

**UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT**

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**Plenary on Item 7:**  
**Evolution of the international trading system**  
**and its trends from a development perspective**

**Speaker: Mr. Simon Cleasby, Chief Executive Officer**  
**Addax Bioenergy**

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*Not checked against delivery \**

\* This statement is made available in the language and form in which it was received. The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.

**UNCTAD: The Enabling Role of International Trade in Promoting Sustainable Investment to Achieve UN Goals**

- In advocating a position on the topic, I declare two perspectives:
- One is business;
  - I represent a major investor in sustainable bioenergy, as well as gas & oil in Africa:
  - where earning a return on investment is a goal
    - but not the sole rationale for our investment in bioenergy production in Africa
  - I will present the case for how Africa can benefit from agro-industrial investments
    - to achieve economic transformation through value addition
    - I will do so by referencing the ABE investment into sustainable bioenergy in SL
    - and its requirement for reliable markets & predictable trading policies
- My other declared perspective is from my experiences in the sugarcane industries of Africa
  - where I have lived & worked all my life, and I reference my beliefs to this privilege
- I am consequently appalled at the dishonesty and misrepresentation being pedalled.....
  - by certain campaigning organisations and NGOs.....
    - against for example the EU biofuels policy, to justify change thereof
  - and also dishonesty and misrepresentation against ABE
    - which is currently caught in the most one-sided corporate assassinations.....
      - in the history of BF
- These NGOs have utter disrespect for Africa, its leaders and its peoples
  - using extremely poor & biased research,
  - without verified data, or baseline audits,
  - and a lack of references and methodology for gathering facts
    - that they have packaged as science
  - and will deny Africa the opportunity to advance through industrialisation for a better life
    - as developed nations have achieved
- the utterings of certain NGOs do not represent African values and hopes for development
  - but of their own prejudiced vision of Africa and biofuels
- the opinions of African leaders and its people have not been sought by these NGOs
- and their false prophecies will harm the potential for the investment dearly needed in Africa
  - to eradicate poverty, hunger & underdevelopment on the continent
- This is however not the topic I have been tasked to discuss today
  - which I am grateful to UNCTAD for the privileged invitation

- Africa suffers from high levels of poverty and in many instances relies on foreign aid
  - because in Africa up to 60% of grains are lost or wasted before being consumed
  - because in Africa crop yields are still so low and susceptible to vagaries of climate
  - because in Africa, slash & burn farming practices degrade the environment
  - because in Africa, charcoal is still the primary source of household energy,
    - with devastating environmental and health consequences
- BUT there is no insurmountable reason for hunger and suffering in Africa
  - favourable climates, surplus land, stable politics & untapped water resources do exist
    - for investment in sustainable agro-industry
      - that will assist to eradicate these curses
- Bioenergy is an opportunity for such investment to uplift Africa and its populations
  - but are peculiar in continuing to be attacked under the food versus fuel debates
    - debates that have no middle ground, only polarised positions
- this is in spite of respected research recently concluding that:
  - Oil accounts for 2/3rds of food price changes (World Bank)
    - And the impact of biofuel demand on food prices to 2010 is only 1-2%
  - Research also concludes that the impact of BF expansion on land use has been limited,
    - with significant increases in land available for food and feed production.....
      - during the years of biofuel expansion between 2000 to 2010
  - and while some 1.3 bio tons of food are lost or wasted globally;
    - at a cost of \$750 bio annually
- these emotive arguments seem to forget that low carbon, low impact BFs reduce GHG emissions
  - & that fossil fuels only lead to higher emissions and increased risks to climate change
- As reported by the IPCC,
  - the probability is 95% certain that most climate change since 1950 has a human cause
  - and temperature rises in the 20<sup>th</sup> century cannot be explained
    - without the warming effect of GHG from fossil fuels
- Bioenergy as an investment into Africa offer benefits beyond just GHG emission reductions; such as to:
  - uplift farming practices, to improve sustainability of soils,
    - for increased yields to produce more food
    - & offer alternatives to urbanisation by the underemployed youth
  - bioenergy investment will develop infrastructures.....
    - to assist in reducing post-harvest losses of crops before reaching markets
  - bioenergy investment will generate foreign exchange earnings from export
    - to underwrite national imports
  - and will improve energy independence through co-generation into the national grid

