Chapter 6: British Investments in Africa

"The Last Frontier to Find Alpha?"[1]

> We want to support African countries to seize the opportunities before them and are injecting new energy into partnerships to build growth. [...] this government believes global business—including British business—can make an absolutely vital contribution here and we will do all we can to foster further commercial ties, open up trade and deepen investment.
> (Henry Bellingham, Minister for Africa, 2011[2])

> The UK is well placed to benefit from the world of the future. The National Security Strategy of the United Kingdom is: to use all our national capabilities to build Britain's prosperity, extend our nation's influence in the world and strengthen our security. The networks we use to build our prosperity we will also use to build our security.
> (National Security Strategy (Whitepaper), 2010)

1. Introduction

Land-consuming FDI emerging from liberal economies is often portrayed as the rational choice of profit-seeking private actors in a context of resource scarcity and/or financial crisis. In the case of the UK, for instance, Susan Payne, CEO of the London-based Emergent Asset Management, has been repeatedly quoted as saying that her African Agricultural Land Fund focuses on Africa as "the last frontier for finding alpha"—that is, for finding above-average returns

1 | Quote by Susan Payne, CEO of Emergent Asset Management in Knaup and von Mittelstaedt (30 July 2009).

2 | Speech by Bellingham (2010).

on investments.[3] In a similar vein, other British investors, particularly in the biofuel and financial sectors, have argued that above-average returns outweigh the risks attached to agricultural and land-consuming projects in Sub-Saharan Africa and other parts of the world. Indeed, investors commonly refer to mounting scarcity pressures, growing demand, commodity price rises, and/or (comparatively) cheap land prices to make these investments appear like safe bets while also emphasizing their positive contributions to greater food and energy security. Hence, land-consuming investments are seen not only to promise above-average returns but to be ethically sound.

In practice, however, the empirical evidence shows that this narrative oversimplifies the drivers and interests involved, while the related rhetoric of success and the promise of high returns rarely materialize.[4] Projects fail, people are dispossessed in the process, and seemingly cheap land turns out to be very costly due to the upfront investments required to build roads and housing and undertake planting.[5] Furthermore, the financial crisis also led to massive crashes in the share values of companies and/or contributed to the ultimate failure of projects. As this case study will show, this verdict applies to many of the British land-consuming investments made since 2000.

The core findings of this chapter accentuate the fact that the empirical characteristics of British land-consuming investments in Sub-Saharan Africa are more multi-layered than is commonly acknowledged. Many projects predate the 2007/2008 crises and they comprise investments in multiple sectors, from construction and mining to farming. They are distributed highly uneven across the continent, reflecting the British investor legacy. Biofuels composed the largest share of listed projects, and the general emphasis has been on the primary sector and related activities (food processing). Overall, the investments reflect a very diverse private sector: companies with a long presence on the African continent are involved, as are early stage companies that invest in biofuels, and/or alternative stock markets, and financial investors. In addition, several public institutions and multilateral organizations seem to be relevant, together with host country governments. Land is of primary importance in these investments. It is used as a resource and productive space, and, increasingly, as a strategic asset. The empirical evidence shows the exposure of British investment to financial volatility, the dependency on developments back home, such as the economic crisis, and the lack of realistic business models.

The chapter proceeds as follows: Section 2 presents the history of British-African relations. These relations go far back, but they have intensified significantly since 2000. Section 3 then discusses the details of how these invest-

3 | Knaup and von Mittelstaedt (30 July 2009).

4 | WB (2011), 51.

5 | Interview with CEO of Highbury Finance, London, (2013).

ments occur. In particular, it will focus on land-consuming FDI's sectoral composition and timelines, the role of land, the recipient context, key actors and institutions, and the issue of investment funds. The chapter will conclude by summarizing the key empirical findings about British land-consuming FDI in Sub-Saharan Africa.

2. Background on the UK in Africa

British relations with the African continent go far back, while the "Second Wave of European Imperialism"[6] in the 19th century seems to be most relevant for the assessment of contemporary relations. Importantly, the dominant presence of Britain on the continent continued after the empire's post-WWII disintegration.[7] As of 2011, British companies are still among the top five investors and trading partners in former dependencies, and on the political level, most former colonies are members in the Commonwealth of Nations, an intergovernmental organization that emerged out of the British Commonwealth.[8]

British engagement with the African continent has been characterized by several waves of intensifying and decreasing exchanges of capital, people, and goods, reflecting broad domestic and global restructuring processes, like, for instance, colonization and decolonization. Since 2000, British interest in the African continent has been growing again. This was first led by the private sector, but then the public sector followed the corporate trend. There seems to be a new "gold-rush mood" among British investors and trading companies as the following 2012 statement from the CEO of British-American Tobacco (BAT) highlights: "So the point really is not whether you should be doing business in Africa, but rather how."[9]

6 | Kegley and Raymond (2011), 110-112.

7 | See White (1999), 184-185. British decolonization was the function of multiple factors, including nationalist pressures and global economic trends (e.g., UK financial industry focused beyond formal and informal empire in its investments; decline in the worldwide rubber trade after innovative synthetic rubber introduction; improved balance of the payment position of Great Britain; new economic strategies pursued in the metropolis that focus on North America and Europe; and/or the declining meaning of the sterling area).

8 | See, for instance, the edited volume by Dumett (1999). It critically evaluates the influential publication by Cain and Hopkins on British imperialism published in 1993. The latter publication is referenced in the following as Cain and Hopkins (2001), which refers to the second edition of the 1993 publication. Also see Ernst & Young (2011a), 38-41.

9 | Ernst & Young (2012), 9.

The new focus on African economies by private and, increasingly, public actors is reflected in the intensifying trade and investment relations of the UK with the continent. From 2007 to 2011, UK FDI in Africa increased by 9 % per annum, and UK exports to Sub-Saharan Africa have risen faster than in other transitioning or developing countries.[10] According to the British Chambers of Commerce, currently "[m]ore Chamber member exporters currently export to the Middle East and Africa (57 %) than to North America (47 %) and Australasia (40 %)."[11] At the same time, UK-African relations are not a one-way street: imports from SSA to the UK have nearly tripled, climbing from USD 4 billion in 1990 to USD 11 billion in 2004. However, this trend was primarily linked to rising imports of a few products (primarily clothing, petroleum, and minerals) from a small number of countries, namely South Africa and Botswana.[12]

Similar to the case of China, the growing interest in Africa since 2000 has been accompanied by significant changes in the official rationalization of these relations. Moving away from the previous focus on humanitarianism and security/terrorism, more recent official statements stress the economic and social benefits of engagement with Africa for the actors involved.[13] At the same time, the budget deficit and fiscal conservatism of the Cameron government limited the extent to which this new interest of the UK government could be met by assigning resources to its promotion. In fact, "[r]esources allocated to Africa are [...] extremely stretched, and the British presence on the continent [which has never been a high priority] already consists of a network in which large regions are covered by as few as one or two diplomats in the field."[14] As of 2011, the UK's diplomatic presence (e.g., sovereign embassies) ranked tenth after that of the US, Russia, China, France, South Africa, Nigeria, Germany, Brazil, and Japan.[15]

Against this background of tight budgets, it is worth noting that the UK also benefits from membership in institutions of pooled sovereignty, such as the European Union (EU), which is an active and important investor and trading partner on the African continent.[16] However, domestic economic reces-

10 | Ernst & Young (2013), 34; Te Velde and Calì (2006), 9-10; Smallbusiness.co.uk (13 October 2011).

11 | Dhillon (3 February 2014).

12 | Simultaneously, EU and global imports from SSA have declined or risen only moderately, indicating that the intensification of trade relations between the UK and SSA is rather unique. See Te Velde and Calì (2006), 9-10.

13 | E.g. Bellingham (2010); and Cargill (2011). Also, see Chapter 7 on guiding ideology.

14 | Cargill (2011), 3.

15 | Cargill (2011), 3.

16 | Allen (8 October 2012), 9; Cargill (2011), 11. Note: This study has been carried out prior to Brexit. The implications of the latter for land-consuming OFDI from the UK are not yet clear or forseeable.

sion and the rise of the BRICS have begun to affect the UK's relative economic and political presence on the African continent. For instance, the UK's leading investor position, particularly in the extractive industries, which it historically shared with the US and France, is increasingly contested by newcomers such as China and India, the latter of which "edged out" the UK as leading investor in Ghana in 2005 (measured by the number of projects per annum since 2000).[17] Simultaneously, some African countries, like South Africa, have started to critically review the role of British companies in economic development—asking whether these are "viable investment partner[s]" or just a "remnant of the British Empire," compared to newcomer investors from the emerging powers.[18]

Despite the new attention directed towards UK-Africa relations, it is crucial to note that by both regional and historical comparison, the share of British FDI in Africa since 2000 has been marginal—at least from the investor country's point of view. The regional figures point to the issue of asymmetric significance mentioned previously.[19] In 2011, the African continent continued to rank lowest regarding the share of total UK FDI stock by region.[20] At the same time, UK overseas investment flows to the continent have been highly volatile: while in 2010, UK overseas investment flows to Africa (GBP 7,822 million) were astonishingly close to those to Europe (GBP 11,374 million) and higher than those to the Americas (GBP -13,814 million), the year 2011 was characterized by divestment (GBP -3,291 million).[21] Importantly, UK investment in SSA has remained highly concentrated in four countries, namely Kenya, Nigeria, Zimbabwe, and South Africa. This reflects legacies of very uneven regional and sectoral investment.[22]

3. Key Characteristics of British Land-Consuming OFDI in Sub-Saharan Africa

The complex and evolving nature of economic and political relations between the UK and African countries has largely been ignored by common "free market" explanations. This section will summarize the key empirical characteristics, focusing on sector distribution, timelines, the role of land, stated goals in the recipient context, the phenomenon of investor funds involved in agriculture, and other key actors and institutions.

17 | AfDB/OECD/UNDP/UNECA (2011), 10; and Modern Ghana.com (23 January 2005).

18 | Osei (2011), 1.

19 | See Chapter 3.

20 | Allen and Dar (14 March 2013), 11-12.

21 | Allen and Dar (14 March 2013), 11-12; and Loots and Kabundi (2012), 134.

22 | Joint Nature Conservation Committee (2009), 14.

The major findings are as follows: firstly, the majority of "land grab" projects consist of biofuel projects which have been initiated since 2005. Secondly, land is of primary importance in most of these investments. It is accessed through mixed forms of direct lease and/or outgrower schemes. Thirdly, contrary to the "profit through scarcity" and "seeking alpha" rhetoric, most biofuel projects, as well as some investment funds, have failed, for multiple reasons. Fourthly, the respective host country government is a central actor in these investments. It often cooperates with British corporations, some of which have been invited to participate in host country policy-writing processes—for instance, regarding the national biofuel strategy. Fifthly and finally, from the UK perspective, a diverse private sector, and, increasingly, public institutions are at work.

Sector

A breakdown of investments by industry highlights both the UK's colonial investor legacy on the continent, with its focus on natural resources, and the processes of diversification that have occurred since decolonization.[23] While detailed data was very difficult to obtain, an itemization of FDI projects by industry for the year 2008, which was received upon request from the Office for National Statistics (ONS), shows that the bulk of UK FDI went into mining and quarrying (42.5 %) and financial services (43.5 %), followed by real estate and business services (3.9 %) and food production (2.5 %).[24] Not a single project was recorded for the agricultural sector during that particular year (see Figure 61).[25] 2006 data on British FDI projects by industry and target country also emphasizes the aforementioned uneven sectoral and capital stock distribution across the continent.[26] Regarding sectoral distribution, 74 % of investments in South Africa went into financial services (most of which did not have any relation to natural resources), while FDI in Kenya was largely geared towards food production, and investments in Eastern Africa primarily directed towards

23 | In 1999, 40 % of UK OFDI in Africa still went to the mining and quarrying industry (compared to 20 % worldwide), and two thirds of US OFDI stock was in the petroleum sector. In addition, UK OFDI undertakings in African countries have an extraordinary high degree of profit repatriation: about 75 cents of every dollar invested went back to the parent company (compared to a UK average of 37 cents in other countries). See Te Velde (2002), 4.

24 | Data obtained from Office for National Statistics (UK) via email request in June 2012.

25 | Data obtained from Office for National Statistics (UK) via email request in June 2012.

26 | Joint Nature Conservation Committee (2009), 14.

biofuel production.[27] At the same time, British FDI stock was primarily located in South Africa.[28]

The investments that this research project has investigated, as well as newly established databases (such as Land Matrix), show that British land-consuming OFDI covers the full range of sectors from food and biofuel production, livestock farming, and forestry for wood to tourism and mineral extraction (including petroleum).[29] In more detail, the projects grow, process and trade Jatropha, sugar cane, palm oil, cassava, and sweet sorghum; cultivate rice, livestock(e.g., beef), and horticulture (e.g., paprika, chilies, maize, and cocoa); exploit uranium; or are involved in construction (e.g. infrastructure) and the provision of agribusiness support services (e.g., agriculture machinery showcase).

While the sectoral composition of British land-consuming OFDI is important for a better understanding of what is happening, it is equally essential to be aware that on the project level, this sectoral differentiation might not fully capture the nature of activities on the ground in cases where land-consuming OFDI is part of processes of integration or conglomeration of the companies involved. In fact, several investor companies are involved in multiple sectors that together make up one project. Take, for example, the biofuel projects, in which companies integrate the whole supply chain from farming to refining to trading activities. In other cases, a single company engages in multiple unrelated industries, such as the Avana Group in Madagascar, which exploits minerals while also being involved in biofuel production, at least temporarily.[30] Finally, some companies have switched their operations from one sector to another. One example is Agriterra Ltd., which was active in the petroleum sector prior to moving into farming with the goal to "build itself into a multi-commodity African focused agricultural business."[31]

From a broader perspective, the rising number of early-stage companies involved in the agricultural sector mirrors the widespread belief in its potential as a future growth market, as stated by Agriterra Ltd.: "We believe that the agricultural sector in Africa is an area of activity which has the potential to be particularly resilient to the current global economic climate."[32] At the same time,

27 | Joint Nature Conservation Committee (2009), 14.

28 | Wei and Balasubramanyam (2004), 177-178; and Schenk (2005), 463-481.

29 | TradeInvestNigeria.com (10 October 2009); and TradeInvestNigeria (19 November 2009).

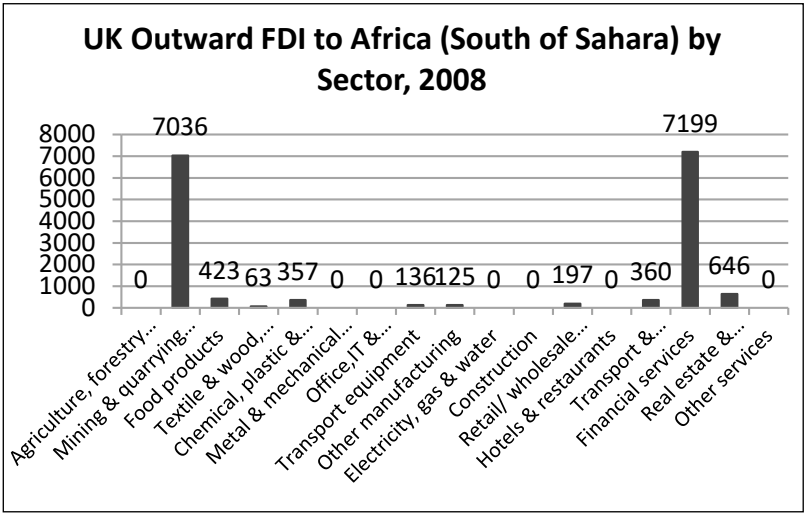
30 | It seems that Avana dropped its biofuel activities and is now focusing on mining again; no information is available on the former plans to plant Jatropha on 10.000 ha. See, for instance, GEXSI LLP (2008), Slide 58; Energy-profile (2009), 53; Matthews (2010), 117-119.

31 | Agriterra Ltd. (29 February 2012).

32 | Agriterra Ltd (6 January 2009).

the British government remains indeterminate on the matter of agricultural OFDI in Africa. On the one hand, statements by the former Minister for Africa (2010-2012), Henry Bellingham, clearly reveal the established bias towards the extractive sector.[33] On the other hand, the CDC Group, the UK's development finance institution, has begun to step up its private equity activities in African agriculture, and British industrial policy promotes farmland-consuming "clean tech" investments like those in biofuels.

Figure 6-1 – UK OFDI in Africa by Industry, 2008 (in USD millions, ONS 2008)[34]



Timelines

In stark contrast to the case of China, British "land grab" projects have largely occurred after the year 2000.[35] A closer look at the timelines of British land-consuming FDI in SSA shows three investment trends—characterized by investment focus and investor type—since 2000. Firstly, around the year 2000, land-consuming investments were largely conducted by British compa-

33 | Aigaforum (9 June 2011).

34 | Data obtained from the Office for National Statistics upon email request in June 2012.

35 | It remains unclear whether this is simply owing to the problem of data collection through the method of crowdsourcing or if it also reflects the problem of biased attention towards some industries (e.g., biofuels campaigns by NGOs) and countries (e.g., China) compared to others.

nies already present on the continent, and they were related to legal and institutional reforms in the recipient country. A good example is Unilever Ghana, which acquired plantations in Ghana in 1999 by taking advantage of the opportunities presented to it by the host government's divestiture program.[36]

Secondly, from 2005/2006, another investment trend can be observed. Around that time, a large share of projects was seemingly related to the international climate negotiations and, more specifically, the emerging British and European policy framework promoting renewable energy. The predominant investor types were newly founded companies, many of which floated their shares on the AIM Stock Exchange in London,[37] and financial investors. Both actor groups tried to profit from the policy-induced (new) biofuel market and related support structures at the domestic, regional (EU), and international levels (UN FCCC). Importantly, "old investors" with a long presence on the continent were hardly involved in this trend. For instance, British Petroleum (BP) engaged in biofuel production through a joint venture ("D1-BP Fuel Crops") with D1 Oils Plc., one of the doyens of the crude Jatropha oil industry. However, this cooperation remained rather short-lived, and BP exited the project in 2009.[38] Similar divestments happened in other sectors, such as the aviation industry. Lufthansa, for example, originally participated in biofuel investments in the form of offtake agreements[39] with the British biofuel producer Sun Biofuels, but later decided to end the cooperation in response to protests regarding the potentially unsustainable production of biofuels and the resulting land use competition and food insecurity.

Finally, a significant share of investments started in 2008/2009. These investors—investment banks and private equity funds (public and private)—are seeking "alpha." That is to say, they are aiming to achieve extraordinary returns on their investments in spite of the financial crisis. In practice, they are making land-consuming investments in agriculture or trying to cash in on opportunities offered by international climate finance, like, for instance, the Clean Development Mechanism (CDM).[40] As a consequence, this group of actors is increasingly involved, primarily as shareholders, in the business

36 | Ntsiful (2010), 129-137.

37 | AIM stands for Alternative Investment Market, a sub-market of the London Stock Exchange where small firms can float their shares under less restrictive regulations than in the London Stock Exchange.

38 | Bloomberg News (17 July 2009).

39 | An offtake agreement is an agreement between a producer and a buyer to acquire a certain amount of the anticipated production. It is very common in the natural resources sector.

40 | For more information on the CDM, see the website of the United Nations Framework Convention on Climate Change (UNFCCC) (http://cdm.unfccc.int/).

operations of the early-stage companies that began investing in 2006. Some, however, have also taken over the existing operations, such as Highbury Finance Ltd. in the case of Sun Biofuels Mozambique.[41] While financial investors involved in agricultural projects are often framed as pioneers in the sector, this perception is only partially true. Instead, they follow in the footsteps of UK development finance, such as the CDC Group and Department for International Development (DFID). Investments in agribusiness have been a major part of the CDC's operations since 1948, allegedly producing high returns of "up to 40 percent."[42] Moreover, recent private equity investments by the CDC Group were also explicitly intended to motivate financial investors to operate in African agriculture projects.[43]

A look at these timelines reveals general investment trends, and an assessment of detailed project life cycles shows what is actually happening on the ground. In this regard, the empirical evidence reveals that many projects do not merit comparison with their rhetoric of success and promise of high returns. Instead, they are often rather short-lived, for numerous reasons. For example, the case of Sun Biofuels (SBF) shows that a company's performance can suffer from inexperience, false assumptions, lack of funding, and/or the financial crisis. In 2005, the company began to grow Jatropha in Ethiopia on land with poor soil, which together with drought conditions made the 1.000 ha planted trial area economically unviable.[44] In the words of the SBF Business Development Director, Harry Stourton: "The idea that jatropha can be grown on marginal land is a red herring."[45] Consequently, SBF moved its biofuel operations to Mozambique and Tanzania in 2006. In these countries it acquired a total of 4,854 ha and 8.000 ha of prime land, respectively, with long-term plans to expand the operations to cover 20.000 ha in total. Yet, the company's operations continued to face difficulties in the form of a dramatic decline in share value (see Figure 62) due to the financial crisis and a constant lack of funding. Finally, in 2011, SBF went into administration after its majority shareholder, Trading Emissions Plc., decided to divest. As a consequence, SBF's Tanzania- and Mozambique-located subsidiary companies were sold to financial investors and some plots were discontinued. Data is lacking on the latest status of these projects (as of 2014).[46]

41 | Highbury Finance (2013).

42 | AltAssets.net (26 April 2006).

43 | AltAssets.net (26 April 2006). CDC (8 November 2013).

44 | Wendimu (2013), 12.

45 | Reppert-Bismarck (21 January 2011); and see Pohl (2010) on Jatropha.

46 | Subsequently, SBF's subsidiary companies in Tanzania and Mozambique were sold to two financial investors in 2011, namely the London based merchant bank Lion's Head Global Partners , operated by former Goldman Sachs employees, and Highbury Finance,

A similar story of failed potential emerges from the investigation of most biofuel projects. Take, for example, D1 Oils, a UK-based share company founded in 2005. It was one of the first companies worldwide to focus on value-added operations of Jatropha biofuel production; and it experienced a crash in share value from 2007 to 2012 (Figure 62). Throughout its existence, it has been struggling with the economic viability of its operations, and up to this day it has not paid any dividends to its shareholders. By 2012, D1 Oils' operational losses amounted to more than GBP 1 million.[47] In order to demonstrate its commitment to a fresh start, the company changed its name to NEOS Resources in 2010, shifted its focus to India, and announced a diversification away from Jatropha production in African countries.[48] However, this strategy was not successful either, as the latest update from NEOS in 2014 highlights. A corporate notice from 30 January 2014 states that the company is in the process of selling off the assets from its Indian and other ventures: "it will not be possible to reach sustainable profitable volumes in the near future and therefore plans to develop the trade have been put on hold and all revenue generating activities within the Group have effectively ceased with effect from January 2014."[49] Short of funding and running the risk of losing its AIM London Stock Exchange listing, the company's board and key shareholders have begun to negotiate "the future direction of the Group and its funding requirements for the next 12 months."[50]

Another example of the difficulties encountered by these projects is GEM Biofuels. The company was founded in 2004, and it has been AIM-listed since 2007. Focusing on Jatropha production, the company has managed to secure over 495.000 ha in Madagascar since 2005.[51] Yet, its planting operations came to a halt in 2009, when tied-up capital markets and bad plantation management forced it to focus on maintaining existing plantations rather than (re)

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a project development and investment advisory firm, founded in 2004 with a specialization in "alternative investment opportunities." In both cases, the new owners have only conducted maintenance work on the former SBF plantations, which means that large parts of the acquired land lie fallow. Moreover, LGHP only employs 50 of the former 700 workers while also falling short of clarifying the problem of outstanding compensation payments. See Lion's Head Global Partners (2013); Highbury Finance (2013); Bergius (September 2012); and Bergius (5 July 2013).

47 | StockMarketWire.com (13 March 2012); Hawkins and Chen (2011), 21-23; Mitchell (2010), 118-125.

48 | NEOS Resources Plc (12 October 2011); NEOS Resources Plc (15 November 2011); NEOS Resources Plc (15 March 2012).

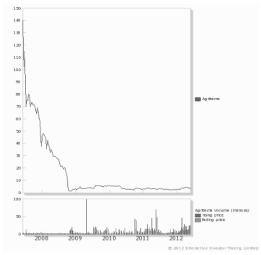
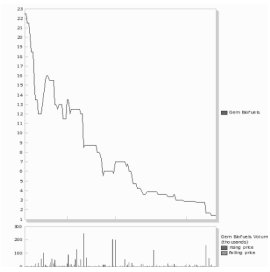
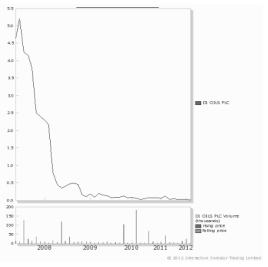
49 | Investigate.co.uk (30 January 2014).

50 | Investegate.co.uk (30 January 2014).

51 | GEMBioFuels (28 September 2011).

investing in their planned expansion.[52] Thus, during 2011, GEM concentrated on letting the plantations mature, and did not engage in any further planting while reducing the number of staff. By the end of 2011, it had planted Jatropha on a total of 55,737 hectares.[53] Still, the share value did not recover, nor did the company manage to attract additional funding during 2012.[54] Unable to profit from its land bank, the company changed its name to Hunter Resources PLC in January 2013 to indicate its new investing policy and board changes.[55] The latest corporate notice from December 2013 stated that the company's share trading had been suspended as it did not become an investment company in time to meet AIM London Stock Exchange requirements. The same notice announced that the management was in negotiations to become active in Peruvian mining projects which are 563km from the city of Lima in an area where eight exploration concessions (a total of 3,500 ha) are located.[56] What has happened to the Jatropha production remains unclear.

Figure 6-2 – Three Examples of Crashes in Share Value, 2008-2012 (www.iii.co.uk.uk)

Agriterra Ltd, 2008-2012	GEM Biofuels, 2010-2012	D1Oils Plc, 2008-2012
		

Together, these project timelines emphasize that those explanations which identify the financial crisis as a primary driver of land-consuming FDI fall short of comprehending the complexity at play. On the one hand, many land-consuming projects were started prior to the crisis and seem to be related to other

52 | Hawkins and Chen (2011), 3, 24-25.

53 | OnVista.de (2014); and GEM Biofuels (12 April 2012).

54 | GEM Biofuels (5 December 2012).

55 | ADVFN.com (1 August 2013); and Hunter Resources Plc (30 December 2013).

56 | Hunter Resources Plc (30 December 2013).

events in the home and host countries, such as the climate regulations or divestiture programs. On the other hand, the financial crisis also resulted in massive crashes in the share values of companies and contributed to the failure of investors in search of profitable investments during a time of economic crisis.

Moreover, these timelines provide interesting clues about the multiple individual and systemic difficulties encountered by different actors during a project's life cycle. For example, the financial situation has been aggravated by a systemic conflict of interest between the different actors involved in these projects: while companies "on the ground" focus on long-term value creation, financial investors "off the ground" are interested primarily in short-term profit. In this regard, the operational problems and long maturation timelines of agricultural projects "on the ground" (for instance, five years for Jatropha) led to constant struggles for early-stage companies that also negatively impacted the respective company's majority shareholder, usually a financial company promising high returns to its investors and under pressure to deliver. In the case of SBF and its majority shareholder Trading Emissions Plc, a board decision was reached in 2010 to deny SBF additional funds, because the "value creation in this business was a long-term project."[57]

In other cases, data shows that financial investors made unrealistic earnings forecasts, sometimes in combination with allegedly fraudulent business practices. Cru Investment Management and its Africa Invest Fund, for instance, did not live up to predicted earnings of 30 % for 2009 to 2010. Instead, Cru and Africa Invest were facing fraud investigations for misuse of funds in 2010, as money invested in other funds managed by Cru had been transferred to Africa Invest as loans, without notification of the respective shareholders. At the same time, the CEO Jon Maguire was accused of having withdrawn money without proper documentation.[58] In 2010, Africa Invest was sold for GBP 175.000. This was hardly sufficient to cover fees and liabilities, and investors were unable to recover their investments.[59]An audit by PricewaterhouseCoopers revealed that Cru's asset base was overvalued, and this aggravated liquidity problems in 2011, when the company was unable to sell the (illiquid) holdings of land fast enough to respond to the massive withdrawal of investors.[60]

In summary, the empirical evidence on project timelines illustrates that investment projects are characterized by constant changes in focus and details over time, including projects that do not end in failure. A good example is the aforementioned Unilever Ghana. It operated plantations in Ghana that it had

57 | Trading Emissions Plc (2011), 7.

58 | Merrett (29 November 2013); BBC (6 February 2010); and Miller (7 July 2011).

59 | Grote (16 March 2010).

60 | Miller (7 July 2011).

acquired in 1999 through the host government's divestiture program.[61] Eight years later, in 2010, Unilever sold its majority share in the 7,200 ha Benso Oil Plantation Ltd, which is listed on the Ghana Stock Exchange and on which more than 9.000 people's livelihoods depend, to Wilmar Africa.[62] This was the result of a headquarter decision to concentrate on the company's core business of manufacturing, marketing, and distribution.[63] Moreover, the empirical evidence highlights the exposure of British land-consuming FDI to financial volatility; the dependency on developments in the home country, such as the economic crisis; or the inadequacy of business models to factor in the reality on the ground in the form of insufficient markets, limited economies of scale in agriculture, or bad plantation management. Together, these facts illuminate the discrepancy between the 'profit from scarcity' rhetoric and the actual performance of the respective companies, even in areas, such as biofuels, that are supported by governments worldwide.

Land: Its Role and Use in These Investments

The previous sections showed that British land-consuming FDI takes place in multiple sectors and engages multiple actors. At the same time, their assessment has pointed to fundamental challenges that several investment projects are facing, sometimes even leading to their ultimate failure. The following section will assess more closely the role of land used in these investments, major approaches used to access land, as well as relevant features of its governance. It can be noted that the Chinese cases do not differ in any significant way on these issues from the UK projects.

Extent

The scale of British land-consuming investments varies enormously, with projects ranging in size from a 100 ha pilot farm to a total investment of 495.000 ha (e.g., GEM Biofuels). While this range indicates the great diversity of investment projects falling under the label of land-consuming FDI, these numbers also show that compared to Chinese investments in SSA, the majority of which

61 | Ntsiful (2010), 129-137.

62 | Wilmar Africa, a wholly owned subsidiary of the Singapore-headquartered Wilmar International Ltd, which was "founded in 1991 as a palm oil trading company," and "is today amongst the largest listed companies by market capitalisation on the Singapore Exchange and one of Asia's leading agribusiness groups." See Wilmar International Limited (7 February 2011), 3.

63 | Ntsiful (2010), 129-137. With regard to Unilevers' standpoint on plantations over time, see Jones (2005b), 185-214. Also see statement by Wilmar International Limited (7 February 2011), 2.

use less than 10.000 ha, British investments are fairly large, particularly in the biofuel sector. To provide some examples: the Equatorial Palm Oil Company (EPO) acquired a total landholding of 169.000 ha-182.000 ha in Liberia;[64] D1 Oils held 155.000 ha in Zambia;[65] CAMS Agri-Energy acquired 45.000 ha in Tanzania;[66] and VEPOWER Ltd, a bioenergy company focusing on fuel production and power generation, teamed up with Jatropha Africa, a biofuel feedstock company, and signed a feedstock acquisition agreement regarding the produce from the 50.000 ha leased land area in Ghana.[67] However, UK investment projects also tend to be large in other sectors, such as timber: the Equatoria Teak Company owned by the CDC and FinnFund was managing an 18,640 ha forest reserve in South Sudan;[68] and livestock farming: Madabeef, a company active in Madagascar, seems to be operating ranching activities on 200.000 ha.[69] In many cases, companies (e.g., D1Oils, SBF, Agriterra Ltd.) have or had enormous land banks in multiple countries located in SSA, making the total land at their disposal even larger.

However, it has already been highlighted above that a large land bank does not necessarily result in great returns or necessarily represent high asset values for the company in case of a need to sell company assets due to project failure. Still, these figures are impressive, at least at first sight and in view of the local repercussions in the form of land tenure. In practice, a closer assessment of the timelines and details of many projects reveals a huge discrepancy between announced, acquired, and actually planted land area (see Table 6-1). For instance, Sun Biofuels' (failed) business model envisioned 20.000 ha. However, the company 'only' managed to secure a total of approximately 12,854 ha-13,854 ha. And of this land area, which spread across three countries, it had only planted a total of (approximately) 4,310 ha prior to its failure.[70] Similarly,

64 | Global Witness (20 December 2013); Equatorial Palm Oil (2011); Equatorial Palm Oil (2013); and The Rights and Resources Group (2013), 267.

65 | Investigate.co.uk (14 June 2006). There is diverging data on how much land has been secured and how much has been planted. See Table 6-1 for competing sources.

66 | Obulutsa (19 September 2008).; Oakland Institute (2011b), 4, 18-19, 30.

67 | BioZio (2011), 110, 127.

68 | In 2010, the CDC and FinnFund divested and sold the companies to unknown investors following controversies that resulted from protests by local communities and an inability to make the forest plantation economically viable in a sustainable way. However, as of 2014, the company and the acquired area, which was leased for 32 years, continue to exist. It is now managed by Maris Capital, a London based venture capital group. See corporate website under Equatoria Teak Company (2014). Also see Concession Agreement (28 June 2006), 11, 15; Deng and Mittal (2011), 2, 11, 28-29.

69 | Üllenberg (2008); Hamelinck (2013), 87.

70 | See Table 6-1 for details.

as of 2011, (then) D1 Oils had only managed to plant a minor part of the total of 174.000 ha it had negotiated in Zambia in 2006 (see Table 6-1).

These enormous gaps between announced, negotiated, and planted land areas under management point to the challenges that these projects face on the ground, some of which were already alluded to in the previous section, such as expansion difficulties, unprofessional plantation management (GEM), inexperience and/or natural events (SBF), land disputes (Equatorial Palm Oil), competition over scarce input seeds, lack of funding and/or marginally viable business models, and administrative challenges.[71] More broadly, these discrepancies between the secured and planted areas over time provide useful data for a grounded discussion about the benefits of large-scale agricultural production in view of rural development or food security, since most large-scale projects have not managed to fully operationalize their business models.

Use and Purpose

Land in British land-consuming FDI projects fulfills three functions, namely land as natural resource, as strategic asset, and as productive space for industrial purposes and/or modernization projects. Lonrho, a formerly UK-listed company with an ambiguous reputation and operations in agriculture, infrastructure, transport, and support services in SSA dating back to 1909, was taken over by a Swiss investor in 2013. Two years before that takeover it described the attractiveness of investments in land and agriculture in Africa as a composite of the following factors: 60 % of the world's arable land, of which only 10 % is cultivated;[72] a major continent for oil and gas reserves; a primary source for minerals; and the relatively low external debt levels of African countries.[73]

71 | D1 Oils (2011), 30; and Hawkins and Chen (2011).

72 | These figures are false. They are a modified version of a dominant narrative promoting agribusiness in Africa. The origin is a report by McKinsey (2010, 7-8, 42-44) which states that "Africa's agriculture holds enormous potential for companies across the value chain. With 60 percent of the world's uncultivated arable land and low crop yields, Africa is ripe for a "green revolution" like the ones that have transformed agriculture in Asia and Brazil." Since then, this storyline has been taken up by international organizations (e.g., United Nations Economic Commission for Africa (UNECA)) and businesses, often with a significant change in wording: uncultivated (with crops) land has become "unused," resembling the idea of a "terra nullius." Take the example of an article by UNECA, which argues that the "world's largest reservoir of unused arable land, about 60 %," is located in Africa. See Lopes (2014).

73 | See *The African Business Journal* (May 2013); Bloomberg News (20 July 2011); and Lonrho (2012), 1-5.

Table 6-1 – Discrepancies between Announced, Acquired, and Planted Land Areas in Selected Projects[74]

Project	Country	Hectares announced/ acquired	Hectares acquired	Hectares planted
Sun Biofuels (SBF)	Ethiopia[75]	Business model aimed at 20.000 ha, but company only managed to acquire 13.000 ha	5.000 ha since 2005	1.000 ha
	Tanzania[76]		8-9.000 ha since 2006	Approx. 2.000 ha by 2010
	Mozambique[77]		4,854 ha since 2006 plus two farms of 607 ha and additional 3.000 ha under negotiation	2,310 ha
D1Oils[78]	Zambia	155.000-174.000 ha (including outgrower schemes) allocated by Zambian government in 2006	155.000 ha	In 2007: 2,411 ha; and 20,760 ha through contract farming
GEM Biofuels[79]	Madagascar	Secured 495,500 ha; plan: 200.000 ha planted area by 2010	Exclusive rights over more than 495.000 ha	55,700 ha (in 2010), plus access to 40.000 ha forest area

74 | Adopted from Hawkins and Chen (2011), 29-30.

75 | Hawkins and Chen (2011), 29-30.

76 | Bergius (September 2012), 3; Hawkins and Chen (2011), 29-30.

77 | Highbury Finance (2013); Hawkins and Chen (2011), 29-30.

78 | Data remains unclear. According to GEXSI LLP (2008, 50, 55), the company had 7,386 ha in South Africa and 25,525 ha in Zambia under operation in 2008. Other reports state that D1Oils had been allocated 155.000 ha of land by the Zambian government in 2005 for Jatropha planting (e.g., Investigate.co.uk (14 June 2006)), amounting to a total of 174.000 ha when including the company's contract farming relations (e.g., Reuk.co.uk (15 January 2007)). The Home and Mittal (2011, 28) country report confirms that the company was using 2,411 ha of managed plantations and 20,760 ha of outgrower schemes by 2007. The 2010 annual report by D1 Oils shows that the company has subsidiaries in multiple African countries (Malawi, Ghana, South Africa, Zambia, and Swaziland), all of which focus on biofuels. See D1 Oils (2010), 50. However, no data is provided regarding the total land bank or planted area.

79 | Data from 2010; see Gasparatos and Stromberg (2012), 296; Hawkins and Chen (2011), 21, 23-24; GEM Biofuels (2010); Biofuelsdigest.com (1 July 2010); Biofuelsdigest.com (25 June 2010); Cleantech Investor (May 2008); Proactiveinvestors.co.uk (25 November 2009); and GEM Biofuels (28 September 2011).

Equatorial Palm Oil[80]	Liberia	169.000 ha; plans to develop 50.000 ha within first 10 years, and 100.000 ha within 20 years	169.000-182.000 ha since 2008 in the form of three concessions	Unclear, but due to financial problems and social resistance the planted area is limited (est. 3,200 ha in 2012 according to RRI 2013).

While use of land as a natural resource or productive space for industrial purposes has been a common trait of British land-consuming OFDI in African countries, use of land as a strategic asset in overseas investments is relatively new, though not unprecedented. In fact, land's asset function was already a component of business models of chartered companies granting land titles, and of investment portfolios during late 19th century globalization.[81] However, historical evidence on land acquisitions by businesses also highlights that land constituted only a minor share of personal wealth. Instead, it was largely a reflection thereof, and land holding was a status symbol rather than a standalone promise of extraordinary returns.[82] In this context, and against the background of the high failure rate of land-consuming investments by funds (presented in Section 5), this chapter argues for the need to critically revise contemporary claims that land is an asset class which withstands the wealth destruction witnessed in equity investments during times of financial crisis.[83] Clearly, the aforementioned summary of project timelines highlighted problems related to the overvaluation of assets and the limited economies of scale that can be gained through large-scale land holding. Moreover, the illiquidity of land turns out to be disadvantageous once a project runs into financial problems.

The quality of land is equally important for assessing the meaning and impact of British investment projects. Project details show that food and biofuel investments occur on prime land, which is defined by fertile soils, moderate climatic conditions, and proximity to important infrastructure and cities. Agriterra Ltd., for instance, leased 45.000 ha of brownfield agricultural land in Sierra Leone, close to the Liberian border, to produce palm oil in an area with high levels of rainfall.[84] And the Equatorial Palm Oil Company has been granted concessions for three palm oil plantations in Liberia, all of which are located in a favorable climatic zone, close to cities, and in proximity to ports

80 | Global Witness (20 December 2013); Equatorial Palm Oil (2011); Equatorial Palm Oil (2013); and The Rights and Resources Group (2013), 267.

81 | See Chapter 3.

82 | Nicholas (1999).

83 | Collinson (24 July 2010).

84 | Agritrade (6 February 2012); Agriterra (29 February 2012).

with facilities that can accommodate export operations.[85] Similarly, the plots that SBF negotiated for biofuel production in Tanzania and Mozambique were prime land, following the project failure in Ethiopia due to poor soils.[86]

In most cases, it remains difficult to judge the environmental impact of land acquisitions due to the limited data available on the prior use of the lands. The few cases where such data is available show that land deals resulted in land-use rehabilitation[87] as well as land-use change. Particularly in the latter case of land-use change, several projects reveal ways in which these investments might negatively affect local and regional livelihoods, climates, and landscapes (e.g., water security, wildlife habitat, or microclimate). For instance, SBF's operations in Tanzania took place on land formerly used by charcoal makers, including a swamp area that was important for local water security.[88] In some cases, a given company has stalled its operations due to international pressure over the environmental implications. This was the case with G4 Industries Ltd, which abandoned its 28.000 ha biofuel project in Kenya before operations had begun in response to pressure from NGOs over the potential negative impact on wildlife in the wetlands of the Tana River Delta.[89]

Moreover, the question remains of whether the land is intended to produce for overseas consumption, as is widely assumed in the "land grab" literature (see Chapter 2). In the case of British land acquisitions, most projects were indeed originally intended for international markets, and several had clear export infrastructure in place (e.g., Equatorial Palm Oil). In this context, it appears that host governments have been largely reluctant to ensure that a certain percentage of the harvest is available for domestic consumption and/or value-added operations (e.g., refining).[90] However, in practice, the exports often did not materialize. To provide several examples: the Equatoria Teak Company only managed to sell a few consignments (of timber) from its forest reserves in South Sudan due to local protests. Consequently, the CDC Group and FinnFund sold the concessions in 2010, after three years of operations.[91] Also SBF (in Mozambique and Tanzania) had only managed to sell and export one consignment of 30 tons of biofuel (Jatropha) by 2011. Thereafter, the company went

85 | Global Witness (20 December 2013); Equatorial Palm Oil (2011); Equatorial Palm Oil (2013); and The Rights and Resources Group (2013), 267.

86 | Hawkins and Chen (2011), 29-30.

87 | For instance, SBF's operations in Mozambique involved land that had formerly been used as a tobacco plantation, and Equatorial Palm Oil (Liberia) engages both in the rehabilitation of old plantations and the creation of new ones. Hawkins and Chen (2011).

88 | WWF Tanzania (2009), 84-86.

89 | Cernansky (26 October 2011).

90 | Zagema (2011); and Cotula (2011).

91 | Burnett (7 April 2014).

into administration and its subsidiaries were sold to new owners who focus on plantation maintenance (rather than expansion). Meanwhile, Lufthansa, which had a biofuel offtake agreement with SBF, withdrew from this form of cooperation due to European protests over unsustainable biofuel production practices.[92] Similarly, D1 Oils, active in Malawi and Zambia, ended up selling locally prior to its closure. The small scale of its operations—largely a function of limited availability of input seeds—made the pricing difficult. Marketing locally had the advantages of low transport costs and local offtake agreements, both of which allowed for agreement on market value.[93] In other cases, such as Cru Investment Management's Africa Invest fund, the project had simply collapsed by the time of the first harvest. Regarding the question of how much of the biofuel produced in Africa has actually ended up in British transport fuel, it is interesting to note that, according to the UK Renewable Fuel Agency, no Africa-produced biofuel was used in 2010-2011, even though 78 % of biofuels had been imported.[94] This information correlates with the empirical findings of this research project, according to which most British biofuel producers ended up selling locally or closing operations altogether.[95]

To better understand the utility derived from overseas land acquisitions, it is important to look beyond the question of exports. In addition to land, these projects employ multiple factors of production, including labor, while also creating new markets for British input services and thus potentially creating jobs back home. Moreover, they are reflective of profitable policy frameworks, such as climate finance and related carbon credits, for which at least two biofuel companies, D1 Oils and the SBF, applied. At the same time, the government operates on the assumption that these projects will generate state revenues derived from overseas investment earnings, and the early-stage companies' projects represent profitable business streams for London banks issuing Initial Public Offerings.

Strategies of Access

Land is accessed through lease agreements, public-private partnership programs, the granting of concessions, joint ventures, outgrower schemes, Memoranda of Understanding (MoU) with county districts and tribal communities, and/or the purchasing of shares in listed plantations. In many cases, mixed access strate-

92 | Insight Group Plc (26 October 2011); Dahlbeck (2012), 21; Lufthansa (2014); Greenaironline.com (23 January 2012).

93 | Mitchell (2010), 124-125.

94 | See UK Trade and Investment (2012), 17.

95 | Instead, land used for UK biofuels has been located in Europe (e.g., France, Germany, Ukraine, UK, Belgium), Latin America (e.g., Argentina, Brazil), and Asia (e.g., Malaysia, Indonesia), with a focus on oilseeds, rapeseed, palm oil, soy, corn, sugar beet, sugar cane, and wheat as input factors. Renewable Fuels Agency (2011), 50.

gies are applied, such as plantation production plus outgrower schemes, or the purchase of a trading company (e.g., Agriterra Ltd. in Sierra Leone) that has preferential supply agreements with a sufficiently large farmer base.[96] Moreover, several companies rely on additional land-intensive inputs from third parties, such as Jatropha seedlings grown by the supplier Diligent Tanzania Ltd. on 3,500 ha.[97] In some cases, the privatization of public plantations provided investors with access options. For instance, the two plantations acquired by Unilever in 1999 and 2004 (through shareholding) both trace back to 1976.[98]

Aspects of Governance

Since the land that is leased is often owned by the state, key ministries and government agencies are involved in the land deals, as are parliaments.[99] At the same time, several British biofuel companies have been part of committees established by host governments to develop governance structures in their particular sector. Jatropha Africa participated in the biofuel committee that supported the Ghanaian Ministry of Energy during deliberations on a renewable energy policy;[100] D1Oils took part in a task force committee on renewable energy that framed biodiesel regulations in Zambia;[101] and G4 International West contributed to West Africa's biofuel strategy under UEMOA.[102]

Most of the deals seem to be fully embraced and promoted by the respective recipient government.[103] For instance, the Equatorial Palm Oil Company's

96 | Agriterra (29 February 2012).

97 | Chaponniere et al. (2010), 10. From a historical perspective, these strategies of indirect land (function) access are not new. During British colonial administration, smallholder schemes were often favored over plantations out of concern over social tensions and because they were seen to be more efficient. Also see the summary on "Oil Palm in Ghana" by the World Rainforest Movement (6 August 2010); and Gyasi (1996).

98 | Ntsiful (2010), 129-137.

99 | Cotula (2011), 16; Lahiff (2012).

100 | Jatropha Africa (22 August 2010). However, due to the unclear policy environment and lack of funding, a policy overview by Antwi-Bediako (31 October 2013) mentions that Jatropha Africa went into administration.

101 | See Investigate.co.uk (14 June 2006).

102 | See ESG/ICTSD/LeHub/UEMOA/UN Foundation (2008), vii.

103 | In most cases, the terms seem very favorable to foreign investors. In Sierra Leone, for example, investors often seem to be exempt from taxation and they are allowed to lease land for up to 71 years (for USD 20-30 per ha per year) while profiting from low labor costs, which range between two and three dollars per day. See Caulker (2010), 12. A similar case is Liberia, which is currently extending and rehabilitating its plantations by granting concessions to foreign investors such as the Equatorial Oil Palm Company. That this company's investments are fully embraced by Liberian President

169.000 ha holding, of which 89.000 ha are concessions granted by the government and 80.000 ha are part of an MoU with the county district and tribal communities, is embedded in a plan by the Liberian government to re-establish export-oriented plantations as a growth sector and foreign exchange earner. On a similar note, Agriterra Ltd.'s lease of over 45.000 ha of brownfield agricultural land has been promoted by the Sierra Leone Investment and Export Promotion Agency (SLIEPA) in line with the government agenda to use "oil palm as a priority growth sector."[104] SLIEPA, in cooperation with the District Councils and the Ministries of Land and Agriculture, has been "earmarking and preparing a number of suitable sites for 10.000+ hectare palm plantations."[105] Also, several companies cooperate with state agencies, such as D1 Oils, which co-manages a 600 ha farm with the Zambian Ministry of Agriculture, and CAMS Agri-Energy Tanzania, which collaborates with a Tanzanian seed authority and Indian NGO to reach out to farmers.[106] Also, the terms of the agreements seem highly favorable to the investor side, as land leases range between 32 (Equatorial Teak Company) and 50 years,[107] the costs of compensation schemes appear to be extremely low, while governance structures in the host countries are rather weak, and labor costs are very low.[108]

Aside from governance schemes at the domestic level, some investments are also part of international governance arrangements. Jatropha Africa, for instance, is an industry partner of an EU-funded interregional cooperation program (EU-ACP) on "Capacity Building in South Africa, Namibia and Ghana to create Sustainable, Non-Food Bio-Oil Supply Chains."[109]

Actors and Institutions

The empirical evidence on the governance of land has highlighted that, as in the Chinese case study, the presence of African governments in these investments is obvious in the form of ministerial and parliamentary involvement,

Sirleaf is highlighted by the fact that she took part in the 2011 inauguration ceremony of the company's newly established mill. Moreover, the concessions over 50 years were enacted by the Parliament of Liberia. Equatorial Palm Oil 2011; Equatorial Palm Oil (23 February 2010), 6-8; Carrere (2013), 15, 55-56.

104 | Bangura (2011); World Rainforest Movement (9 August 2011).

105 | Caulker (2010), 29.

106 | Obulutsa (19 September 2008).; and WWF (2009), 14-15, 23, 26, 29-36.

107 | One of the largest investments by land area, the 495.000 ha GEM Biofuels project in Madagascar, is granted for over 50 years and made up of parcels which range between 2,500 and 50.000 ha. Included are the rights to a 40.000 ha natural forest.

108 | