Analysis 64

STUDY

The Weakest Should not Bear the Risk

Holding the Development Finance Institutions responsible when private sector projects fail. The case of Addax Bioethanol in Sierra Leone.

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Content

Preface

Following the financial and food crisis in 2008 the phenomenon of land grabbing through large-scale investments in land leading to forcible displacement of rural population, increasing their food insecurity and disregarding Human Rights became a hot topic on the global agenda. At the same time it became clear, that more investments were needed into the agricultural sector to increase food security and secure agricultural productivity. Under what conditions and if at all profit-oriented investments can lead to sustainable development and durable benefits for rural population is still under discussion. The most important question is which sort and form of investment is needed and by whom? Can there be responsible investment from profit-oriented investors and what are requirements for those? Who is accountable to whom, for what and for how long?

Those and similar questions are discussed locally but also on international level and led amongst other international frameworks to the Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests (VGGT). The VGGT were endorsed by the UN Committee on Food Security in May 2012 and are intended to lead to good governance in the land sector and responsible investments in the context of food security. The German Government is one of the strong supporters right from the beginning and actually supports the implementation of the VGGT through partnerships with different governments, amongst them the Government of Sierra Leone together with the FAO.

The international community is now monitoring the implementation of the VGGT and intends to learn from different cases in order to improve the approaches, policies and practice, as hunger is still one of the major problems worldwide, often combined with violence and fragility. Global reviews show that still 795 million people worldwide are starving and none of the fragile and conflict-affected countries of the Global South had reached one of the Millennium Development Goals. So a lot more has to be done to fight hunger, poverty and violence.

The private sector investment into the agricultural and land sector is a growing trend. But whether the cherished win-win situation between profit-orientation and sustainable poverty eradication can be reached still needs to be proven. The power-imbalance between the affected population and economically strong national or international investors and their creditors often with the backing of the government is one of the key challenges at all stages of investments projects, in the planning, the implementation, the monitoring. The locals are vulnerable and have a relatively weak position when it comes to grievances, questions about responsibility, risk management and compensation for losses and other negative side effects, damages and failures. Who is responsible, if a project fails, has a negative impact and causes harm on the ground? Experts from the field of policy, from governments and civil society as well as from the private sector and from academia are continuously searching for lessons learnt from different investment projects that are funded by private investors and/or also supported through public funding by the Development Finance Institutions (DFIs) to validate the impact of those projects and to learn from these experiences.

Together with our partner organization Sierra Leone Network on the Right to Food (SiLNoRF) we, Bread for All and Bread for the World and in former times also together with the dutch agency CordAid, have continuously monitored since 2009 the Addax-case in the Makeni-region in the North of Sierra Leone. We reported about this bioethanol-production project and its impact on the local communities until the beginning of 2016. Whereas already in mid 2015 the investor had declared to close down all major activities. Over the past years the project was seen by the Government of Sierra Leone and by some actors in the international arena as a very positive example and best practice for large-scale investments but has also been criticized. However, since the project is closed the reputation of the project and its stakeholders is increasingly under question, as the food security in the region and especially within the affected communities is worse than before the investment was planned and started. A special aspect of the Addax project in Makeni is, that a broad range of DFIs had supported the investment that was supposed to bring economic development, employment and better livelihood perspectives to the rural project area and at the same time was planned to also produce electricity for the country. Now as the investment project failed, questions arise about what went wrong, about the accountability of the different actors and about lessons learnt to improve the approaches in future.

Apart from two African lenders, further investors for the Addax bioethanol project were found in different European countries, where the DFIs are located and from where Addax received money of public origin as financial support. So what do the DFIs need to do in order to fulfill their responsibilities and their accountability towards the communities and the country? And what can be expected from the political side to better regulate those investments in future?

The scrutiny of the situation in the area of Makeni in this study is based on documents in the public domain. It applies the standards and safeguards as adopted by the DFIs to the reality in the Makeni area. The study confirms the damaging impact of the failure of the Addax investment. It should be analyzed and documented as soon as possible. Moreover, the setting into motion of the DFI's complaints and compensation mechanisms is fully justified.

We expect that this analysis and further detailed research increase transparency around the case, so that lessons can be learnt for all stakeholders. A "damage done"-census as a component of the complaints mechanism of the involved DFIs shall help to compensate for the unintended harm and damages caused by the project and its failure and improve the situation for the affected communities on the ground. The study also points out opportunities for the German Government and all other stakeholders to actively promote the application of the VGGT for the next phase of involvement in the Makeni area and possible agreements with new investors. With a better fundament it might actually turn this large investment to become beneficial for the local community and the country.

The application of the principles of the "New Deal for Engagement in Fragile States", e.g. for strengthening revenues, services and the economic foundations for peace- and state-building, might also lead to more inclusive development and stable conditions in the project area.

The post-conflict context makes the case even more sensitive and requires additional attention. Sierra Leone is still suffering the consequences of a bloody eleven years lasting civil war that only ended in 2001. Many of the root causes for the outbreak of the war and the massive violence are still existent and many are related to the abundant natural resources of the country. In post-conflict contexts the prevention of a new outbreak of violence is key when sustainable development and durable peace shall be achieved. At a National Land Conference in Freetown in July 2016 the fear, that the former conflict driving factors are still not overcome and that further land grabbing and Human Rights violations in the context of large-scale investments can fuel tensions and lead to escalations of violence, was shared amongst civil society actors, media and representatives from various governmental structures. Conflict-sensitivity and Do no Harm-Principles were demanded from investors and financial donors.

We thank Peter Lanzet as author of this study for his outstanding work, great experience and energy with which he had collected the information and presented the results in this analytical study. We like to also use the opportunity to thank all those who contributed and shared insights, supported us in the orientation and co-operated for this study. This expression of gratefulness pertains especially to the DFIs having responded to our letter/inquiry, to respondents in Ministries, Parliaments and Institutions, partners in civil society and to members of our partner organization the Sierra Leone Network on the Right to Food. We are convinced that this study is of special interest to those who explicitly follow the Addax-case and its follow-up. Also those, who observe the private sectors investment initiatives for development will find useful data and analysis. And we sincerely hope that the European DFIs, having adopted the IFC-standards and safeguards in 2009 and other standards later on, will not hesitate to fully follow their stipulations to help improve life in Makeni, Sierra Leone.

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Summary and Basis for Complaints

Summary of recommendations

From the research and analysis of the study the following recommendations emerged:

- The original concerns and fears of many people in Makeni and of Sierra Leonean civil society networks of the damage to be expected from the Addax project to food security, peace, livelihood and biodiversity **have been more than confirmed**. In the project area violence in the communities is increasing and voices from civil society and media fear a new wave of violent conflicts as a result of large-scale land concessions to investors disregarding the customary (land) rights, entitlements and needs of the local population (as stated in a recent communique at the National Land Conference in Freetown 11. – 13.6.2016 (Kruckow, 2016)). The AOG and the DFIs having raised so many hopes in Sierra Leone are liable to:
  - communicate why they stopped operations
  - compensate the economically damaged and socially negatively impacted communities
  - show a perspective out of the mess they created.

  Now, since the damage is done, the return to livelihood options of the past from which people have turned away is no more possible, as detailed in the report. When looking for the best way forward to find a sustainable solution out of the present predicaments for the Makeni communities one reasonable option is to make another effort to restart cultivation and production by capable actors with substantial means and an extended time frame and with substantial modifications in the whole setting of the project design.

A village meeting to discuss about the issues of the people living in the project area and having leased out land to Addax.

- The DFIs suffered no damage and did not lose capital to continue to fulfil their mandate as their loans and equity were returned by the end of 2015. But the weakest actors in the project venture, the communities in whose name the project was co-financed, were ill-informed, unprepared for the discontinuation of operations and left in difficult livelihood situations. The DFIs have an ethical duty and a development policy related obligation to ensure a beneficial impact of their financing. A process centrally involving the Makeni communities aiming to find and **implement a sincere damage compensation and livelihood restoration** is the least the DFIs must be prepared to begin without further delay.

- All DFIs show in their mission statements the concern for the reduction of poverty and the protection of the environment. Yet, as the Addax case clearly shows, their accountability is not towards the intended beneficiaries of the cooperation but solely to their constituents and shareholders. DFIs must respect their endorsement of the Busan Outcome Document (2011) and **centre their accountability around the beneficiaries**.

- It is unsettling how a reputed company like Addax Bioenergy and also the Government of Sierra Leone negotiate the sale of the project without transparency and without meaningful consultation with the affected communities, land owners and former land users. And, in addition to that, with a company that has no financial basis to re-operationalize the cultivation and production in Makeni and certainly would not be in a position to shoulder the payment of the lease amounts and other target group and stakeholder responsibilities. Therefore, if a land, fisheries or forest tenure related project is about to be sold, part of the accountability and due diligence of the DFIs and their client is a dedicated scrutiny of the prospective investors as part of transparency, information and meaningful consultation to reach consent with the affected popu-

Farmers in the project area showing the acknowledgement agreements that they have signed.

lation and legitimate tenure rights holders. **Only those who endorse the IFC-Performance Standards (IFC-PS), the Voluntary Guidelines on the Governance of Tenure and apply the "Free Prior and Informed Consent"-principle are acceptable as investors**. On a more basic level, the commercial viability of new investors must be scrutinized as well.

- With the support of the Development Finance Institutions Addax Bioenergy had invested close to € 500 million in the Makeni area of Sierra Leone. This represented about one fifth of the GNI in 2009. In 2015, when Addax Bioethanol Sierra Leone (ABSL) stopped working, the GDP of the country dropped by 24 percent. It should be taken as one of the lessons for the DFIs **not to finance investments that have such a bearing on the economy of the country** in the event of failure.

- **Performance Standards and Banking Secrecy:** The DFIs to date avoid disclosure of essential information on the ABSL case. In Germany this is done with reference to banking secrecy laws. Together with ABSL the DFIs have followed a non-disclosure policy of Human Rights relevant developments with the possible consequence of non-remediation of livelihood losses, reopening sources of conflict in a post-conflict country and negative social impact on the lives of very poor populations. The ABSL case has made the non-commensurability of the DFIs very obvious, adopting Performance Standards and Human Rights Guidelines while at the same time keeping vital project information undisclosed under reference to banking secrecy laws. The present double standards should end. **The DFIs must agree with their clients and adopt disclosure policies that satisfy the requirements of the IFC-standards and safeguards.**

- **DFIs should not be incorporated in offshore companies**. It raises questions regarding the line of financial and political accountability if governments establish and maintain offshore DFIs such as Private Infrastructure Development Group (PIDG) and its subsidiary company Emerging Africa Infrastructure Facility (EAIF).

- **DFI's to implement the VGGT:** The DFIs and their governments should adhere to the VGGT and guarantee the application of the principles. This also implies transparency, full and timely information and meaningful consultation with the legitimate rights holders and affected population (as stipulated e.g. under part 3/chapter 9 and part 4/chapter 12 of the VGGT) and would ethically request new consultations and a renegotiation of contracts when a new investor as lessee is sought.

Basis for complaints and compensation

The IFC-Performance Standards are part of the agreements and contracts between the DFIs and their clients – so also in the case of the Addax Bioethanol Sierra Leone. Partly ABSL alone and partly ABSL together with the DFIs disregarded the clauses and objectives of the IFC-Performance Standards and other safeguards. Therefore, the affected people and communities in Makeni have a claim for compensation. It is based on:

- **Language:** A summary "Environmental Social Health Impact Assessment" (ESHIA) in English language is the only impact and risk assessment communication by ABSL available in the public sphere. It has been made available to the public in Makeni and Freetown during the month of November 2009 and an English summary of it was published on the African Development Bank's (AfDB) website. The lease contracts determining ABSL's relationship with the land owners are also in English. The IFC-Performance Standards stipulate that affected **local communities need to be able to understand the communication.**

- **Non-disclosure policy and participation:** ABSL conducted meetings with village-level committees and held occasional stakeholder discussions in Makeni organized and guided by a department of the Freetown University. No preparatory papers or preparation methods appropriate to the literacy status of the local communities or invitations or documentations are available of those meetings. The possibility to arrive at an informed consent or dissent has not been created. These meetings were largely oriented towards solving acute problems. Rather than disclosing possible risks, oral promises were made by ABSL. The IFC-Performance Standards stipulate an ongoing updating and disclosure of ESHIAs. The **IFC-provisions for an on-going stakeholder dialogue have not been fulfilled** with the above practice of ABSL.

Sugarcane fields that had been burned down.

- **Risk of failure:** Timely information on the impending closure and its likely social impact was urgent to prepare the affected people for the possible shock and make remedies available. Instead people were informed of a scaling down of activities in June 2015, after which employment and social programmes slowly petered out. **Non-disclosure of social impact relevant information is one of the main digressions from the IFC-Performance Standards.** It made an informed risk assessment by and on behalf of the affected community impossible and prevented their proper preparation to the discontinuation of the ABSL operations.

- **Unequal lease agreements:** The tenure transition system did not recognize the non-land owning land users under customary law as equals under the tenure. Under VGGT stipulations it would not have been possible to deny the customary land users the same rights and status as the chiefs and land owners. Any compensation agreement must consider these stipulations of the VGGT, adopted by the global community in 2012. There should be a reconsideration of the lease agreements under a renewed project approach, **the equal status of land owners and customary land users must be codified**.

- **DFI's to follow "Guiding Principles on Business and Human Rights":** The DFIs and their client ABSL should not have accepted tax holidays and other favourable taxation terms as contained in the MOU of ABSL with the Government of Sierra Leone. This is not acceptable under the "Guiding Principles on Business and Human Rights". Such tax holidays and favourable conditions contravene its clauses 8, 9, 13b

People gathering in the village to tell SiLNoRF about the situation after the scale down of Addax.

and 22. DEG financing policy in future should **discourage such agreements detrimental to the public finances of poor countries.**

- **DFIs to follow the OECD-Do No Harm policies: Projects that leave the local population in worse living conditions than before and that bear risks of increased fragility and violence do harm and disregard the 2010 OECD "Do No Harm"-policies.** Donors must ensure that they "do no harm" and consider both the intended and unintended consequences of their interventions. As a member country of the OECD, Germany should follow the Do No Harm-policy for example by focussing particularly on "state building and good governance" in the context of investments. More specifically the **OECD policy recommends to help build the taxation basis of the country and not to take advantage of tax haven opportunities and tax advantages** and to enable expatriates to pay taxes as per the law of the country. DFIs and their clients need to **accept taxation standards as per the law of the land** as part of their Human Rights appropriate operation.

The Performance Standards of the IFC, otherwise well-structured and systematized, lack an important element: They concentrate on environmental and social impact of private sector investment. But they fail to take into consideration the enormous social impact on communities with nothing to fall back on if **a project fails**, for commercial or other reasons. The next update of the IFC-PS needs to foresee safeguards for the victims of commercial or other failure especially but not only, in least developed countries.

This report concludes: The setting into motion of the complaints and compensation mechanisms of the DFIs is justified in the ABSL case. The affected communities and their representatives are entitled to claim a damage compensation census in the 60 affected villages in the Makeni area of Sierra Leone. The mechanism should be moved, because of digression from the objectives of the IFC-Performance Standards to avert severe risk and negative social impacts on communities. The basis of the claims is the deviation from clauses on language, non-disclosure of risks, uninformed participation as well as damage done.

