,⁷ and the African Development Bank policies. Addax claims to support practices for the sugar and

biofuels industry as defined by the Roundtable on Sustainable Biofuels (RSB) and the Better Sugarcane Initiative (BSI), of which Addax is a member.

Ground Reality

Food Security & Livelihoods: As of October 2010, despite the stated intent of creating direct jobs,⁸ only about 200 people from the area were employed by Addax as casual laborers. Paid 10,000 Leones (USD 2.25) per day with promises of a monthly salary remaining unfulfilled, workers have no job security or benefits, nor do they receive food or food allowances during the workday.⁹

The company’s website claims, “Addax Bioenergy seeks to create lasting opportunities for local farmers by implementing contract farming schemes and inciting farmer cooperatives to grow food crops on fallow plantation land.”¹⁰ Both the Memorandum of Understanding and the project’s Environmental Social and Health Impact Assessment (ESHIA) also call for the implementation of a Farmer Development Program, intended to ensure food security in the lease area for local populations. Addax, however, has yet to develop the program. In addition, the villagers of Lungi Acre report being promised schools, health facilities, a community center, and water wells – none of which has come to fruition.¹¹

Degraded Land?: ESHIA claims that the land in the lease area is “degraded.”¹² Government officials allege that the soils in the area are “not favorable” for rice production.¹³ According to local community members, the land produced the most rice — providing for the whole area.¹⁴ In fact, many farmers earn their livelihoods from the land, cultivating rice, cassava, and vegetables, from this “rich and fertile” land.¹⁵

Women are Net Losers: Although women constitute the majority of agricultural laborers in Sierra Leone, they do not have full access to their land under customary law, as legal title belongs to the male head of household. Women who lose their land because of the Addax deal will receive no rental fees as compensation, as they lack legal ownership of land.



Compensation Issues: According to the claims made by Addax, “the project will ensure that no assets, crops or trees are destroyed prior to those affected being resettled and compensated for any loss.”¹⁶ While the ESHIA of the project estimates a total of 60 villages (an estimated population of 13,617) will be affected by the project, Oakland Institute’s fieldwork and interviews with the impacted communities did not find measures in place to ensure adequate compensation for affected individuals.

“Such large amounts of money and land area were normally associated with extractive industry in Sierra Leone, while [Addax] is about cultivation of crops and manufacturing of ethanol for local consumption and export to Europe.”

— President Bai Koroma, *Newstime Africa*, 9 February 2010

Ethanol for Sierra Leone?: Hopes of Addax’s production of ethanol reducing Sierra Leone’s dependence on crude oil,¹⁷ have been delegitimized by multiple sources, including Addax’s Managing Director, Nikolai Germann. According to him there is no market for ethanol in Sierra Leone and that less than 10 per cent of ethanol will stay for local use in plants.¹⁸

Inadequate Community Consultation: Addax claims that numerous public town hall meetings, formal presentations, and consultations were held in the project area to inform the local communities and other stakeholders about the project.¹⁹

“They came here telling us they would remove us from our poverty,” said one young man in Lungi Acre. “Instead, they are adding to it.”

— Community meeting in Lungi Acre, 17 November 2010

Fieldwork in 2009 revealed that many impacted people were unaware of the project. A landowner in Yenkassa, a village in the lease area, signed the lease but lacked vital information: size of the land concession, duration of the lease, or what the land would be used for. He was led to believe that he would be paid a lot of money for the land, that he could rent out the land for a certain period, and then “drive [Addax] away” because the land belongs to him.²⁰

Unwavering government support for the Addax project is also a cause for concern. Martin Bangura, Sierra Leonean Member of Parliament (MP) for the area and member of the ruling party, describes himself as the “bridge” between his people and the company.²¹ He promised community members that their rice-growing areas, known as the bolilands would not be used by Addax and urged people to accept the project. Community members reported to Oakland Institute that they trusted their MP only to be misled. These bolilands were drained in late 2010 to begin sugarcane cultivation.

Local landowners and chiefdom councils were assisted by the reputable Franklyn Kargbo & Co. law firm during land deal negotiations in order to make sure their “rights were secured.”²² Franklyn Kargbo was, at this time, an advisor in the Office of the President, who has publicly supported this project; and in December 2010, he was named Minister of Justice and Attorney General in President Koroma’s cabinet and went on to represent other foreign investors.

Before Addax began clearing land for sugarcane in 2010, community members were farming and producing food. In multiple ways, Addax has failed to live up to its public pledges. It must be held accountable to the many criteria and social and environmental standards to which it has pledged.

