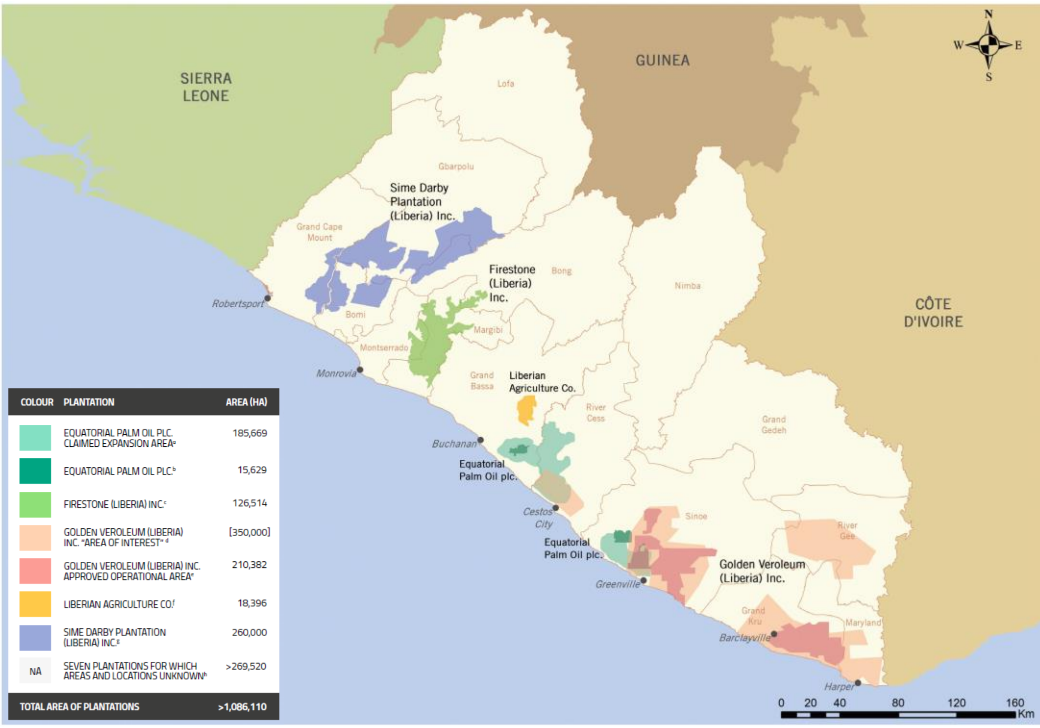
European investors' involvement in a land grab for palm oil affecting over 41,000 people in Liberia

The Liberian Government has given 2,600 km^2 of south-eastern Liberia – an area the size of London and Barcelona combined – to Golden Veroleum for a palm oil plantation. The contract is valid for up to 98 years, and the company is currently grabbing vast areas of community owned land. Golden Veroleum's (GVL) operations are already negatively impacting many communities and will ultimately impact over 41,000 people[i] throughout the Southeast of the country, with many more indirectly affected.
The only investor in GVL is Golden Agri-Resources (GAR), based in Indonesia and the world's second largest palm oil company. Despite a remarkably poor track record of human rights abuses, land grabbing and environmental damage in Indonesia, GAR continues to receive financial backing from prominent European-based investors. These include Standard Chartered, HSBC, Delta Lloyd and Deutsche Bank.

Background
Since the end of Liberia's civil war in 2003, the Government has made industrial agriculture a central pillar of the country's development strategy; ten percent of Liberia has been earmarked for industrial plantations, an area three times the size of Beijing. President Ellen Johnson Sirleaf has repeatedly promised that palm oil plantations will bring jobs, food and infrastructure to some of the country's poorest rural areas. But the GVL/GAR plantation, awarded in 2010 and one of the country's largest, has proved the opposite to be true, as explained below.



Development or destruction?

Tens of thousands of people already live on the land given to GVL, most of whom rely on it for food and their livelihoods. Although the project promised jobs and opportunities, in fact the benefits so far to the communities have been negligible. The "choice" given to communities appears to be either giving up their land and working that same area as a GVL employee on the plantation, or receiving nothing and risking losing their land anyway.

Understandably, people are not happy with these options, but resistance has come at a cost. Golden Veroleum's connections with local political elites have ensured that despite people's protests at losing their land, they feel pressured to sign it away to GVL. Community meetings with GVL representatives are observed by high-ranking government officials and in at least one case, armed police. Several accounts of violent assaults and arbitrary arrests of those who voiced their concerns have been documented. Whilst the company claims to be operating with the free, prior and informed consent of local communities, people were not provided with the information necessary to make informed decisions about surrendering their land.

This rapid agricultural expansion across Liberia is taking place in a legal vacuum. There are no laws to govern how companies should be awarded contracts, how they should operate or be held to account. There is also no oversight – currently no specific Ministry has been mandated to regulate agricultural plantations, leaving communities at the whim of companies' operations and with only NGOs to look to for support in their advocacy. When NGO capacity was hampered by the 2014 Ebola outbreak, GVL appeared to step in and take advantage of the governance gap – doubling the area under its operations to 30,000 hectares of community land.

Involvement of European institutional investors

The following European-based investors hold significant share values in GAR[ii]:

- Standard Chartered, US$710 million
- HSBC, US$409 million
- Delta Lloyd, US$37 million
- Deutsche Bank, US$26 million
- BNP Paribas, US$25 million
- Allianz, US$12 million
- Old Mutual, US$ 6.7 million

This is despite Standard Chartered and HSBC being Equator Principles members (requiring them to meet the International Finance Corporation's environmental and social performance standards) and HSBC and Deutsche Bank both signing up to the UN Principles of Responsible Investment and the Banking Environment Initiative.

A regulatory role for Europe

This case demonstrates yet again the urgent need for the EU to introduce binding regulations to prevent institutional investors being able to financially back destructive projects overseas, such as GVL / GAR in Liberia. Voluntary systems are not enough and robust due diligence requirements must be introduced to eliminate land grabs from EU investors' financial records.

Examples of existing regulations which could be strengthened to help end investor involvement in land grabbing are the Shareholder Rights Directive, the Pension Fund Directive, and Alternative Investment Fund Managers Directive and the files under review as part of the Capital Market Union initiative.

[i] Available at www.globalwitness.org/newsnakeoil[ii]Responding to a request for comment, HSBC and Citibank have stated that they do not invest directly in GAR projects, but rather hold GAR shares "in custody" for other ultimate "beneficial" shareholders. Also in response, Delta Lloyd stated that it "excludes companies" that "repeatedly or severely" violate free, prior and informed consent, and other rights, but that it would not comment on its investment in GAR. See Global Witness meeting with HSBC, 29 June 2015; Lowrance, Courtney, Email to Global Witness, 4 July 2015, Boerma, Hiske, Email to Global Witness, 2 July 2015.