

Press release 2017-11-08

New report: Swedfund and FMO failed to respect human rights when they exited a bioenergy project

The Addax Bioenergy project was supposed to increase food security and reduce poverty in local communities in Sierra Leone. Instead, communities were left worse off after the project stalled. A new report by Swedwatch titled “No Business, No Rights”, shows how development finance institutions Swedfund and FMO failed to respect human rights when they sold their shares in Addax without conducting human rights due diligence.

In 2011, Swedish and Dutch development finance institutions (DFIs) Swedfund and FMO invested in Addax Bioenergy in Sierra Leone, one of the poorest countries in the world. Addax’s business plan was to grow sugarcane to produce ethanol for the European market, and to use the waste product to generate electricity for Sierra Leone’s national power grid. Sugar cane plantations were developed on land leased by local communities who were dependent on subsistence farming. To secure access to food for affected communities, a food security support program was set up where Addax provided training for farmers in mechanised farming techniques. Addax also produced rice for communities for three years. Following this period, communities were expected to continue mechanised farming with support from Addax.

Together, Swedfund and FMO initially owned 25 percent of the project, but after new issues of shares, their ownership was reduced to one and eight percent, respectively. In July 2015, the project stalled due to a lack of financing and the majority of jobs were lost. At the same time, the food security support program faltered. During Swedwatch field research, affected communities stated that food insecurity and poverty had increased when the project stalled for 1.5 years. The lack of income when jobs were lost also led to families in several communities taking their children, primarily girls, out of school.

“Swedfund and FMO left without ensuring that the food security support program was adequately financed. Also, in sharp contrast with the guidelines on business and human rights that they have committed to, they failed to conduct human rights due diligence related to the project stall and their exit”, says Malena Wåhlin, researcher at Swedwatch.

The Addax case is not unique. Large-scale land-related project in areas with widespread poverty are often associated with high human rights risks. When such projects stall these risks often increase. In the preface to “No Business, No Rights”, UN Special Rapporteur on the Right to Food Hilal Elver emphasizes the need for sustainable business practices in land related projects:

”Human rights risks related to a project failure are generally not accurately assessed by investors beforehand”, she says.

According to the UN Guiding Principles for Businesses and Human Rights, companies have a responsibility to conduct ongoing human rights due diligence. Swedwatch recommends Swedfund and FMO, as well as other DFIs, to conduct human rights due diligence both in relation to project shut-downs and to exits. Swedfund and FMO, together with other involved parties, are also urged to assess the human rights impacts related to the stalling of the Addax project, and to contribute toward remediation for affected communities.

For more information, please contact: Malena Wåhlin, researcher, +46 (0)8 525 203 76