- Biofuels also offer a pathway to improving food security and qualities of life for Africa
  - by stimulating investment in commercial agriculture
    - that has symbiotic relationships with small scale farmers
  - by generating employment & skills development; supporting education & gender equality
  - by improving community health and qualities of life
- investment in Africa has been & still is largely focused upon exploitation of finite natural riches
  - that often removes more wealth than is created through beneficiation inside the country
  - and long term employment is limited to the depletion rate of its finite riches
- On the other hand, good biofuels only exploit the renewable resources of Africa
  - climate, water and soils that if managed sustainably, are forever
  - as are the benefits to the communities and the nation, forever
- Surely here is a win-win situation, where African development advances
  - where UN development agenda and sustainability goals are met
  - and where developed nations achieve their targets for fossil fuel substitution
- There are real risks associated with greenfield investment in underdeveloped countries
  - especially where a civil war was halted only 10 or so years ago, as in Sierra Leone
    - after destroying major infrastructures and civic *societies*
  - where there is limited education & employment, and therefore work culture and ethics
  - risks where Government is incapacitated to provide services taken for granted elsewhere
  - that investors have to bear burdens beyond normal business responsibilities
- Such competitive disadvantages in cost leadership and crisis management
  - play an adverse role in attracting much-needed investment to developing countries
- in underdeveloped countries, investment has to be underwritten by safeguards; including:
  - stable socio-economic & political environments
  - and predictable access to developed markets, with focus upon exports
    - so that earnings denominated in hard currencies can attract DFI capital funding
- Private investment needs to be underwritten by clear policy regulating international markets
  - that have no policy uncertainty, such as Land Use Change
    - that will halt further investment in all biofuels, including the good ones
  - that have binding renewable energy target for transport fuels.
- NEPAD and similar institutions have committed Africa to good governance
  - Africa should be rewarded through trade preferences that will lead to foreign investment
    - rather than hand-outs that principally benefit the donor countries
    - and fail to enhance local capacities and competencies

- Similarly sustainable investments in Africa should be assisted by special interest support
  - such as what ABE attracts from one DFI for its reforestation programme
  - and also its Graduate Advancement Programme to develop Sierra Leonean talents
- how about an out-grower programme, funded by international trade organisations?
  - to establish sugarcane fields grown by ABE communities
    - that will achieve inclusive wealth creation and growth
- international trade organisations need to find ways to play a meaningful role....
  - in support of private investment without compromising their principles or funding rules

### **An investment model has been pioneered by ABE in the poorest of countries, Sierra Leone**

- that addresses the question of agro-industrial development in a sustainable way
- to produce 100ML of bioethanol & supply 20% of the national grid with renewable electricity
  - and is supported & part financed by 8 national DFIs in Africa and the EU
- it is the first integrated bioethanol and co-generation facility from sugarcane in Africa
- ABE has complied with the highest standards for sustainability certification
  - EU sustainability legislation for biofuels
  - IFC performance standards for social, environment & lands rights
  - AfDB investment standards for environment and social safeguards
  - And the first BF project in Africa to be certified by Roundtable for Sustainable Biomaterials

### **The ABE model is founded on key principles which I shall briefly discuss**

- The first is **Respect for the local environment**
  - social and environmental considerations were fully accounted for in a 3-year ESHIA
  - measurement of baseline data was undertaken from 2008 to 2010
    - on socio-economic, health, soils, water qualities & flows, noise
  - the potential and actual impacts from the project are independently monitored
  - a reforestation programme is undertaken on 2,000 hectares of ecological corridors
    - that plants in excess of 100,000 trees annually
    - to mitigate against land use change impacts from the sugarcane development
    - & offset deforestation for household energy demanded by growing urbanisation
  - Without doubt, positive benefits to communities & environment can be proven
    - with nearly 5000 household surveys conducted alone in 2012
- The second key principle of ABE model is **Food security within our communities**
  - ABE baseline surveys showed insufficient food during the dry months
  - ABE is developing agricultural competencies to replace subsistence farming practices
    - by sharing agricultural knowhow and skills with local communities
    - to avoid cycle of depleted soils, low crop yields & deforestation
  - family boundaries have been demarcated using GPS
    - to introduce additional individual accountability for their food security
    - and the motive to maximise their yields and profit potential