Chapter 1

Introduction

From the perspective of the UN Development Finance conferences for the development of a rural area a large greenfield investment is considered a lucky strike. Governments look forward to new infrastructures, employment opportunities and revenues and new markets are expected to take root, population is seen expanding and all kinds of economic opportunities are awaited. What economists call "externalities" are often disregarded. Instead – as was the case documented in the following report – the risks for the local people made dependent to new forms of securing a livelihood, the reduction of biodiversity and food security, environmental pollution, noise, dirt and crime and the disruption of traditional social relations were conceived as the harbingers of modernisation.

Sierra Leone in West Africa, one of the 48 least developed countries, was the arena for a large-scale investment into the production of bioethanol beginning in 2009. Since the "Everything but Arms"-initiative of the EU of 2001 least developed countries may import everything but arms in to the EU free of quotas and tariffs. The Renewable Energy Directive (RED) of 2009 specified that 10 percent fuels from renewable sources should be added to all fossil fuels in the community in order to improve the carbon footprint and bring Europe closer to its greenhouse gas reduction objectives. These two EU-regulations created an ensured market for the plan to produce bioethanol in Sierra Leone and import it into the EU.

The Addax and Oryx Group (AOG), a holding company of Swiss national Jean Claude Gandur, who had started a business of oil exploration and oil and gas trading in Africa in 1987, was interested in diversifying its energy business. It planned to invest into the production of bioethanol in Sierra Leone in West Africa. The AOG convinced eight European and African Development Finance Institutions (surprisingly, two of them incorporated in Mauritius as offshore companies), the Government of Sierra Leone and the local leadership in the rural area of Makeni, that the investment would create a win-win situation for the local community and the country, the company and EU's climate objectives.

A Memorandum of Understanding (MOU) was drawn up between the AOG and the Government of Sierra Leone to pave the way for leasing 50,000 hectares of land from the communities in Makeni and cultivate

An Addax signpost marks the entrance of a village in the Makeni project area.

about 10,000 to 15,000 hectares through irrigation pivots growing sugarcane to be the feedstock for an ethanol refinery, built and operated by Addax Bioethanol Sierra Leone (ABSL). The cane bagasse left over from the distilling process would then be used in steam generators to produce 30 Megawatts of electricity of which 15 where to be fed and sold into the national grid. The lands were leased in April 2010, even though the cane cultivation had started earlier, as had various social programs. The ethanol and electricity production started in 2014. The Ebola virus struck the Makeni area mid-2014.

In July 2015 ABSL scaled down the production and cultivation and phased out all major activities until spring 2016. The DFIs were paid back their loans and equity and in March 2016 newspapers reported about AOG sales negotiations with a British-Chinese company who, according to research, did not have the required finances for a take-over of Addax Bioethanol Sierra Leone. As the employment benefits are no longer available and due to the discontinuation of the Farmers Development Programme and because of the non-accessibility of the pivot irrigated areas for food production there is no food security in the villages having leased their lands to Addax Bioethanol Sierra Leone.

Halting the project operations of Addax Bioethanol Sierra Leone (ABSL) in July 2015, retrenching 3,850 local employees and ceasing the local social development programme meant a throwback of the people in Makeni to livelihood practices that were no more viable for them. After five years of land lease and high input agriculture on the village lands that were part of the Farmers Development Programme, not only the agricultural practice but also the social situation and the markets in the area had changed considerably. In about 60 villages leasing lands to Addax and becoming part of the new economy Addax' investment had created, resulted in new labour, tenure and social relations for the local people. To secure their livelihood they had begun to rely more on markets rather than on the requirements of making a living based on biodiverse resources. The failure of the Addax project threw the project beneficiaries deeper than before into income poverty and food insecurity. It clouded all economic perspectives, the youth began to migrate and the communities were more exposed to unwanted social impacts such as drinking, domestic violence, etc. The land lease negatively affected the relations of farming families in the context of the customary use and ownership of land. The level of land-based conflict rose (Bottazzi, 2016).

There is a vital interest by academia, civil society and development policy to understand what prompted ABSL to discontinue its operations. But the interest to learn from this investment disaster so far runs up against a wall of non-disclosure by Addax and the DFIs. In the absence of their information, this report had to rely on data available in the public domain. If facts and figures were not considered in this report, it is because they were not made available.

It seems unlikely that the project stalled because of Ebola, or because of the bioethanol market price reduction in the EU or because of altogether negative underlying economics. The faulty assessments of local factors and their impact, mismanagement, local social conflict, policy changes in AOG or a combination of all these seem to play a more important role.

From its inception the project was seen by governments, development banks and certainly by AOG as a very positive initiative and was presented at the international arena as best practice model of large-scale private sector investments in land. Civil society raised concerns right from the beginning regarding the Right to Food, living conditions especially for women and children and conditions for drinking water, etc. They requested changes and adaptations in order not to harm and aggravate the already precarious conditions for the local population.

Looking back the ADDAX Bioethanol Sierra Leone experience casts a shadow on the social development competence and capacities of the private sector and the supporting structures of public sector and multilateral development banks to substantially contribute to sustainable development.

Chapter 2

The Study Report

2.1 Data availability, data collection and methodology of the study

To provide a full picture of the ABSL story in Sierra Leone will only be possible once AOG and the DFIs disclose their data and information. ABSL made a first ESHIA available to the public in Sierra Leone at the end of 2009 of which a summary was put on the website of the AfDB in 2010. Afterwards impact and risk assessment were not made available anymore. ABSL followed the IFC's Performance Standards (IFC-PS) and reported against its provisions to its creditor DFIs possibly in the form of annual reports. But this information was withheld from the public domain. Addax Bioenergy sometimes published information on its website, e.g. about its strategies, and about the project ABSL (Addax Bioenergy). When the financial closure for the total financing of the entire project was reached in 2011, Addax Bioenergy and one of the DFI's made the financing structure available on the web (Cordiant, 2011). Although there are indications that there was additional financing for the project in 2014/15 this was not made public. In general, information was more accessible, as long as the project promised to be a success. The DFIs and Addax showed standard information on their websites with a tendency to report more as long as the perspectives seemed good.

Consequently, this report had to be compiled with only rudimentary Addax and DFI information. Other accessible sources had to be used. First among them are the reports of the Sierra Leone Network on the Right to Food. There are further studies and reports of the University of Bochum, the University of Bern and the Stockholm Environment Institute, there are press reports from Sierra Leone, Switzerland, Austria and Germany, documents of the German Federal Parliament, DFI website portals, stock market information, EU and World Bank and IMF data basis and documents as well as compulsory corporate financial reporting.

2.2 Replies from the DFIs

In an attempt to improve the data basis Bread for the World, Germany and Bread for All, Switzerland sent letters (see Enclosures) to all ABSL-financing institutions with the request to answer specific questions. Seven reply letters of DFIs were received dated from 11.5. – 7.7.2016. While these responses differ from each other greatly in terms of the actual information provided to the queries, none of them provided clear cut factual answers to straight forward questions. Most pointed out, now that AOG had repaid their loans and a financial relationship no longer existed they had no further say on the future of the project.

The non-disclosure policies of the DFIs referring to banking secrecy laws are a serious impediment to apply the various performance standards of the DFIs, mostly modelled after the IFC-Performance Standards and taking them "as a minimum" (BIO, 2010). Risk disclosure is a systemic component of most performance standards. Among the objectives of IFC-PS 1 are for e.g.:

- To identify and assess social and environment impacts, both adverse and beneficial, in the project's area of influence
- To avoid, or where avoidance is not possible, minimize, mitigate, or compensate for adverse impacts on workers, affected communities, and the environment
- To ensure that affected communities are appropriately engaged on issues that could potentially affect them (IFC-PF, 2016:1).

2.3 The journey of Sierra Leone with a greenfield investment for bioethanol and electricity production from 2008 to 2016

An investment and strategy fit: Sierra Leone could be a rich country. But it continues to be one of the poorest countries in the world, despite its wealth in young people (60 percent below 15), its abundant nature and climate, its mineral and agricultural riches.

The country's "Truth and Reconciliation Commission" (TRC) found "that many of the causes of the civil war from 1991 to 2001 that prompted thousands of young people to join the war have still not been adequately addressed... [and] are potential causes of conflict, if they remain unaddressed". While some progress has been made to remediate each of the causes identified above, they still remain persistent problems today: the deep patrimonialism of Sierra Leone's political parties bolsters widespread political exclusion, a lack of public transparency, and corruption; basic Human Rights – particularly the positive rights to health, food, education and access to justice – remain largely unfulfilled due to the persistent weakness of state institutions; and the masses of youth remain disempowered and unemployed. The majority of the TRC's recommendations have yet to be implemented by Government (TCR, Reports). Access to land and water are key components for the livelihood of rural people in Sierra Leone and are considered as most sensitive issues and, if not secured, seen as a risk for renewed conflicts and potential violence, as recently stated by different stakeholders from civil society and media and raised as an issue in attendance of representatives from different Ministries of the GOSL and the German Ambassador at the National Land Conference in July 2016 in Freetown (Kruckow, 2016).

Looking at key statistical indicators (Table 1) reveals the hard economic reality of the country. It is possible to recognize in the figures the onslaught of Ebola in the aid response of 2014, the Addax Bioenergy investments in 2011 and 2012 as well as the damage done to GDP growth in 2015 by discontinuation of its operations.

According to Word Bank statistics in 2015 Sierra Leone economically ranks 202nd of 217 countries. Its six million people produced a per capita GNI of 630 USD in 2015. Since Sierra Leone is one of the Least Developed Countries, it receives grants and preferential loans under various instruments from the World Bank and the IMF and growing amounts of aid. In 2007, 80 percent of its official and most of its commercial foreign debts were cancelled by its bi- and multilateral creditors. Thus in 2007 its debt service had reduced to about USD 11 million from 100 million in 2001 (Erlassjahr, 2014).

Around the turn of the Millennium, the World Bank and IMF made the adoption of Poverty Reduction Strategy Papers by developing countries compulsory for their various loans and credit facilities. These five year strategies were first produced (and were supposed to be discussed by all stakeholders) in countries to become beneficiaries of the debt relief initiative for the 39 Highly Indebted Poorest Countries (HIPC) of which Sierra Leone was the 21st (Erlassjahr, 2014).

	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Population, total, mil	5,647	5,775	5,909	6,043	6,179	6,316	6,453
Population growth (annual percent)	2,2	2,3	2,3	2,2	2,2	2,2	2,2
GNI, Atlas method (current USD bn)	2,783	2,726	2,948	3,156	4,526	4,844	4,049
GNI per capita, Atlas method (current USD)	490	470	500	520	730	770	630
Life expectancy at birth, total (years)	47,4	48,2	49	49,7	50,4	50,9	–
GDP (current USD bn)	2,489	2,616	2,985	3,853	4,958	5,005	4,474
GDP growth (annual percent)	4,6	5,4	6,3	15	20,5	4,6	–20,3*
Agriculture, value added (percent of GDP)	57,3	55,2	55,9	51,8	49,3	54,1	59,2
Industry, value added (percent of GDP)	6,8	8,1	8,1	14,9	21,8	15,3	7,6
Services, etc., value added (percent of GDP)	35,9	36,7	36,1	33,3	28,9	30,6	33,2
External debt stocks, total (DOD, current USD mil)	856,855	931,128	1,050,425	1,125,509	1,395,517	1,237,857	–
Total debt service (percent of exports of goods, services and primary income)	2,1	2,7	3,4	1,5	1,2	–	–
Personal remittances, received (current USD mil)	35,896	44,218	58,811	64,534	69,660	62,430	–
Foreign direct investment, net inflows (BoP, current USD mil)	110,430	238,404	950,477	722,447	429,675	403,907	518,680
Net official development assistance and official aid received (current USD mil)	448,260	458,160	422,740	439,800	447,010	910,560	–

Table 1: Overview of key indicators (World Bank, WDI) of Sierra Leone 2009–2015
* *In October 5, 2015 the Bank projects the real GDP contraction due to Addax operations stop in 2015 even at 24 percent (World Bank, 2015, Sierra Leone)*

A pivot of sugarcane with the irrigation system that is still standing in the field after the scale down.

The Second Poverty Reduction Strategy Paper of Sierra Leone (World Bank, 2009) of September 2009 prioritized four sectors:

- Enhancing national electricity
- Developing the national transportation network
- Increasing agricultural productivity and competitiveness,
- Promoting in sustainable Human Development.

These priorities were to be underpinned by good governance, macroeconomic stability, private sector development, financial sector reform, and natural resource management.

Already in 2008 Addax Bioenergy had started negotiations with the Government of Sierra Leone for investments into a project that would:

- Require the lease of an area of approximately 50,000 hectares and started with a coverage of about 14,000 hectares for sugarcane growing, the infrastructure for bioethanol production and several activities for the communities and agricultural productivity
- Produce about 85,000m^3 of ethanol per annum and approximately 30,000 MWh of renewable power per annum.
- Supply capacity of up to 15 Megawatt of power to the national grid of Sierra Leone, and thus significantly add to the country's overall electric power capacity.
- Employ 3,600 people (Addax Bioenergy)
- Build a network of roads and electricity lines especially in the Makeni area, but also towards the harbour in Freetown
- Equip the harbour with the required facilities to pump ethanol into specialized ships
- Impart vocational training, especially in agriculture.

Between the investment plans of the AOG in Sierra Leone and the poverty reduction strategy of the country existed a near perfect fit. The GOSL welcomed the project which would in one stride invest one fifth of its 2009 GDP into the country over a period of five years. In the MOU between the AOG and the GOSL of February 2010 an estimated investment of € 300 million in two phases was projected (MOU, 2010).

The already mentioned Economic Social Health Impact Assessment was part of the inception of activities in 2009 to build up the project. This assessment was later on celebrated by Addax as a "Gold Standard" (Addax, 2014) in project preparation and cooperation with the DFIs and the Government. And indeed, through 14 specialized studies from biodiversity and ecological to health impact assessment it seemed to look comprehensively into matters, and proposed mitigation measures as part of an elaborate process of meetings and dialogue (AfDB, ESHIA, 2009).

When in 2013, the pivots started irrigating the sugarcane fields, the refinery began to distil and the steam generator was producing electricity it soon became clear, that the sugarcane production yield was not meeting the targets by far, that the objective of obtaining 85,000 m3 of bioethanol was not at all realistic and that whatever electricity was being generated was used by the project.

Still, employment was provided under different terms for a total of 3,850 people, mostly locals, expatriates excluded. And USD 1,749,826 million land lease (Addax Bioenergy, land lease) were paid in the national currency in March 2015 as in the years before. In about 60 villages land was tractor ploughed and sown to help ensuring food security and skill formation. On-the-job training was going on as part of the social development programme. To solve drinking water problems in a number of villages tanks had been installed and were regularly refilled. Despite abundant annual precipitation, water became a problem due to its exhaustive use for sugarcane irrigation. Moreover, available water was deemed unsafe by ABSL being polluted by fertilizers and pesticides (SiLNoRF, 2016).