ENDNOTES

- 1 Oluniyi Robbin-Coker, Special Advisor to President Koroma on the Private Sector, direct communication, 1 December 2009.
- 2 Founded in 1987, Addax & Oryx Group is headed by Swiss financier and oil magnate, Jean-Claude Gandur, ranked among the world's wealthiest individuals on the Forbes list of billionaires. Addax & Oryx Group is involved in activities such as exporting crude oil from Nigeria, Cameroon, and Ivory Coast to refineries in West Africa, Europe, North America, and Asia; gold exploration; and developing renewable bioenergy projects, among others.
- 3 Addax & Oryx Group, "Q&A: Addax Bioenergy sugarcane ethanol project in Makeni, Sierra Leone," <http://www.addax-oryx.com/AddaxBioenergy/Addax-Bioenergy-Questions&Answers.pdf> (accessed 19 April 2011).
- 4 Sierra Express Media, "President Koroma hails Addax Groups multi-million dollar Bio-fuel investment in Sierra Leone," 11 February 2010, <http://www.sierraexpressmedia.com/archives/5834> (accessed 18 April 2011).
- 5 These include European Investment Bank, Emerging Africa Infrastructure Fund, Swedfund, Oesterreichische Entwicklungsbank (OeEB – Development Bank of Austria), DEG (Germany), and FMO (entrepreneurial development bank of the Netherlands).
- 6 The International Finance Corporation (IFC) is the private sector lending arm of the World Bank Group. The eight IFC Performance Standards (PS) are available at <http://www.ifc.org/ifcext/sustainability.nsf/Content/EnvSocStandards>.
- 7 The Equator Principles, largely based on IFC's Performance Standards, are the financial industry's benchmark for determining, assessing and managing social & environmental risk in project financing. See <http://www.equator-principles.com/abouttheeps.shtml>.
- 8 Addax & Oryx Group, "Q&A: Addax Bioenergy sugarcane ethanol project in Makeni, Sierra Leone," op. cit.
- 9 Oakland Institute field research, November 2010.
- 10 Addax & Oryx Group, "Addax Bioenergy Pioneering the African opportunity in sustainable tropical biofuels," <http://www.addax-oryx.com/pdf/uk/addaxbioenergy.pdf> (accessed 19 April 2011).
- 11 MADAM, "Merely empty promises?" <http://www.madam-sl.org/?News> (accessed 17 January 2011).
- 12 African Development Bank, "Executive Summary of the Environmental, Social, and Health Impact Assessment: Addax Bioenergy Project, Sierra Leone," <http://www.afdb.org/fileadmin/uploads/afdb/Documents/Environmental-and-Social-Assessments/Addax%20Bioenergy%20-%20ESHIA%20summary%20-%20Final%20EN.pdf> (accessed 19 April 2011).
- 13 Minister of Agriculture, Forestry and Food Security, direct communication, 14 October 2010.
- 14 Elder, Lungi Acre, direct communication, 17 November 2010.
- 15 Agricultural extension agent in Addax lease area, direct communication, 17 November 2009; See also: Joan Baxter, "Ruée sur les terres africaines: le cas Addax Bioenergy," *Le Monde Diplomatique*, January 2010.
- 16 African Development Bank, "Executive Summary of the Environmental, Social, and Health Impact Assessment: Addax Bioenergy Project, Sierra Leone," <http://www.afdb.org/fileadmin/uploads/afdb/Documents/Environmental-and-Social-Assessments/Addax%20Bioenergy%20-%20ESHIA%20summary%20-%20Final%20EN.pdf> (accessed 19 April 2011).
- 17 Sierra Express Media, "President Koroma hails Addax Groups multi-million dollar Bio-fuel investment in Sierra Leone," 11 February 2010, <http://www.sierraexpressmedia.com/archives/5834> (accessed 18 April 2011).
- 18 Sierra Express Media, "Down With Addax's \$200M 'Investment.' It's not good for Sierra Leone!" 3 March 2010, <http://www.sierraexpressmedia.com/archives/6236> (accessed 18 April 2011).
- 19 Addax & Oryx Group, "Q&A: Addax Bioenergy sugarcane ethanol project in Makeni, Sierra Leone," <http://www.addax-oryx.com/AddaxBioenergy/Addax-Bioenergy-Questions&Answers.pdf> (accessed 19 April 2011).
- 20 Alimamy Koroma, elder in Yankassa, direct communication, 21 November 2009.
- 21 MP Martin Bangura, direct communication, 21 November 2009.
- 22 Addax & Oryx Group, "Q&A: Addax Bioenergy sugarcane ethanol project in Makeni, Sierra Leone," <http://www.addax-oryx.com/AddaxBioenergy/Addax-Bioenergy-Questions&Answers.pdf> (accessed 19 April 2011).