- The FDP was started in 2010, in co-operation with the FAO & Ministry of Agriculture
  - with >2000 hectares ploughed, harrowed and planted to rice
  - and a three-fold average increase in crop yields has been achieved to-date
- ABE also conducts a FFLS programme developed by the FAO
  - where >1800 persons completed a 30-week training programme
  - of which the majority are female
- The next key principle is **Respect and dialogue for communities**
  - ABE is recognised for the most extensive stakeholder dialogue carried out
    - more than 12 months of public disclosure of land lease documents
  - Land boundaries had never been charted, and disputes between villages never resolved
    - ABE has mapped all land boundaries by aerial photography and land surveys
    - Landowners now able to register property with Deeds Office, for the first time
    - Age-old disputes between villages are now largely resolved
  - ABE pioneered the concept of umbrella land leases from the Chiefdom Councils
    - and introduced acknowledgement agreements signed directly with the landowners
    - and compensation agreements for assets on the land to be developed
  - Landowners directly receive 50% of land lease payments are made
    - with 50% to district/chiefdom councils
  - Acknowledgement Agreement payments are made directly to landowners
    - Who receive 64% of the lease payments made directly from ABE
  - Free prior & informed consent is obtained before development is undertaken
    - and an independent legal firm paid by ABE
      - to represent the landowners in this process
- **Shared wealth creation through local development** is another key principle
  - Significant incomes have flowed to the villages & districts from the ABE project; including
    - Land rents and compensation payments
    - employment in excess of 2000,
    - and sales of surplus agricultural produce
  - in total, ABE has invested \$51.4 mio in the economy of SL since April 2010
    - evident in new houses, attendance at schools, return of families to rural homes
  - Indirect effects, such as 285km of public roads begin to build self-sustaining development
  - FDP is a food security programme to mitigate against potential impacts
    - the next step is a livelihood sustainability to meet realistic expectations
      - out-grower sugarcane schemes
      - crop diversification away from staples has been started by entrepreneurs
  - replacement of expatriates with local skills is being undertaken
    - a localisation programme including:
      - OTJ training, graduate advancement and mentorship
      - as well as support provided to local training institutes

- International trade with developed nations can provide investments in Africa with certainty:
  - of markets and preferential prices that reflect higher EU affordability
  - certainty of project finance that will be supported by DFIs
  - certainty of the highest criteria for sustainable development and production
    - that need to be fulfilled to meet EU customer and market demands
  - and certainty of business ethics that demand inclusive development, free of corruption
    - with shared benefits equitably distributed in the host country

**In conclusion, I have tried to portray the diverse & costly interventions associated with greenfield agro-industrial investment in Africa, that is both sustainable and is contributing towards the UN development goals:**

- Sierra Leone and many other African countries are sending the message
  - that sustainable bioenergy production in Africa is feasible and needed
- The ABE investment is predicated upon supply of bioethanol to the EU
  - and the highest sustainability standards rightly demanded by consumers
- the decision to invest is complex and requires enormous faith in markets, policies and politics
- international trade can be an enabler, to assist,
  - through establishing stringent certification that will assure markets and consumers
    - where investments are sustainable and beneficial to global objectives
  - DFQF access to predictable and attractive international markets is key for investment
  - As is a clear policy framework without changing political whims
    - to offset the high costs of development.....
    - and inherent inefficiencies in the value chains of Africa
  - DFI funding at affordable political premiums.....
    - will enable investment returns to be realised
  - And support for Governments in developing countries.....
    - that play by the global rules of good governance and accountability
- Efficient allocation of capital to market opportunities will then flow from private enterprise
  - that will meet sustainable development criteria.....
  - and contribute towards the UN development goals.

Thank you.