The more lands were brought under pivot cultivation the more difficult the local population found it to ensure the food security of their families as increasingly fertile lands were used for cane cultivation. Such "boli lands" were earlier promised not to be covered under cane. Also various other negative consequences for the daily life in the village communities were reported as unsafe school ways for children, longer ways for women to fetch water, dwindling opportunities for fishing, reduction of forest cover used for charcoal making and collection of oil seeds.

In December 2013, the EU price for bioethanol dropped by about 27 percent from € 610 to € 450 and that is where it remained but prone to normal market volatility. Just before June 2014 Ebola struck Sierra Leone and engulfed the Makeni region in July. Despite these problems ABSL continued to operate throughout the crisis. The company supported the fight against Ebola substantially, with some extra support by the DFIs.

Then, on 24.6.2015, AOG published an "Update on Addax Bioenergy operation in Sierra Leone" on its website in which it announced the scaling down of its operations. In March 2016, the Swiss online news service reported sale negotiations with the British-Chinese company "Sunbird International" (SRF, 2016).

2.4 The damage done

In response to an inquiry of the parliamentary faction of DIE LINKE, the Federal Government of Germany repeated on 7.6.2016 (Bundestag, 18/08537) its earlier assessment of the Makeni project. The Federal Government would not speak of negative impacts of the land leases and the extensive application of industrial/agrarian models of production in the context of this project. It quotes four positive developments brought about by the ABSL project:

1. As a result of the considerable financial investment of ABSL in the project area the local social and physical infrastructure developed and appreciated

A digger clearing the fields for the sugarcane pivots of Addax Bioenergy.

2. On the basis of both ongoing and seasonal work contracts up to 3,500 workers received wages and salaries for several years

3. A group of 2,330 smallholders through the farmers' development programme received an extensive agro-technical training

4. The lands leased by ABSL were – partly for the first time – cultivated and thus appreciated.

In cooperation with the local university in Makeni, researchers of the Swiss National Research Programme of the University of Bern in 2015 have conducted 882 household inquiries. 592 were carried out in the project area and 290 in an adjacent area not touched by the project, but with similar land use and social systems. Their study (Rist, 2016) comes to the following conclusions regarding land use, employment income, labour cost and income from biodiverse sources:

- In the project area families cultivate 73 percent less land than outside. Half of the land-owning families are affected by this serious reduction of cultivation. But even more than two thirds of those tilling land on the basis of customary land rights had reduced their cultivation.
- Employment-related cash income in the project area is 655 USD/annum while it amounts to 535 USD/annum outside
- In the project area families spend 16 percent more cash on food than outside, while at the same time cash income due to project employment is only 18 percent higher than cash income in the adjacent area. Due to reduced agricultural activities Makeni families now spend almost their entire cash income on food. With regard to income the study's authors call this a zero sum game considering that families have lost a good part of their earlier subsistence basis and have been made dependent on cash income
- The cost of agricultural labour in the project area is double the amount as outside (64 to 34 USD/ha)
- Income from charcoal making or oil seed collection is 80 percent resp. 25 percent less in the project area than outside
- Rice production is 170kg/ha in the project area while the yield is 250kg/ha outside.

Unfortunately, similar research is not available regarding the available cash income in the project area **after** the closure of operations. But logic would have it that it must be lower than in the surrounding areas. Lower cash income – combined with a reduced area of land to cultivate – has obviously a drastic impact on food security giving rise to the concern of local leaders expressing that "there will be hunger soon" (SiLNoRF, 2016).

Following the IFC-Performance Standards 5 stipulations, experts must be sent to the Makeni area to carry out a census. This "situation and damage done – analysis" would also have to include those indirectly damaged economically by the ABSL stopping its operations. Among those may be locals that had started small shops and businesses (e.g. hair cutting, transport, construction to rent rooms and residences, local restaurants) and/or had taken loans for such purposes and are now indebted.

Halting the project operations by ABSL, ending the payment of wages and salaries, discontinuing the social development activities, i.e. the Farmers Development Programme (a three years program), the Farmers Development Service (FDS), the Village Vegetable Garden Scheme (VVG) and the Farmer, Field and Life School (FFLS) for the affected people in Makeni shattered all hopes for a better future for the people in Makeni and meant a forced fall back into insecure livelihood and lack of food security. But the social situation, the markets and the agricultural practices had changed with the consequence of deeper poverty and negative social impacts such as drinking, violence and increased youth migration. The new economy had destroyed much of the traditional ways of living, people could not simply revert back to the earlier ways, because among others, significantly increased labour cost had rendered traditional ploughing and field work uneconomical. The areas for charcoal production and oilseed collection had significantly reduced. All fields are under the lease but also those available under the Farmers Development Programme had been used under high input agriculture practices unaffordable for the farmers now. Landownership, customarily vested with the Chiefs and land owning families, who earlier made land relatively freely and cheaply available to land using families, had now become the fundament of grown socio economic inequality leading to social tension and conflict, since the company paid the land lease (Bottazzi, 2016).

Chapter 3
The Addax case from the perspective of standards and safeguards

As can be seen from the Table 4 (p. 41/42), Addax Bioenergy and its creditors adopted a series of environmental and social standards and safeguards. These range from a "Code of Ethics" of the South African Industrial Development Cooperation to the African Development Banks "Integrated Safeguard System", to the "Equator Principles", the "Guiding Principles on Business and Human Rights" and to a number of in-house standards of various Development Finance Institutions. In 2009 all the 16 European Development Finance Institutions (EDFIs) signed up to the "Principles of Responsible Finance"[1], which take reference to the "UN Declaration of Human Rights", the "ILO-Core Conventions" and more specifically to the "Performance Standards of the International Finance Corporation", part of the World Bank Group. The latter "IFC-Performance Standards" form the reference standards to all other standards and safeguards. All DFIs adopted the IFC-PS. They were conditional to the contractual relations of all DFIs with ADDAX Bioenergy, with the exception of the African Development Bank and the Industrial Development Corporation of South Africa.

The following chapter presents the adoption by the Addax co-financing DFIs of particular standards and safeguards and how this would reflect on their and their client's (i.e. Addax Bioenergy's) post-closure tasks and responsibilities with regard to the affected communities of Makeni.

3.1 Applicability of the IFC-performance standards to the Addax -case

From the perspective of possible claims of the affected Makeni communities on Addax and its' creditor DFIs certain issues can be identified between the in-house standards specifically of DEG and FMO and the IFC-Performance Standards (IFC-PS). This is particularly due in the areas of Compensation and Scope for the admission of claims.

Scope: Starting from 1.7.2015 Addax Bioethanol Sierra Leone scaled down and in the following month subsequently discontinued its operations (SiLNoRF, 2016). The DEG "Guide for Complaints" specifies that for the DEG to accept complaints it requires an active financial relationship with the project, whereas the DEG "Independent Complaints Mechanism" specifies that "complaints must be lodged within one year from the date on which the facts upon which the allegation is grounded could be reasonably known by the complainants". The facts upon which the allegations are grounded have been made known with the Final Monitoring Report of the Sierra Leone Network on the Right to Food (SiLNoRF) of June 2016 and reports of the Bochum University (2016) and the University of Bern (April 2016).

The IFC-Performance Standard 1 (2006) sees its scope of application for projects from "the early stages of project development and **on an ongoing basis**". In their revised version of 2012 the IFC-Performance Standards speak of their applicability throughout the "entire life cycle (design, construction, commissioning, operation, decommissioning, closure or, where applicable, **post-closure**). In both versions it becomes clear, the IFC-Performance Standards don't see their applicability terminating with the end of a financial relationship between creditors and clients but much beyond.

Complaints and compensation: KFW/DEG envisages only voluntary compensation in its "Guide for Complaints". In their common in-house "Independent Complaints Mechanism" the DEG and FMO avoid the term compensation but speak of "corrective actions". Other European DFIs, also benchmarking their standards and safeguards on the IFC, do not limit compensation to voluntary compensation or unspecified corrective actions. At the same time, the DEG/FMO in-house standard is based on the IFC-Performance Standards which foresee compensation. The decision which Performance Standard is to be applied (1 or 2 to 8) is to be taken by the creditors and their client. PS 5 is to be applied in the case at hand, **provided the client considers the adversity of the impact on the people severe enough.**

Do the IFC-Performance Standards apply at all? IFC-Performance Standard 5 in both the 2006 and the 2012 versions refer to "Land acquisition and Involuntary Resettlement". Under the term resettlement they also include affected people and communities that have not physically been resettled but who, because of the project, experienced "economic damages" in the form of loss of income or livelihood. The economically damaged are thus treated like the involuntarily resettled people.

1 — www.edfi.be/news/all.html?order=datedesc

Therefore, para 6 of the IFC-PS 5 (2006) on Land Acquisition and Involuntary Resettlement applies. It says:

> 6. This Performance Standard does not apply to resettlement resulting from voluntary land transactions (i.e., market transactions in which the seller is not obliged to sell and the buyer cannot resort to expropriation or other compulsory procedures if negotiations fail). In the event of adverse economic, social, or environmental impacts from project activities other than land acquisition (e.g., loss of access to assets or resources or restrictions on land use), such impacts will be avoided, minimized, mitigated or compensated for through the process of Social and Environmental Assessment under Performance Standard 1. If these impacts become significantly adverse at any stage of the project, the client should consider applying the requirements of Performance Standard 5, even where no initial land acquisition was involved.
> *(note: the 2012-version does not differ significantly from the above)*

Which of the eight IFC-Performance Standards is to be applied in a particular case is to be established as a result of the Social and Environmental Assessment-Process to be implemented at the outset of a project. The disclosed "Summary of the Environmental, Social, Health Impact Assessment" undertaken in 2009 by ABSL and the AfDB says: "Performance standards 1-6 and 8 were applied to this project as performance Standard 7 (indigenous peoples) was deemed not to apply" (AfDB, ESHIA, 2009).

Following the IFC-PS, all ESHIA related activities are then to be taken up by a "Social and Environmental Management System" that is part of the systemic approach of the Performance Standards. This system, usually a department of the clients operations and required no matter which of the IFC-Performance Standards is applied, needs to be equipped to deal with the level of risks and impacts faced by the affected communities. The management system is supposed to incorporate sufficient organizational capacity for training, community engagement, monitoring and reporting.

3.2 Applying IFC-Performance standard 1

Among the objectives of the IFC-Performance Standard 1 are the mitigation and wherever required, the compensation for adverse impacts on workers, affected communities and the environment. It wants to make sure that affected communities are appropriately engaged and informed on issues that could affect them (p.1).

The Environmental and Social Assessment is above all a risk assessment. It is largely to cover risks that occur from actions of the project itself. Experts are to be involved if circumstances are complex. One of the risks that became a major impediment for the commercial non-performance of the project and thus for its discontinuation was the considerably **lower than expected per hectare-productivity** of the sugarcane plantations. As only the summary and not the complete report is available, it is not clear, how this risk was assessed, but it should have been addressed in project risk assessment scenarios, as should have been the volatility in the market for bioethanol. Non-foreseeable was indeed the emergence of Ebola (p2).

> If communities may be affected by risks or adverse impacts from the project, the client will provide such communities with access to information on the purpose, nature and scale of the project, the duration of proposed project activities, and any risks to and potential impacts on such communities. For projects with adverse social or environmental impacts, disclosure should occur early in the Social and Environmental Assessment process and in any event before the project construction commences, and on an ongoing basis (p5).

The monitoring reports of SiLNoRF do indeed report about encounters, talks and visits mainly of the Addax social department and also of its CEO with villagers, chiefs, Government departments and civil society. However, one does **not find information on information disclosure and inclusive consultations** with the community as required by PS1 in para 20/21 on the risks to which the people were exposed, once the land had been leased away. The only consultation of this nature happened on 26.6.2015, when Addax made known its decision about the scaling down of its operations, i.e. when the risk had already become reality.

In case of an ongoing risk and possible adverse impact on communities, the client, i.e ABSL is required to establish a grievance mechanism. It is meant to address concerns promptly (para 23). All this is to be monitored, also through experts (para 24).

The ESHIA with 2009 data has been made available on the AfDB website. It does indeed cover a lot of ground such as potential impact and planned mitigation measures, environmental hazard management, monitoring programme, public consultation and public disclosure. There is a sense of enthusiasm and a readiness to engage with stakeholders to disclose information, discuss planned mitigation measures and to follow up.

Somehow in the following years during the implementation of the project, that **enthusiasm faded**, dialogue became sketchy, non-inclusive, selective and mostly part of village meetings or an occasional university guided exchange, funded by Addax. Should there have been any further ESHIAs or updates of the 2009 version, they have not been disclosed. The grievance address seems to have become part of the tasks of the Social Department of Addax, i.e not open to the public and stakeholders and non-inclusive. The risk management was centred on resettlement, water and the social development programme. These were certainly important, but the commercial and managerial issues putting the entire project at risk, were not disclosed. The communities had no opportunity to include the impending failure of the project into their own livelihood strategies and were surprised by the scaling down announcement of Addax operations and the retrenchment of almost all staff and labour over six to eight month.

3.3 Applying IFC-Performance Standard 5

Coming back to para 6 of the IFC-PF 5 (see above) it specifies that "if these impacts become significantly adverse at any stage of the project, the client should consider applying the requirements of Performance Standard 5. The SiLNoRF Monitoring Reports show in detail the adversity of the impact in the project region after operations' discontinuation, given the severe food insecurity situation and, being left both without land and without employment.

Performance Standard 5 also introduces the concept of Economic Displacement. Applying the PS 5 on Land Acquisition and Involuntary Resettlement therefore, seems the more correct. What does it entail?

The objectives of PS 5 are to avoid or mitigate involuntary resettlement or economic damages and where impossible provide compensations. The base line of PS 5 is to "improve or at least restore the livelihoods and standards of living of economically damaged persons (...). The scope includes landowners and communities who lost their land (...) as well as those who lost it due to a negotiated settlement" (see paras 3-5). Disclosure, consultation, grievance redress – all are part of PS 5 as well. The pertinent para reads:

> 13. In the case of Type II transactions (negotiated settlements) involving economic (but not physical) displacement of people, the client will develop procedures to offer to the affected persons and communities compensation and other assistance that meet the objectives of this Performance Standard. The procedures will establish the entitlements of affected persons or communities and will ensure that these are provided in a transparent, consistent, and equitable manner. The implementation of the procedures will be considered complete when affected persons or communities have received compensation and other assistance according to the requirements of this Performance Standard.

Para 20 specifies the following requirements "if land acquisition for the project causes loss of income or livelihood, regardless whether or not the affected people are physically displaced":

> - Promptly compensate economically displaced persons for loss of assets or access to assets at full replacement cost
> - In cases where land acquisition affects commercial structures, compensate the affected business owner for the cost of re-establishing commercial activities elsewhere, for lost net income during the period of transition, and for the costs of the transfer and reinstallation of the plant, machinery or other equipment
> - Compensate economically displaced persons who are without legally recognizable claims to land (see paragraph 14 (iii)) for lost assets (such as crops, irrigation infrastructure and other improvements made to the land) other than land, at full replacement cost. The client is not required to compensate or assist opportunistic settlers who encroach on the project area after the cut-off date.
> - Provide additional targeted assistance (e.g., credit facilities, training, or job opportunities) and opportunities to improve or at least restore their in-

come-earning capacity, production levels, and standards of living to economically displaced persons whose livelihoods or income levels are adversely affected
- Provide transitional support to economically displaced persons, as necessary, based on a reasonable estimate of the time required to restore their income earning capacity, production levels, and standards of living

PS 5 also stipulates that the client would **carry out a census** and establish a data base to identify the persons who will be eligible for compensation and assistance according to the above criteria and establish a cut- off date (para 11). If such a census had been carried out, it would certainly have been known in the project area and would have been reflected in the SiLNoRF Final Monitoring Report. Government, civil society and the chiefs as heads of the communities could themselves take on the fixing of a cut-off date and the collection of data following the above set of criteria oriented on restoration and ensuring livelihood levels potentials of people, environment and region.

3.4 The Voluntary Guidelines on the Governance of Tenure and the Addax-case

In what is considered a major step towards better food security the FAO Committee on Food Security in May 2012 endorsed the VGGT. These guidelines do acquire political and practical relevance because of their global endorsement by UN member countries and particularly so, if their clauses become part of national laws or action plans, of international agreements and contracts and also of standards and safeguards of development actors, such as the Development Finance Institutions.

The German Government, in a reply (Bundestag, 18/6025) to an inquiry by the parliamentary faction "DIE LINKE", has informed that the VGGT are being applied in the project consideration and financing of the DEG by adhering to and ensuring the follow-up to the IFC-Performance Standards. While pointing out the VGGT as an important reference framework for the German Government, Hans Joachim Fuchtel, the Parliamentary Secretary of state in the Federal Ministry on Economic Cooperation and Development (BMZ) stresses, that when the IFC-PS are actualized again, Germany will opt for "a focussed anchoring" of the VGGT therein (Bundestag, 18/08537).

In 2013, the G8 summit in Lough Erne in Northern Ireland encouraged the G8 countries to enter into bilateral partnerships to help developing countries in applying the VGGT. UKAID e.g. developed the programme "Land: Enhancing Governance for Economic Development" (LEGEND, 2015), reviewed in 2016 (Legend, 2016). The German BMZ is funding a "Land Governance Assessment Framework" (LGAF, 2016) in nine African countries. This is a research and monitoring programme implemented through a World Bank trust fund (LGAF). Moreover, in March 2014 Sierra Leone entered into a Tripartite Land Partnership with the FAO and the German Federal Ministry on Food and Agriculture. The aim is to "strengthen the local population's tenure rights and at the same time improve the investment climate". The German Ministry wants to support the Sierra Leone Government in "creating the legal and administrative framework for responsible investment in agriculture" (BMEL, 2014).

There are similarities and differences of the VGGT and the IFC-PS. Some are pointed out hereunder, particularly where the differences have relevance to the Addax case. Both frameworks allot claims and duties in order to protect those negatively affected by investments. Both ground their principles and policies firmly in the Human Rights and international law. The VGGT wants to create tenure security for owners and investors, whereas the IFC-PS accompany the implementation of projects. The latter turn to Development Finance Institutions and their clients, beneficiary communities and stakeholders. The VGGT addresses the state as a central actor but also the state's related stakeholder environment as seen in para 2.3:

> These Guidelines can be used by States; implementing agencies; judicial authorities; local governments; organizations of farmers and small-scale producers, of fishers, and of forest users; pastoralists; indigenous peoples and other communities; civil society; private sector; academia; and all persons concerned to assess tenure governance and identify improvements and apply them (VGGT, 2012).

Both frameworks accord similar importance to participation and consultation ("taking into consideration existing power imbalances between different parties and ensuring active, free, effective, meaningful and informed participation of individuals and groups in associated decision-making processes” (para 3.6), to transparency and to accountability. Both also foresee remedial action and compensation, but the VGGT even includes indemnity and reparation, a language not used in the Performance Standards (para 4.9).

> “Where States intend to recognize or allocate tenure rights, they should first identify all existing tenure rights and right holders, whether recorded or not. Indigenous peoples and **other communities with customary tenure systems,** smallholders and anyone else who could be affected should be included in the consultation process, consistent with paragraphs 3B.6 and 9.9”.

Addax and its supporting creditor DFIs are of the opinion that the communities around Makeni are not indigenous people, which is why “Free Prior and Informed Consent” as an important safeguard principle under the ICFC-PS 7 has not been applied. At the same time according to ABSL, by making the summary of the ESHIA report available during November 2009, they have satisfied the prior information and consultation stipulations of the IFC-PS. Yet, the VGGT go one step beyond the IFC-PS 7 on indigenous people. The VGGT holds that the “Free Prior and Informed Consent”-principle (FPIC) should not only pertain to Indigenous People but also to “other communities with customary tenure systems”. Para 7.3. of the VGGT specifies:

3.5 Applicability of the Voluntary Guidelines on the Governance of Tenure

The VGGT had not yet been adopted by the FAO at the time of drawing up the lease compensation settlement by ABSL and the GOSL. But what a difference it could have made becomes clear from the following. ABSL drew up the lease deeds with the Sierra Leonean Government, the Chiefs, district councils and the land owners. As per law the non-land owning land users did not become part of the deal at all, i.e. never received lease for the lands they tilled and lived on and had to give up for the ABSL project.

A study of the Ruhr University Bochum looked 2015 into a sample of 203 farming families in the project area and concluded that 90 percent of them were non-land owning land using households. They had no “formalized, coherent, compensation rights” receiving payments purely “on a voluntary basis from the paramount chiefs or the land owning families” (Hansen, 2016). They also received a one-time lump sum payment for the loss of fruit and oil trees on the lands they were using from ABSL. The study clusters the receivers of the lease rent into:

- those being non-land owning land using families receiving nothing or less than the per acre lease of € 2,50 out of good will and for the lost trees (approx. 90 percent)
- those above the € 2,50/acre level mostly receiving the lease from local chiefs or being the households of local chiefs
- those receiving lease rents without losing any land to the project.

The study concludes, there “exists an ambiguous relation between land lost (to Addax) and compensation received”. It points out that the “prevailing distribution practices of compensatory payments as defined by national law are inherently flawed” (Hansen, 2016: 12,13).

Had ABSL applied FPIC and thus included the “other communities with customary tenure systems”, the participatory rights of land users with customary arrangements would have had to be fully considered. It would have had a direct effect on the economic situation of the non-land owning land using families in the Addax land lease process and settlement.

Should the bioethanol project be restarted it will be indispensable to apply the VGGT in full and extent the lease agreements over owners of customary land rights.

Because of the discontinuation of the project in Makeni people now have severe livelihood problems, without employment and without access to the leased away lands. In particular, the availability of rice land for plantation is not sufficient and not secured (SiLNoRF, 2016). For such a situation the VGGT specify in their para 8.7 that “policies should ensure that the allocation of tenure rights does not threaten the livelihoods of people by depriving them of their legitimate access to these resources”.

The VGGT call on businesses to apply a due diligence approach in order to avoid violating Human Rights. Like the Performance Standards stipulate also the VGGT emphasises that businesses “should include appropriate risk management and address adverse impacts on Human Rights” (para 3.2). Should such remedy for adverse impacts be required, businesses are requested to having in place an operational level grievance redress mechanism (also 4.9). In many VGGT-clauses the importance of consultation and participation is pointed out.

In the event of a sale of the Addax assets to a new investor and consequently the renegotiation of the MOU with the GOSL the VGGT need to be considered as the basis of the future relationship between customary land users, land owners, the GOSL and the industry. Despite the complicated situation after the discontinuation of production by ABSL a clear basis for a Free Prior Informed Consent should be created through full information of the communities and inclusion into the assessment of all risks. The lease deeds will have to be renegotiated providing for the customary land users the same rights and lease compensations as for the land owners.

3.6 Applicability of the "Do No Harm"-principle

"Do No Harm" plays an important role as a principle guiding development interventions. Originally developed in the Nineties as an intervention caution strategy especially when humanitarian aid was provided in conflict and post-conflict situations (Anderson, 1999). The principle and the related strategies and tools increasingly gained recognition even in other areas of German development cooperation.

Special rules govern private sector development promotion in conflict and post-conflict situations. In a sectorial concept paper of the BMZ of 2013 as the guiding concern is pointed out not to do harm and to remain cautious not to further fuel conflict. Advantages are seen in the capacity of the private sector to stimulate value adding chains and market structures. Populations earlier locked up in conflict may receive a "peace dividend", contributing to stability, peace and security (BMZ, 2013).

As a member country of the OECD, Germany should follow the 2010 OECD-Do No Harm-policy for example by focussing particularly on "state building and good governance" in the context of investments. More specifically the OECD policy recommends for example to help build the taxation basis of the country and not to take advantage of tax haven opportunities and tax advantages and to enable expatriates to pay taxes as per the law of the country (OECD, 2010).

In summarizing the standards and safeguards chapter, it is clear that:

- the IFC-standards see the scope of their applicability ongoing, especially in the case of adverse impact. The claims for compensation are justified and apply especially in situations of economic displacement like in Makeni. ABSL had a social department but not a risk avoidance management system as stipulated by the IFC. The disclosure policy was incomplete so that the affected communities could not be adequately engaged and informed about project risks
- a damage analysis census should be started without delay. The VGGT will become important in case of renegotiations with new investors. It would want to create tenure security for owners and investors
- the Sierra Leone Government is supported since 2014 in creating the VGGT-related legal and administrative framework for responsible investment in agriculture. This would also extent FPIC to "other communities with customary tenure systems", i.e. claims much improved local risk informed participation in decision making and it stipulates compensation, indemnity and reparation
- any new investor would have to have in place an operational level grievance redress mechanism as also demanded by the IFC standards
- The "Do No Harm"-OECD policy requires not to aggravate causes for conflict by development and economic activities but to reduce factors of fragility, and thus recommends to support good governance in connection with investments, so as e.g. to help build the taxation basis of the country and not to take advantage of tax haven opportunities and tax advantages. Moreover, a dialogue with the Government of Sierra Leone to devise a non-conflict fuelling land lease arrangement in Makeni is an urgent concern.

Chapter 4
The Addax and Oryx Group (AOG)

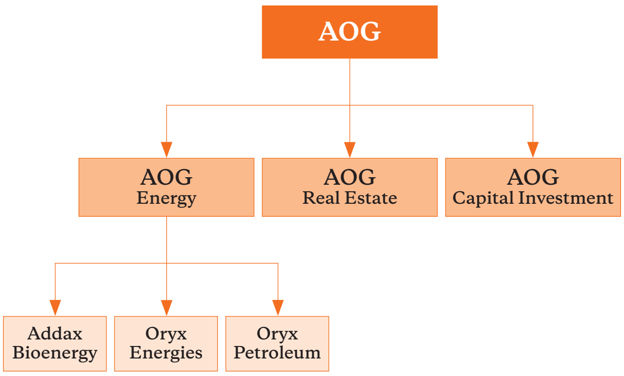
The AOG is an oil, gas and bioethanol exploring and trading company based in Switzerland that is also active in real estate and capital investment. The holding company Addax and Oryx Group (AOG) is incorporated in Malta. Malta is a European tax haven. The effective corporate tax rate is five percent. While the regular corporate tax rate is 35 percent, as a foreign shareholder, one would be reimbursed 80 percent of that amount. This results in a highly attractive five percent final rate. Malta offers a high level of anonymity and privacy (SFM, Malta, 2016). A financial report of AOG group is not in the public domain.

A signpost on the road next to the Addax factory warning people of big lorries.

AOG in brief (AOG Group)

Founding of AOG	December 1987
Number of employees (at end 2015)	2,900
Areas of investment	Energy, commercial real estate and other capital investments
Main regions of investment	Africa, Europe, Middle East, North America
Where we are	Based in Malta, with other AOG offices in Breda, Geneva and London.

On its website the company structure is as follows:



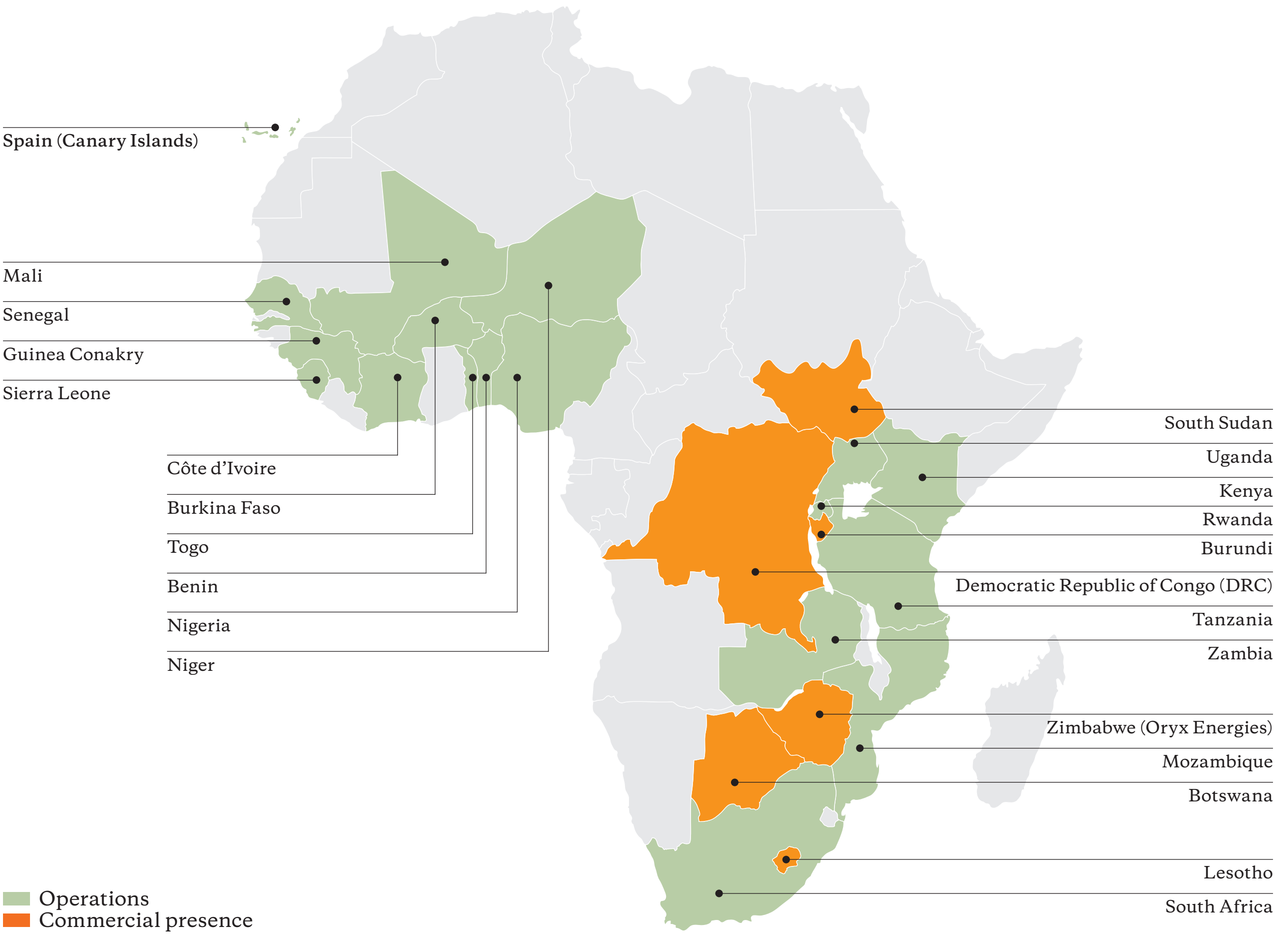
All AOG companies are separately incorporated. Except for "Oryx Petroleum" none of the AOG companies is listed on a stock market. They therefore, need not disclose their audited financial reports and there is no public or stock market assessment of their value or capitalisation.

Addax' assets

In 2015 AOG Real Estate – according to AOGs website – hold assets worth USD 760 million. AOG Capital investment had invested or committed USD 53.4 million by the end of 2015 (AOGInvest). The Oryx Petroleum annual report shows cash, assets and equity in 2014 to the tune of 2.2 billion USD.

The Toronto stock exchange listing shows that Oryx Petroleum took a bad beating starting April 2014. Reaching almost 15 USD per share in April 2014 the share value decreased to 0.43 USD on 26.2.2016 and in July 2016 stands at 0.82 USD. The July 2016 market capitalisation reaches only 186 million USD (Bloomerg Markets). For the third quarter of 2015 an investor information service shows in Oryx' financial reporting an unexpected loss of 306 million USD (Globeandmail). Around that time Addax Bioenergy repaid the loans provided by the DFIs. It cannot be confirmed here but it is not unheard of that a holding group of companies cross-finances investments and liabilities of the companies it holds.

Jean Claude Gandur, the Swiss 75 percent owner of the AOG in 2009 sold Addax Oil business in Africa to China's Sinopec Group for USD 7.2 billion. Mr. Gandur's personal take of that deal came to USD 1.5 billion (Forbes, 2012). Unfortunately, more concrete information and figures on the assets and liabilities of AOG are not available in the public domain. Still, it seems safe to



Source: Oryx Energies: Country presence of AOG – Oryx Energies (www.oryxenergies.com/en/country-presence.php)

assume that the ABSL disaster in Sierra Leone did not seriously jeopardize AOGs overall business, as also indicated by the fact, that Addax Bioethanol repaid its debt with the DFIs in full.

Addax in Africa and Sierra Leone

Oryx Energy operates in over 20 sub-Saharan countries, providing oil and gas products and services to a wide range of customers from private consumers to industrial and marine operators.

AOG's Oryx Energy had stored and traded gas and oil in Sierra Leone since 2003 as part of joint ventures. Its track record was appreciated by the by the GOSL as can be seen in the MOU on the Makeni project, where the GOSL appreciates Addax. As part of this project the construction of a new tank for bioethanol and a new jetty on the Kissy island, near Freetown was also planned. These facilities should provide oil and gas products and services to Sierra Leone as well as enable exports to other nations.

Addax Bioenergy's project in Sierra Leone can be seen as a direct response to the European Renewable Energy Directive of 2009. It claimed to establish win-win-overlapping situations

- For Sierra Leone under its chief priorities in the second Poverty Reduction Strategy Paper of 2009
- For the reduction of greenhouse gases through the use of renewable energy, i.e. bioethanol for a 10 percent blend of European gasoline to reduce its carbon footprint and
- For the diversification and profits of the AOG. As a least developed and as an ACP-country Sierra Leone enjoys tax free imports to European and US-markets (Cotonou).

Chapter 5
The financing of the Makeni project

Two African and six European Development Finance Institutions contributed to the financing of the Makeni project of Addax. They are characterized here briefly and in a scheduled form, also with regard of the direction of their accountability (see also Chapter 7).

Project financing based on data publicly available
Definite figures and amounts are only available with the DFIs themselves and they insist on non-disclosure because of the banking secrecy laws. However, various actors have provided figures at different times of the project cycle. Some selected figures were also provided as part of the letter responses the DFIs have provided in the context of the letter/inquiry for this report. The following picture emerges from this incomplete information:

On 17.6.2011 Addax Bioenergy announces the signature of a loan agreement with European and African Development Finance Institutions (Addax, Loan). A project with total cost of € 258 million was to be financed. Interestingly, the EAIF on the same date speaks of total project costs of 455 million (EAIF, Project), while yet again BIO informed the total is estimated at € 267 million (BIO, Ground breaking), corroborated by FMO on 21.12.2011. On an undated Addax Bioenergy website the total is given as € 400 million. On 31.12.2015 the Private Infrastructure Development Group through its facilities EAIF and ICF-DP denotes additional financial contributions to the tune of 59 million USD and it reports a total of USD 493 million (PIDG, Data).

It seems the DFIs were deciding their financial contributions based on different business or finance plans from Addax that contained different cost components or/and different time perspectives. This impression is created mainly because of the different project totals provided at the time of financial closure in 2011. The DFIs seem to have been satisfied with a "rule of thumb-total" and were happy to be able to contribute between 20 and 25 million Euros to this high profile project. As can be seen in table 2 below, these figures do **not provide a conclusive picture** of the financing of the project.

It is unfortunate and incomprehensible why the DFIs and Addax Bioenergy are not candid with regard to the finances that have been provided for this project.

5.1 Additional finance for the project in 2014/2015?

There are two indications of the provision of additional finance made available for the project:

1. With effect of the 31.12.2015 the PIDG shows on its project list two additional USD loans to Addax to the tune of 59.01 million.

DFI	Debt as per 16.6.2011* 55,6 percent million €	Per 31.12.2015 Additional Finance** million €	Equity = 44,4 percent*** million €	Cash million €
AfDB	€ 25			
DEG	€ 20			
PIDG: ICF-DP	€ 21	USD 27,70		
PIDG: EAIF	€ 20	USD 31,31		
IDC	€ 22			
FMO	€ 25****			
BIO	€ 10			
DFI 2011 debt, total	**€ 147,23*** **			
Swedfund			€ 10	
FMO			€ 25****	
Adddax Bioenergy			72,1	19,76
Total various quotes	**258/267/400/455**	**493**	**107,1**	**19,76**

Table 2: DFI Co-financing of Addax Bioethanol Sierra Leone (*(Cordiant, 2011)* ** *(PIDG, Data 2)* *** *as informed by AfDB letter dated 20.6.2016, available with Bread for the World* **** *shown in different documents both as loan and equity*

Table 3: Overview on DFIs financing the ABSL

DFI	Owned by, financed by	Private sector policies	Role in development cooperation	Direction of responsibilities and accountability in the mandate
AFDB (African Development Bank) (AfDB 2012)	AfDB has 80 member countries, 54 regional and 26 non-regional. Funds are derived from subscriptions, borrowings on international markets and loan repayments	Are the principal means to fulfil its mandate ensure that the bulk of the Bank Group's financing and non-financing activities contribute to strengthening the private sector throughout the continent	The Bank Group will respect the ownership role of governments and stakeholder groups – including private sector associations	Creating quality jobs for a growing working population; generating rising incomes; and supplying an expanding range of quality goods and services at competitive prices
DEG/KfW German Development Bank, Bank for Reconstruction (KfW Group, BMZ 14WP, Eurodad, DEG)	DEG is a wholly-owned subsidiary of KfW Group. KfW Group is a Government-owned public agency, with 4/5th of the KfW Group capital held by the federal German state and 1/5th held by the German states. The supervisory board consists of representatives from the Federal Government, KfW, private enterprises, science and civil society DEG's focus remains on financing and structuring of investments to private companies operating in developing and transition countries		Ensuring that German businesses play a stronger role in German dev. policy. The financing by the DEG is an integral part of German Dev. policy	Contribution to sustainable growth and improved living conditions of the local population, seeks to ensure that their investments have positive impacts on the societies in developing countries
FMO Entrepreneurial Development Bank, Netherlands (FMO Profile)	51 percent of shares held by the Dutch State and 49 percent held by commercial banks, trade unions and other members of the private sector	FMO is the Dutch development bank	Providing also risk funding	Mission is to empower entrepreneurs to build a better world
BIO Belgian Investment Company for Developing Countries (Bio, Governance)	BIO is a private company whose capital is held by the Belgian State (Ministry for Development Cooperation). It makes investments using additional equity granted by the Ministry for Development Cooperation	Support for the informal private sector. BIO operates according to a commercial logic inherent to its status and its development finance mission. BIO enjoys decisional and operational independence	By producing goods and services, local enterprises help improve the populations' living standards, lower prices, stimulating competition, increasing the country's tax base, education and health	Projects must demonstrate long term financial viability and have a lasting impact on the development of the country, whether in terms of employment, the environment or economic and social growth
PIDG Private Infrastructure Development Group (PIDG,2015)	The Governing Council, the key decision-making body, represents the PIDG Members who provide grant and loan funding to the PIDG Trust. The PIDG Trust invests in, owns and manages the PIDG subsidiary companies. It is a Mauritian Trust, currently administered by a UK-based Principal Trustee, SG Hambros Trust Company Ltd.		PIDG has 14 member countries/institutions and 10 different subsidiary companies for disbursement and guarantees, some managed by creditor companies like Cordiant or Investec	More jobs, higher incomes and less poverty. PIDG is especially committed to providing adequate and affordable services to the poorer sections of society in the countries where we work
PIDG: EAIF Private Infrastructure Development Group: The Emerging Africa Infrastructure Facility (EAIF, 2015, PIDG, 2015)	PIDG is the sole owner and shareholder in EAIF. The Fund's equity currently comes from four governments; United Kingdom, The Netherlands, Sweden and Switzerland. EAIF is a Mauritian limited liability company. Investec Asset Management Guernsey Limited a non-cellular company limited by shares incorporated in Guernsey is the fund manager to EAIF. EAIF is subject to the Mauritius regulator		The fund structure generated leverage at the project and fund levels enabling more than $10m of infrastructure finance to be mobilised for every $1m of PIDG capital invested	Core objective is to contribute to alleviating poverty through stimulating economic development. Infrastructure helps to create jobs. Creating sustainable employment helps move people out of poverty

DFI	**Owned by, financed by**	**Private sector policies**	**Role in development cooperation**	**Direction of responsibilities and accountability in the mandate**
Swedfund (Swedfund, about)	The Ministry of Enterprise and Innovation has the owner's responsibility for Swedfund since Jan. 2015. The Foreign Ministry has continued responsibility for development policies and state supported export credits	Partnerships as well as partial financing, mainly through equity and loans. We share the risk but each partner takes full responsibility for the establishment and running of the business	If project is not able to be carried out with commercial financing alone. Within sound and clear corporate structures which do not contribute to tax evasion, money laundering or financing of terrorism; refrain from investments through intermediary jurisdictions	Eliminating extreme poverty, to contribute to the creation of conditions for improved standards of living for people who live in poverty and oppression
PIDG: ICF-DP Private Infrastructure Development Group: Infrastructure Crisis Facility-Debt Pool (PIDG, What)	In 2016 ICF-DP will start to wind down and are expecting repayments to KfW by 2027. Cordiant Inc. was appointed to manage ICF-DP funds provided by KfW. It is governed by a Board of three Non-Executive Directors appointed by PIDG (www.pidg.org). ICF-DP is established as a Limited Liability Partnership under the law of England and Wales	The ICF-DP provides direct financing to qualified infrastructure projects originated by International Financial Institutions in emerging economies that cannot obtain commercial financing or re-financing existing loans as a consequence of the global financial crisis and the tightening of commercial bank lending and acts as a catalyst for significant co-financing opportunities. ICF-DP was set up in 2009 as a PIDG Facility with a € 500 million funding commitment from the German institution KfW Entwicklungsbank, on behalf of the German Government, and USD 10m funding from the PIDG Trust using funds provided by KfW		See PIDG
IDC, Industrial Development Corporation of South Africa Limited (IDC, Home)	Owned by the South African government under the supervision of the Economic Development Department. The IDC's funding is generated through income from loan and equity investments and exits from mature investments, as well as borrowings from commercial banks, development finance institutions (DFIs) and other lenders	Funding activities focus mainly on the private sector. A ratio of R2 of private sector investment for every R1 of IDC investment that has been found to apply over the past decade. Currently, our investments in Africa include mining, agriculture, manufacturing, tourism and telecommunications. We align our priorities with government's policy direction and remain committed to developing the country's industrial capacity, as well as playing a major role in facilitating job creation through industrialisation		IDC was established in 1940 by an Act of Parliament (Industrial Development Corporation Act, No. 22 of 1940) and is fully owned by the South African Government

2. In their letter response to this study's inquiry dated May 30, 2016 Swedfund informed that an "additional large capital injection" for Addax had become necessary and Swedfund had not been in a position to increase its exposure. The Swedfund letter points out, if it had remained in the Addax DFI-finance consortium (rather than selling their share to AOG), Swedfund's stake of 10 million Euros would have shrunk to one percent of shareholdings. Simple arithmetic shows that the 100percent total of the one percent shareholding would have amounted to one billion Euros (!). Taking Swedfund's letter at face value nevertheless, it seems pertinent to conclude, that Addax wanted the DFIs to contribute considerable amounts to buy equity shares in ABSL (Swedfund, letter).

It must be pointed out though, while the a.m. two indications for additional financing in 2015 speak a clear language, there is no confirmation for it yet, neither by Addax nor by the DFIs.

5.2 Was the European bioethanol market a factor in Addax' withdrawal?

Addax Bioenergy so far has not disclosed why AOG finally decided to discontinue its operations in Makeni. Low yield, low production, higher cost due to Ebola even theft and sabotage are mentioned by Addax and the DFIs. Verbal information by senior company officials in Makeni indicated that by 2015 ABSL had accumulated a cost overrun of about € 150 million (SiLNoRF, 2016).

Addax Bioenergy in its written statements on the website pointed out repeatedly it would take a "long view" with regard to the profitability of ABSL considering the concerns of the target group and the country's needs. A long view can be taken by an industry if breaking even is a certainty, based on the underlying economics. Relevant data about these economics, are not in the public domain, but must have been of a convincing quality given the buoyancy with which this project was driven forward and co-financed by eight DFIs. Both production yield as well as cost control seemed to have been managerial issues at the time, when the revenue side perspectives darkened.

But as a cursory overview in the Figures 1, 2 and 3 below shows, the market and policy perspectives of bioethanol were and are not so sinister as to warrant the discontinuation of an endeavour previously regarded as "pioneering" by its supporting actors. The prices of bioethanol have indeed faded since the sharp oil price reduction in 2014. Similar to fossil oil, the expectation is that they will increase again. To what extent and when they will rebound is what investors will be concerned of most.

Ethanol markets, European and global, Figure 2 and 3

Over the last 10 years, the ethanol markets have grown rapidly, mainly due to the policy support of national gov-

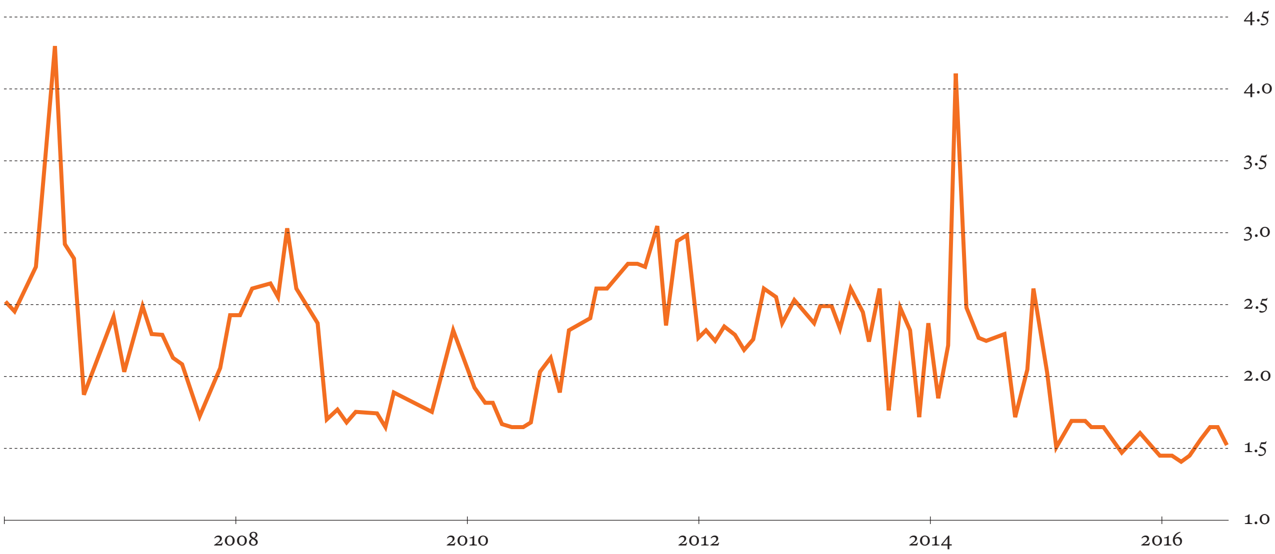


Figure 1: 10 years global bioethanol price in USD/gallon: around the middle of 2014 the price for global bioethanol dropped around 27 percent
Source: Tradingeconomics, ethanol

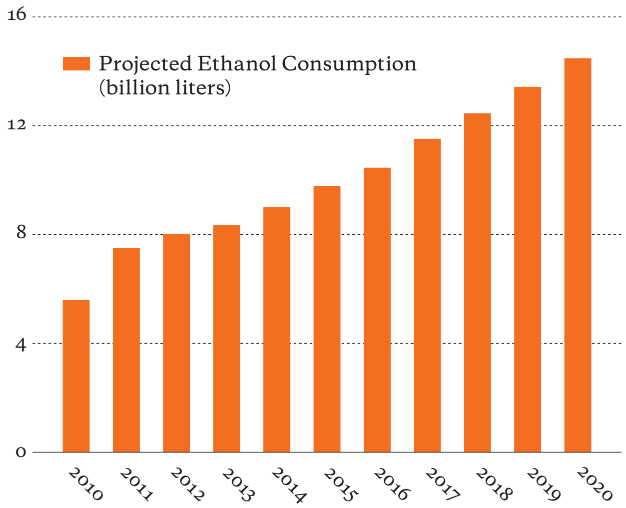


Figure 2: EU Legislative Framework: ethanol estimates by 2020
Source: National Renewable Action Plans (NRAP) – EU Member States

ernments and the European Union for biofuels as an allegedly environmentally-friendly gasoline substitute to improve Europe's carbon footprint. The EU-ethanol consumption is projected as steadily increasing until 2020. The global ethanol production as well as the consumption shows an uneven but nevertheless steady increase during the recent five years (2009 to 2014), (Sucden, Statistics). These figures do not convincingly indicate a lost market for bioethanol, but rather the opposite.

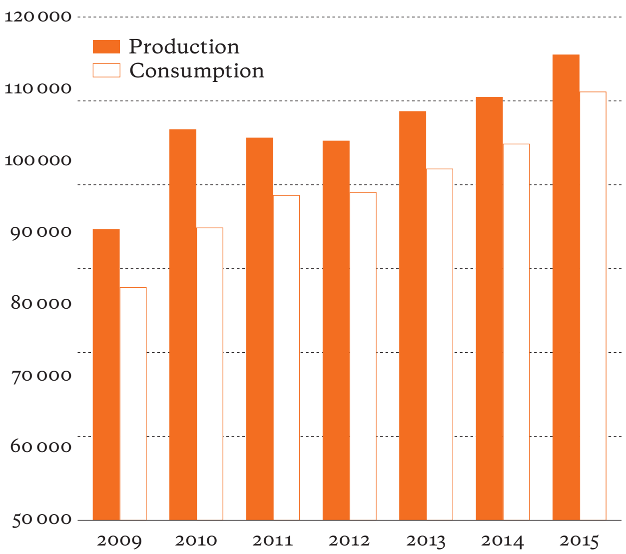


Figure 3: World fuel ethanol production/consumption (*Mln m^3)

The sustainability of bioethanol production finds its limitation as a renewable energy where it indirectly changes existing biodiverse land use practises. The concern of creating a powerful driver for Indirect Land Use Change (ILUC) and creating further food insecurity is one of the basic motivations behind the reform of the EU's 2009 Renewable Energy Directive. The possible tightening of the EU-policies on feed stock dependent so-called first generation biofuels because of their potential to provoke Indirect Land Use Change (ILUC) is a serious concern to investors. In 2015 new rules came into force, which amend the 2009 Renewable Energy Directive and the Fuel Quality Directive – to reduce the ILUC-risk and to prepare the transition towards advanced biofuels (EC, RED).

The amendment*:

- limits the share of biofuels from crops grown on agricultural land that can be counted towards the 2020 renewable energy targets to seven percent,
- sets an indicative 0.5 percent target for advanced biofuels as a reference for national targets which will be set by EU countries in 2017,
- harmonises the list of feedstocks for biofuels across the EU whose contribution would count double towards the 2020 target of 10 percent for renewable energy in transport,
- requires that biofuels produced in new installations emit at least 60 percent fewer greenhouse gases than fossil fuels,
- introduces stronger incentives for the use of renewable electricity in transport (by counting it more towards the 2020 target of 10 percent for renewable energy use in transport),
- includes a number of additional reporting obligations for the fuel providers, EU countries and the European Commission.

* *(EU, RED Amendment)*

None of these reform requirements however, would exclude an investment like ABSL in Sierra Leone from tariff free access to the European ethanol market. Addax Makeni operations would not be hampered by this amendment.

One can conclude that for Addax the policy environment and the price development might have been factors of commercial concern. But for a big investment taking a long view to breaking even these concerns don't seem to qualify as factors on which to base the decision such as the discontinuation of an investment of the type of the ABSL in Makeni.

5.3 Why ABSL scaled down and phased out operations in 2015?

The project was in a difficult situation in 2014, as reported on project site, since already then the sugarcane quality and the production yield had not come up to the expectations and Addax produced much less bioethanol than expected (SiLNoRF, 2016). It is incomprehensible, how Addax' sugarcane cultivation yields and ethanol yields test results – central pillars to the business plan for this almost € 500 million project – could have been so wrong and the final ethanol yield in the actual production so much less than originally conceived.

It was certainly a further blow when the price for bioethanol in Europe dropped. Addax was struggling with these commercial and managerial problems when starting from June 2014 Ebola struck and became a pressing reality in the Makeni area in July. The DFIs supported ABSL in the struggle to keep its workers, the Makeni community and people in the region safe from Ebola, respectively prevent the spread of the virus and ensure proper treatment. The Austrian Development Bank extended € 274,000 (FIAN, Österreich), FMO granted € 160,000 (FMO, Projects) and PIDG added another USD 60,000 to it and Addax might have spent also of its own resources.

During the entire Ebola period ABSL continued production, say observers from Makeni town (Mr. Mohamed S. Conteh, Director of the NGO MADAM, during an interview on 22.7.2016). Operations may have been disturbed by several problems since expatriates went away, flight connections to Sierra Leone were temporarily suspended and suppliers did not deliver in time, citing "force majeur" (SRF, 2016).

But even if the farm yield, the ethanol output and the production of electricity and finally even the prices were lesser than projected in the business plan, all this did not necessarily mean the end of the project. It might have meant temporary losses, stretched out loan repayments to the DFIs for a few more years, less employment and an overall reduction of expectations.

In view of these developments it is not surprising that in 2015 Addax Bioenergy required an entire new financing basis. And as the Swedfund letter indicates, the DFIs basically agreed that in the given situation considerable additional finances were necessary and justified. So despite the cost overrun and the disappointing revenue side it's not that ABSL faced bankruptcy. It continued to command considerable support. If the ABSL received sufficient additional equity the question is indeed, why by the end of 2015 all loans and shares were given back and the operations were phased out.

The concern for understanding what actually happened and what can be learnt from it runs up against the wall of non-disclosure by Addax and the DFIs. At the same time, the search for rational explanations in this report cannot leave the secure grounds of facts, figures and documented evidence. After all, Addax had worked in Africa since 1987, the company certainly had experiences with national and local governments and with local communities. If it was not the underlying economics, that stalled the project, was it politics, was it social conflict or was it a policy change in the AOG itself? **The AOG and the DFIs having raised so many hopes in Sierra Leone are liable to communicate why they stopped operations**.

5.4 New investors:

On 21.3.2016, an emission of the Swiss national TV (SRF, 2016) reports sales negotiations of Addax Bioenergy with Sunbird Bioenergy, a company belonging to NoCOO LDT. NoCOO's Business Director is the British national Mr. Richard Antony Bennett and the company is reporting a capital with a nominal value of 1,000 GBP on 31.12.2014 (NoCOO, account). Sunbird Bioenergy details on its website (www.sunbirdbioenergy.com) plans to install and operate biofuel productions in 19 African and Asian countries three of which are currently under development in Zimbabwe (talks with the government), Nigeria (feasibility study) and Zambia (obtained licence to invest USD 150 million) (Sunbird, 2013).

Richard Bennett is at the same time a Non-Executive Director of China New Energy Limited (CNEL) with whom Sunbird cooperates closely. CNEL has a market capitalisation on the London Stock Exchange of GBP 4,64 million and since its IPO on 27.5.2011 saw its share price dropping from 10 GBP to 1 GBP on July 8, 2016 (CNEL, Shares). In its financial report as on 31.12.2015 the group of companies under China New Energy report "that the capital structure at year end was in an insolvent situation and indicated the Group's trading as non-going concern unless there're extenuating circumstances. The Group incurred a net loss of RMB 25.6 million (ca. € 3.6 million) during the year ended 31 December 2015 and is still incurring losses in the current period. As a result of this year's losses, the Group had net liabilities of RMB 5.7 million (ca. € 803,000) at year end" (CNEL, Reports).

In conclusion, it is difficult to understand, how a reputed company like Addax Bioenergy and also the Government of Sierra Leone negotiate with companies that have no financial basis to re-operationalize the cultivation and production in Makeni and certainly would not be in a position to shoulder the payment of the lease amounts and other target group and stakeholder responsibilities that come along with the adoption of the VGGT by the Government of Sierra Leone.

DFIs as Offshore companies

In 2002 the Private Infrastructure Development Group was formed upon a British initiative. The Group's activities are partly supported by the PIDG-Trust, incorporated in Mauritius, two trustees being Mauritian firms and one British. Under the PIDG umbrella at times up to 14 official donors mostly European (e.g. UKAID, SECO, KFW, SIDA, NORAD, Irish Aid, FMO, ADB, etc.) cooperate to promote the faster realisation of needed infrastructure facilities in developing countries. Ten different infrastructure facilities were installed to serve the different credit needs. The cumulative disbursements by Members to PIDG, 2002 to 2015 amounts to USD 2.5 bn (PIDG, 2015).

Two of the PIDG facilities co-financed the ABSL-project in Makeni, the Emerging Africa Infrastructure Facility (EAIF, incorporated in Mauritius) and the Infrastructure Crisis Facility-Debt Pool (ICF-DP, incorporated in England). Both of them are overseen and managed by professional firms and banks, "Investec Asset Management" in the case of EAIF and in the case of ICF-DP it is "Cordiant Capital", a Canadian manager firm for emerging market, private sector investments.

EAIF and ICF-DP are resource providers with more generalized mission statements (... to contribute to alleviating poverty by stimulating economic development) but operate funds of public origin. With their private sector management, they are obviously supposed to bring a professional business approach to lending to private sector companies for infrastructure development. These facilities are often called upon to parallel finance projects that already receive financing through other DFIs, International Finance Institutions or Multilateral Development Banks.

Compared to the other DFIs they actually do share more information on their website, even if hidden in remote financial reports. This report would not like to speculate in the absence of information why this form of incorporation has been chosen. But considering that the four major reasons for offshore incorporation are:

- to hide ownership details
- to ensure non–disclosure of commercial facts
- to evade tax
- to minimize legal and financial responsibility.

One wonders, why such arrangements are chosen. Why do Finance and Development Ministries and DFIs of OECD countries choose to incorporate development finance companies as offshore companies? The KFW had invested € 500 million into a subsidiary company under PIDG, i.e. the "Infrastructure Crisis Facility-Debt Pool (ICF-DP)", liable to the criteria and decision making of PIDG. The IFC-DP has now closed its lending business and its loans are expected to be paid back until 2027. But the question remains, why would a Government or even the KFW Development Bank use funds of public origin under offshore jurisdiction rules. If this is to make good sense under development policy or effectiveness considerations as a business strategy or policy – especially after the publication of the "Panama Papers" – it should require an explanation on the website.

Chapter 6
Conclusions

6.1 Development Finance Institutions and the direction of their accountability

In 2011, a decade long global negotiation and experience sharing process on making development cooperation more effective ended with the Busan Conference on aid effectiveness and its "Outcome Document" became the basis for monitoring its agreements. One of them is on enhanced institutional accountability. It reads:

> Mutual accountability and accountability to the intended beneficiaries of our co-operation, as well as to our respective citizens, organisations, constituents and shareholders, is critical to delivering results. Transparent practices form the basis for enhanced accountability (Busan Outcome, 2011).

Although International Finance Institutions, Multilateral Development Banks and ODA providing governments had been instrumental in bringing about this agreement in Busan, South Korea, the DFIs even today follow a more traditional accountability approach. They work hard on their financial stewardship and accountability to evidence the responsible and efficient use of appropriate finances in their national context i.e. towards their governments, parliaments, their auditor generals and wider public. DFIs are part of the development policy of their countries or in the case of the AfDB, the member countries of its board. And here, while economic objectives have centre stage in development policy, if they are achieved at the cost of Human Rights violations or upsetting peace or damaging the environment they will not be appreciated in the political domain, no matter the level of investment. The DFIs adoption of the IFC-Performance Standards and other safeguards is to prevent such negative developments as experienced in the past. All DFIs show in their mission statements the concern for the reduction of poverty and the protection of the environment (see figures below). Yet their accountability is not towards the "intended beneficiaries of (...) cooperation" but solely to their constituents and shareholders.

Granted that DFIs and multilateral banks work through intermediaries, they don't "touch the ground" directly. Their responsibility for their clients' handling of

Farmers collecting rice on their fields.

environmental and social concerns is indirect. They process the proposal and the loan approval, they monitor operations and outcomes, they receive narrative and financial reports, they coordinate their own cooperation. Thus, they carry a considerable share of responsibility for the projects they support and to that extent they need to be held accountable for results and impact. Their accountability is a compelling reason why they should stop seeking protection from banking secrecy laws (like the German DEG) in order to keep information from the public in the context of project operations, especially if pioneering projects end in a fiasco (FR, 2016). All finances of the DFIs, either by subscriptions or by guarantees, originate from governments and tax payers, even if later on leveraged many times based on the financial market and with private sector resources and by accumulating income from operations. **The public's accountability claim on the DFIs is therefore at any time stronger than the non-disclosure interest of private sector companies.**

Two women farmers standing in front of land around their village that has been levelled and ploughed to plant sugarcane.

6.2 The Addax-case as a private sector development promotion experience

Addax Bioethanol in Makeni was a private sector development promotion show case, especially for the European but also for African Development Finance Institutions. The ABSL approach was intended to create a multilateral win-win situation. The underlying idea saw a large overlap between sustainable development and poverty reduction objectives with private sector profitability interest and the global community's determination to reduce greenhouse gases through fossil fuel substitution: A poor country could reduce its dependency on ODA and Europe could reduce its carbon footprint. It seemed a perfect example of what already the first UN conference on Financing for Development 2002 in Monterrey, Mexico called a "global partnership" (UN DESA, FFD1). A term invoked time and again in the follow up conferences in Doha 2008 (UN DESA, FFD2) and Addis Ababa 2015 (UN DESA, FFD 3). This type of sharing of growth as a principle of global cooperation is also fuelling visions for the financing of the Sustainable Development Goals (UN, SDGs, p 140). After all, the lion's share of the investment gap of the 1.6 to 2.5 trillion USD per year to achieving the SDGs (WIR, 2014) is expected to be invested by the private sector.

Already before the turn of the millennium, private sector development promotion was an established part of development policies of OECD/DAC members, almost all of whom have specialized private sector promotion banks, called the Development Finance Institutions (DFIs). Sixteen DFIs support the development cooperation of the EU. Moreover, a growing share of the total loans of the European Investment Bank (EIB) is devoted to development cooperation, especially for climate funding. Over time, specialised infrastructure promotion co-operations have been installed between these banks such as the mentioned PIDG. The G20 initiated by their Toronto and Seoul meetings (2010/2011) a G20 Investment and Infrastructure Working Group and developed an ambitious "Multiyear Action Plan" emphasising on infrastructure and allocating a central role to the private sector (Brot für die Welt, 2015).

Public Private Partnerships (PPPs): The European Network on Debt and Development studied PPPs as a development finance vehicle and found that „the last decade has seen a huge increase in the amount of money invest-

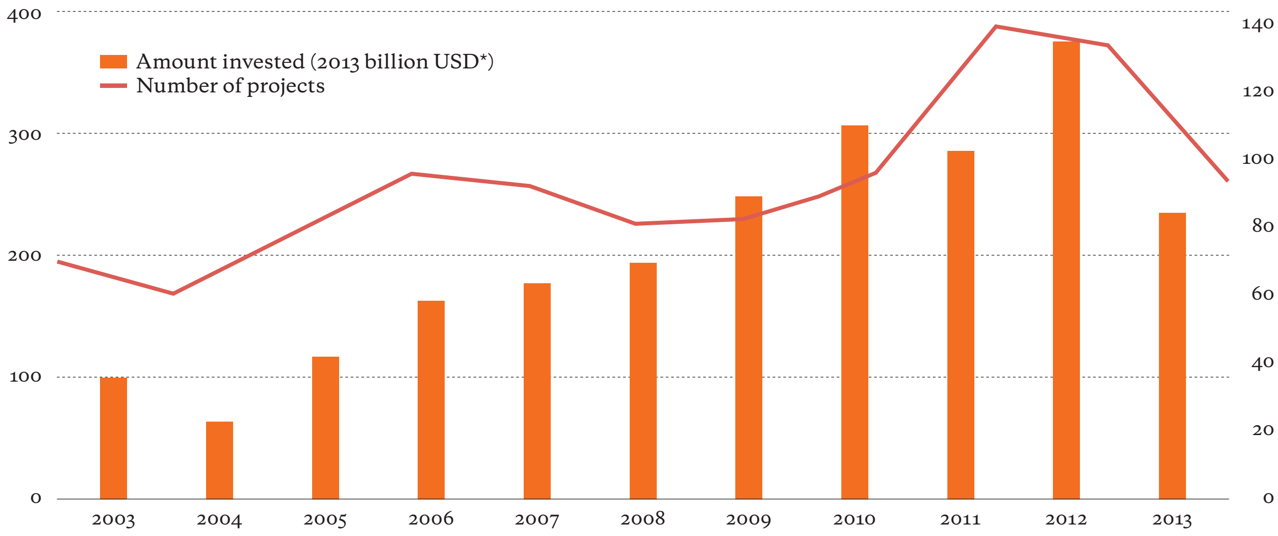


Figure 4: Total investment in PPPs and number of projects in the developing world 2003 - 2013 (billion USD in real terms*)
Source: Private participation in Infrastructure Projects Database (adjusted by US Consumer Price Index)*

ed in PPPs in developing countries. From 2004 to 2012, investments in PPPs increased by a factor of six, from USD 22.7 billion to USD 134.2 billion. Although investments in PPPs fell in 2013 to USD 84.4 billion, current estimates indicate that the developing world will experience a new wave of PPPs" (Eurodad, 2015).

According to the IMF World Economic Outlook 2014, "public infrastructure investment still dwarfs private, as infrastructure investment via public-private partnerships is still less than a tenth of public investment in advanced economies and less than a quarter of all public investment in emerging market and developing economies" (IMF, 2014). The World Bank indicates a similar pattern for the last ten years in developing countries: "private capital has contributed between 15 and 20 percent of total investment in infrastructure" (World Bank, 2014).

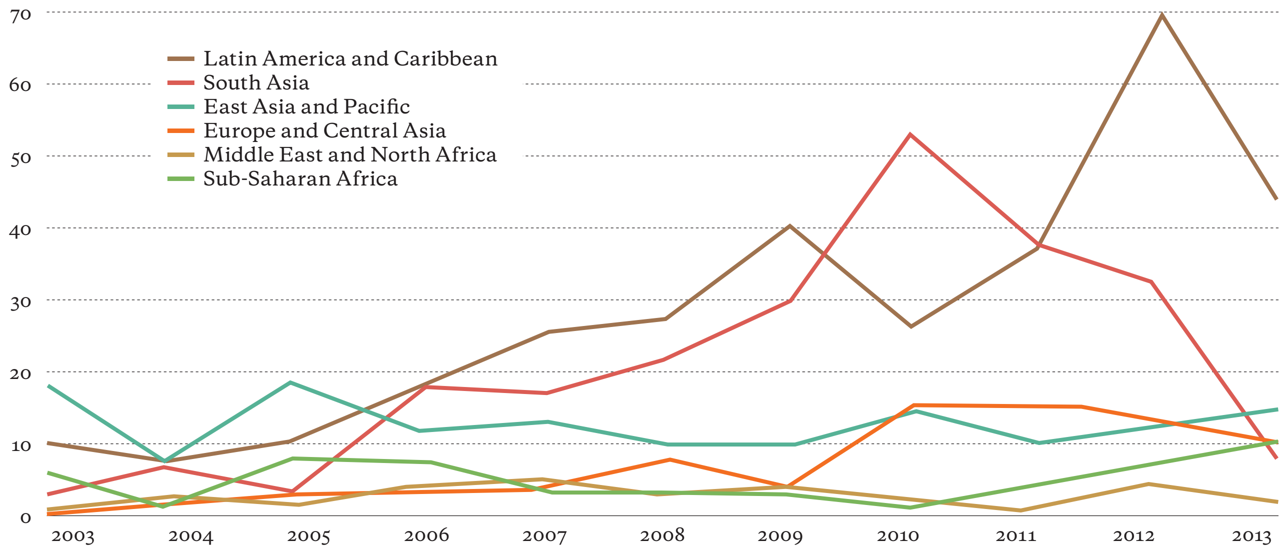


Figure 5: Investment in PPPs by regions, 2002 - 2013 (billion USD in real terms*)
*Source: Private participation in Infrastructure Projects Database (*adjusted by US Consumer Price Index)*

Addax Bioethanol Sierra Leone as a Public Private Partnership (PPP): ABSL was a PPP. Especially the electricity generation part of the project is a utility that has been taken over by a private actor to substitute for the state. Addax, a private sector company has entered into contractual relations with a Government and multilaterally owned private banks. Rather untypical is that Addax has fully repaid its loans to the DFIs. Often, PPPs are used by the private sector to unload financial risks it would rather not accept itself.

Blending: To make even better use of the capacities and finances of the private sector and official, multilateral and private banks, the EU has created a new mechanism to blend EU-grants, with loans or equity from public and private financiers. This process started in 2010. The EU implements blending operations through regionally or thematically focused financial instruments that support projects contributing to the fulfilment of EU and partner country strategic development goals (EC, Blending).

The end of operations of the Bioethanol project of Addax in Sierra Leone comes as a big disappointment especially to governments, multilateral organisations, International Finance Institutions and the private sector itself. A high profile project that was a private sector development showcase ends in disaster. And the central actors refuse to say why. Everything in this project seemed to be straight forward and feasible and yet it stalled. **This experience casts a shadow on the social development competence and capacities of the private sector and the supporting structures of public sector and multilateral development banks to substantially contribute to sustainable development.**

Enclosures

Bread for the World-letter to all Addax-financing DFIs (21.4.2016):

The civil society organisations Bread for the World, Germany, Bread for All, Switzerland and the Sierra Leone Network on the Right to Food in Sierra Leone are extremely concerned about the fate of the communities around the town of Makeni in Sierra Leone. These communities had in 2008 agreed to lease about 50,000 hectares of their community and agricultural lands to the company Addax Bioethanol Sierra Leone (ABSL). The Swiss energy company "Addax and Oryx" had started in 2008 to invest in this greenfield bioethanol company with the purposes of producing electrical energy for Sierra Leone, bioethanol for the European market as well as providing employment and much needed other development services for the local community. But for a period in 2014 the ABSL-refinery did not produce bioethanol, by then being severely hampered by the collapse of the global oil price and the emergence of the deadly Ebola virus in this part of West Africa and presumably also by management issues and local opposition.

In June 2015 ABSL suspended production and in March 2016 the British-Chinese company Sunbird Bioenergy confirmed takeover negotiations with ABSL.

According to press reports Addax had by then invested around 450 million Euros into its ABSL company, 20 percent of which are owned by the Development Finance Institutions (DFIs) "FMO" in the Netherlands and "Swedfund" in Sweden. Of the total investment around half are supposed to be mobilized from such Development Finance Institutions and Banks as well as private investors from Europe and Africa.

Meanwhile, on account of the discontinuation of the production at the local level in Makeni, Sierra Leone things have gone for the worse. People earlier leasing their lands to ABSL had reduced food growing and – since the food production project of the company had stalled- find it hard to produce enough food for themselves and their families. Investments local investors made to increase the availability of residential housing for ABSL-employees and labour, shops, services, etc. hoping the local economy will be strengthened on an ongoing basis by the DFIs and Addax's investment have gone bad leaving indebted investors, unpaid bills and half-finished houses and empty shops. For some seasons during 2008 until 2015, ABSL had generated almost 3,000 seasonal and some 650 permanent jobs, almost all of which have been lost by now. The employment and income especially of the young people, which the communities had begun to enjoy and hoped would be there on a permanent basis is now not forthcoming, forcing the unemployed to migrate in search of livelihood and labour maybe even as far as in Europe.

That investment projects in developing countries sometimes do not perform and don't break even due to external and internal factors is hardly any news. In the case of Addax however, the level of cooperation and investment of DFIs is remarkable. Nine DFIs, development banks and private investors collaborated under the penholdership of the Dutch FMO. The project was hailed as the perfect match of an agro industrial approach with the energy, finance, employment and development needs of a poor country. 50,000 ha of local land being leased for 50 years and became unavailable for the much required food production. Civil society called it a land grab and doubted that the products of the project would justify to take so much of land out of the agricultural land use cycle as it doubted that one should try to improve Europe's carbon footprint by producing bioethanol elsewhere to substitute non-renewable, carbon based forms of energy.

Presumably very good intentions stood at the inception of the project. After all, Sierra Leone had just overcome a long and extremely cruel war with shocking levels of violation of the Human Rights. The human toll and economic shock on top of the impact of the war created on account of the Ebola virus starting 2014 wrought extreme difficulties and hardship just to sustain everyday life in the communities. Sierra Leone indeed deserved the sympathy and support of the world and continues to be in need of substantial support to secure its future.

Obviously, the Addax-experience holds lessons for the officially aided financing of large private sector investments. Decision makers in the field of development and investment policy in future need to even more cautiously consider options and conduct their due diligence even more carefully. Risk precautions must probably be improved. Regarding ABSL the question of what can be learnt from the case for future blending of finances for collaborative investment lending and what needs to be considered to make a possible continuation of the project avoid earlier pitfalls is a priority-especially since the handing over of the company to a new, a British-Chinese-investor seems to be imminent.

Sunbird Bioenergy according to its website, has bioethanol projects in eight Asian and in nine African countries. Its operations must have been similarly affected by the oil market. It seems common sense therefore, that Sunbird would hardly be inclined to return ABSL debt to the DFI lenders. In order to break even and make profit in Makeni, they would have to reduce production cost to a level leaving out all other considerations, except production. One must fear that they will offer only the lowest level or even reduce labour charges to the local communities. Earlier hopes that the land lease payments that were considered low already under Addax would increase will probably be disappointed. Addax had planned to delivering into its national grid up to 20 percent of the total electrical current required in Sierra Leone. Whether Sunbird feels beholden by this promise remains to be seen.

Will this project be an example of the often heard statement of cynics, that investments in developing countries break even only after the standards and safeguards of development banks, civil society and donor governments are disregarded and all stakeholders have reconciled to the barest minimum cost structure and the exploitation of labour and the environment to make the operation profitable? Sunbird's website speaks of involving the communities, creating employment and adhering to the principle of sustainability. But they do not mention any of the standards and safeguards endorsed between states, the UN, the development banks, the DFI's and the private sector, let alone the Voluntary Guidelines on the Governance of Tenure, a global response coordinated by the FAO against all forms of land and other resources grabs in the developing world.

Bread for the World Germany, Bread for All, Switzerland, SiLNoRF in Sierra Leone and other civil society organisations like Cord Aid in Holland have accompanied the involvement of Addax in Makeni for a few years. The current turn of things for the communities are therefore of utmost concern to them. They are contacting you with the sincere request to help document the situation at this juncture, i.e. at the time of the onward selling of ABSL to a new investor. The intention of the study is to understand causes and effects of this development investment and support the communities with information otherwise not available to them. The study is not to find fault with the Development Investment Institutions but to understand if their policies provide good guidelines even in adverse situations on the ground. Bread for the World and its partners very much hope for the cooperation of the DFIs and other actors and investors in this endeavour.

We appreciate any information in the following areas of concern:

Amount and type of credit extended, interest and terms of the loan. Have the loans been refinanced in the wake of Ebola and the oil price collapse? If so please detail with amount, dates and terms and conditions.

Is ABSL considered bankrupt and has your organisation as an investor insisted on an immediate return of the principle and the interest of the credit extended?

Will the new owner of ABSL take over all the rights and responsibilities of the earlier owners? What is the deal?

Does the deal involve a haircut, reducing the claims of all lenders by the same rate or will there be separate treatment of and negotiations with the creditors? Please inform on the policies of your house that normally govern non-performing loans.

As your house is a development finance institute build up and guaranteed by public funds you may see your responsibility in finding the right balance between the task to protect public and institutional finance with your role to support socio-economic development. Kindly inform, how you would realise this responsibility in view of the economic realities on the ground?

Please inform to which investment standard or safeguard the original loans were referenced. Does the application of the VGGT play any role for your house and for the financing of Addax (it was endorsed by the FAO in May 2012)?

Will the consortium of earlier financers provide fresh loans to the takeover by Sunbird Bioenergy? Based on which conditions? Does the consortium as a whole or the creditors separately adhere to the VGGT, will Sunbird agree to abide by the VGGT?

Has the cooperation of so many finances in the consortium with each their own criteria and conditions been a support to manage the relationship with ABSL or has it been rather a liability having too many actors around the table making decisions difficult?

Bread for All-letter to the Swiss Cooperation SECO (17.5.2016)

The Addax case in Makeni: Open questions of Bread for all

In this document Bread for all summarizes the case of Addax Bioenergy in Makeni. Particularly after the scale down of Addax operations in June 2015, there are certain open questions for Bread for all. We hope that the African Development Bank can shed light on some of these issues.

Addax Bioenergy in Sierra Leone

History and facts

Addax Biofuel Sierra Leone ABSL is an investment of Addax & Oryx Holdings, a Swiss-based transnational petroleum company in the Makeni region of Sierra Leone. The aim was the produce and export bioethanol from sugarcane plantations in Sierra Leone. The plan was to produce 380,000 litres of ethanol daily, as well as 35 MW electricity from the combustion of vegetal residues (for their own consumption and the national grid). At first, the land lease agreement was established on a surface of 57,000 ha for a period of 50 years, with the possibility of renewal for another 25 years. Now, Addax leases 14,300 ha of land and plants sugarcane on about 10,000 ha of it.

A large part of the funding of the project was public (details see below) and therefore the company must comply with the main international regulations on agricultural investment. Addax was often presented as a showcase project in terms of sustainability, got the World Bioenergy Award 2014 as well as certified for the Roundtable on Sustainable Biomaterial.

Monitoring – issues of concern

Bread for all and the Sierra Leone Network for the Right to Food monitored the project. Already in the initial phase as well as later during the operational phase there were many issues of concern. In the monitoring reports we also found positive changes caused by the project, but since this is only a small summary and therefore concentrates on the issues of concern. For more information please see the attached monitoring report of 2014.

- Contracts: There are three levels of contracts. The highest level is the Memorandum of understanding between the Government of Sierra Leone and ABSL. Therein, the government grants among others tax exemptions of about 130 Mio CHF for 13 years and a guarantee to cover the any financial loss caused by an action of the Government of Sierra Leone – including the legislative actions of the parliament. On a second level, the actual land leasing contract is between the paramount chiefs and ABSL, which includes entire villages, fertile lands and far-reaching rights over all resources. On a third level, the land owners signed an acknowledgement agreement. The land using families were not given the opportunity to separately negotiate the lease of their land and additionally the government officials including the chiefdom council members were much in favour of the project.

- Social obligations and agricultural programs: Many people in villages raised the issues of promises made by Addax and local leaders to provide jobs, boreholes, schools or clinics. These commitments were not written down and are therefore not enforceable. Still, for the people these raised and dashed expectations are a reason for disappointment. The agricultural program that Addax initiated (Farmer Development Programme) has a mixed track record. Through the farmer development service, that came after, farmers could rent certain services.

- Wages: In 2014 the salaries at Addax were lower than the minimum wage in the public sector. Many of the provided jobs for local people were only casual and unskilled jobs and there were hardly any women employed at all.

- This is only a small and short selection of points documented in the monitoring reports and brought up by the people in the Addax project area. Until 2015, SiLNoRF was in constant negotiations with Addax to improve on these issues – sometimes successfully, sometimes less.

Funding of the project

The project had a huge cost overrun and the investment nearly doubled in the time between 2010 and 2015 to about 500 Million USD. About half of the invested money, namely 235 Million USD, was public money from eight different development banks – including the African Development Bank.

Scale down and consequences

On 24th June 2015, Addax announced that they are going to scale down their operation in Makeni in order to "review all options". This came as a shock for all other involved stakeholders and particularly to the people living on the land.

The reasons

In the official statement, Addax gave mainly the Ebola outbreak as the reason for the financial problems and the scale down. They argue that many contractors had left claiming force majeur and that the disease made operations unprofitable. It seems reasonable to assume a couple of other important reasons. First, the world market energy prices fell steeply and are still very low. Second, Addax had problems with the yields and could realize only less than half of the planned yields. This is mostly because of the soil quality and other agricultural reasons – while Addax claimed that the reasons were thievery of fuel, equipment and even sugarcane. Third, there are rumours that the costs for labour, particularly expats, have been too high. All these reasons might have played a role.

The probable buyer

Most likely, the company's operations will be sold soon to the British-Chinese investor Sunbird Bioenergy – a company that gives reason for many questions, as the stock market analysis group "Share Prophets" shows (see www.shareprophets.com/views/17033/f40-china-new-energy-mous-with-sunbird-but-who-what-is-it-and-is-it-placing-ahoy). Sunbird Bioenergy (www.sunbirdbioenergy.com) is the trade name of NoCOO Limited, registered in England and Wales, whose single owner and director is Mr Richard Bennett. Bennett is also director and holds 33 percent of the shares of Sunbird Bioenergy Limited UK located in Brighton and at the same time the only Non-Executive Director of the company China New Energy cooperating with Sunbird Bioenergy Africa Limited in plans for biofuel investments in Zimbabwe, Zambia and Nigeria. The second director and 33-percent shareholder of Sunbird Bioenergy Limited UK is Andrew Gee, a Non-Executive Director at Global Lock China. China New Energy and Global Lock China are on Share Prophet's list of the China AIM Filthy Forty casino companies (www.shareprophets.com/views/14293/the-china-aim-casino-filthy-forty-is-launched-be-shocked). Taking into consideration the power this new company is going to have over the people living in the area, this is highly alarming.

Consequences: no land and no money

The operations are "scaled down" since more than nine months. The consequences on the ground are devastating. The production of ethanol and the work on the fields stopped. In defiance of Addax' promises to keep going the agricultural social programs, they are fading out now and people report that they have stopped altogether. From the 3,850 employees in March 2015, 2,243 were casual workers and lost their jobs. From the remaining 1,770 employees, 1,128 are on garden leave with 45 percent of the salary and only 642 still work in office or security. The petty traders that could benefit in some ways from the project lost their business.

Farming became difficult on the little lands to which people have still access. Young people who lost their casual jobs migrated. Now there are not enough people to work on the fields and the tractors from Addax' side are not there either. The land with sugarcane on it is not useful for the communities anymore for diversified small-scale farming – besides being legally not accessible. People are increasingly dependent on imported rice and have to buy a growing portion of their food. In combination with the lack of income this puts their food security at an immediate and severe risk. Additionally, people tell about increased violence, alcoholism, thieveries and devastating bush fires.

To conclude, people in the villages are desperate because they did not know what is going on with their land. People in villages had issues with Addax before, but at least they had a negotiation partner and their hopes were still alive. With this new and uncertain situation, the land owners have no say in the decisions that will change the future of the whole region.

Open questions

We are interested to find out how the development banks assess this project and its current situation as well as what happened/happens to the public money involved. While the African Development Bank answered our question earlier, other development banks were hesitant to give out information and even contradicted each other. Therefore, we hope that the African Development Bank could help us out with these open questions:

1. What were the reasons for the unexpected low yield and the scale down of Addax?
2. How do you assess the situation on the ground?
3. In case of sale, does the bank have any measures to make sure that the new company complies with at least the regulations and promises that Addax did?
4. In case of bankruptcy, does the bank have any measures to support the people on the ground?
5. What is the status of the loans of the different Development Finance Institutions, i.e. will they get the money back or have they to write parts of it off?
6. As the different lending institutions work together under the umbrella of FMO we're curious if all DFIs draw the same conclusions and formulate common strategies?

Standards and safeguards as adopted by the ABSL co-financing DFIs

Table 4

DFI	Adopted standards and safeguards	Referral elements to move a complaints/compensation mechanism	Remarks on how to move the compliance and complaints mechanism
AfDB, (a Multilateral Development Bank) based in Abidjan, Côte d'Ivore	AfDB has developed its own "Integrated Safeguard System" (AfDB, safeguards, 2013) with 5 Operational Safeguards (OS 1-5)	• Addax/DFIs are responsible because the project is categorized as "high risk" • Addax is responsible for a "local grievance mechanism at all times" • AfDB can be requested to do a compliance audit of its own rules • OS 2 largely covers resettlement losses, but it also covers involuntary loss of other assets, like loss of income sources (p32) for those with and without legal rights	Address AfDBs Compliance and Safeguards Division. It will require a description of the losses of people with legal rights and the losses of those without
BIO, Belgium	• Equator Principles (BIO, 2010) • International Finance Corporation-Performance Standards 1-8 (IFC-PS, 2006) • European Development Finance Institutions Principles (EDFI, 2009) • Consultative Group to Protect the Poor (CGAP) Client Protection Principles (CGAP,2009)	• The SiLNoRF Monitoring Reports doubt the quality of the prior consultation with the communities, this can be a complaint basis. The Equator Principles require consultations in local language but the Lease Deeds are in English • Addax had to establish a grievance mechanism and inform community about it. A scrutiny of ABSL Social Department should bring clarity, if this is/was the grievance mechanism • An independent review can be requested to check compliance with national environmental and social laws • If decommissioning is done it needs to follow an agreed plan • Appointment of an independent environmental and social consultant or external experts for monitoring, • Access to judicial remedies must not be prevented	BIO does not refer to compensation on its website, yet its policies are based on the IFC Performance Standards, which foresee compensation **Note:** Part of the environmental and social principles of BIO is: BIO sees itself responsible to carry out an E&S reputational check on the potential buyer of facilities
DEG, KFW Bankengruppe, Germany	• EDFI, • Equator Principles, • IFC-PS, • Guiding Principles on Business and Human Rights (UN HCR, 2011), • KFW guide for complaints (DEG, 2014), • Independent complaints mechanism of KFW/DEG, • Voluntary Guidelines on the Governance of Tenure (VGGT)	See IFC-Performance Standards applicability assessment below See "Guiding Principles…." below See VGGT below KFW/DEG foresee only voluntary compensation, in their "Guide for Complaints". At the same time, they adopted the IFC-PS, which foresee compensation. The DEG Guide for Complaints specifies that complaints can be looked into, as long as an active financial relationship exists. Whereas the DEG "Independent Complaints Mechanism" specifies that "complaints must be lodged within one year from the date on which the facts upon which the allegation is grounded could be reasonably know by the complainants" (DEG, Complaints 2014) Complaints are to be sent to: complaintsoffice@deginvest.de, online forms are available on the website	

DFI	Adopted standards and safeguards	Referral elements to move a complaints/compensation mechanism	Remarks on how to move the compliance and complaints mechanism
EAIF (PIDG) UK/multilateral	• Environmental and Social Management System ("Framework") • Complaints Policy and Procedures, Operating Principles, (PIDG Complaints, 2013) • IFC-PS (as a minimum)	EAIF applies an "Environmental and Social Management System" for its due diligence Among others complaints are possible about the management of community complaints, the impact of the land acquisition and on food security	• Addax would be categorised as High Risk Project, • EAIF (PIDG) will not investigate, after the project is closed • no consideration of compensation • PIDG's operating principles specify that IFC-PS should be considered "as a minimum", that would mean, compensation applies • Complaints can be submitted online or via mail, see complaints policy
FMO, Dutch	Environmental, Social and Corporate Governance Policy encompasses: • Guiding Principles on Business and Human Rights • FMO adopts IFC-PS • FMO Human Rights Policy (FMO, 2013) • Equator Principles • FMO complaints mechanisms (FMO complaints)	FMO and DEG have very similar complaints and redress procedures With the adoption of the "UN Guiding Principles on Business and HR" FMO adopts views that other DFI do not support: Complaints may refer to clauses 8,9, 13b on the non-commensurability of tax holidays and savings with the Human Rights Business responsibilities and clause 22, regarding the remediation role of the private enterprise largely through an operational level based grievance mechanism (para 29 and 30 also giving non-state actors a role) and para 25 where (states) "fail to take appropriate steps to prevent, investigate, punish and redress private actors' abuse. Remedy may include apologies, restitution, rehabilitation, financial or non-financial compensation and punitive sanctions" (…) "FMO provides access to an effective grievance mechanism, it facilitates prompt remediation and it implements complaint procedures" Address complaints and compensation requests to the FMO complaints office See also IFC-PS	
ICF-Debt Pool (PIDG) UK, German	• Complaints Policy and Procedures, OPP, (PIDG Complaints, 2013) • IFC-PS	See PIDG	See PIDG
IDC, South Africa	Code of ethics (not available on the website)		
SWED-FUND Sweden	• EDFI Principles • IFC-PF	Swedfund sold its 10 million € equity share in Addax Bioethanol Sierra Leone in 2015. For problems occurring during the operation of the ABSL, it is co-responsible	
Reference IFC-PS	In 2009 the 16 European Development Finance Institutions have signed up to the EDFI-Principles of Responsible Financing which are benchmarked on the UN HR Declaration, the ILO-Convention and the IFC-Performance Standards	IFC PS: The scope of the IFC PS extents over "aspects from the early developmental stages through the entire life cycle (design, construction, commissioning, operation, decommissioning, closure or where applicable, **post-closure)** of a physical asset (IFC-PS, 2012)	

Abbreviations

AAAA	Addis Ababa Action Agreement
ABSL	Addax Bioenergy Sierra Leone
AfDB	African Development Bank
AOG	Addax and Oryx Group
BIO	Belgian Development Bank
BMZ	Federal Ministry of Economic Cooperation and Development
DFIs	Development Finance Institutions
EAIF	Emerging Africa Infrastructure Fund
FMO	Entrepreneurial Development Bank, Netherlands Development Finance Company
FPIC	Free Prior Informed Consent
GOSL	Government of Sierra Leone
ICF Debt Pool	Infrastructure Crisis Fund-Debt Pool
IDC	South African Industrial Development Corporation
IFC-PS	International Finance Cooperation Performance Standards 1-8
IFI	International Finance Institution
KfW/DEG	Deutsche Investitions- und Entwicklungsgesellschaft, German Development Finance Institution
MDB	Multilateral Development Bank
MOU	Memorandum of Understanding
OECD	Organisation of Economic Cooperation and Development
PIDG	Private Infrastructure Development Group
PPP	Private Public Partnership
RED	Renewable Energy Directive
SDGs	Sustainable Development Goals
SiLNoRF	Sierra Leone Network on the Right to Food
TRC	Sierra Leone's Truth and Reconciliation Commission
VGGT	Voluntary Guidelines on the Governance of Tenure

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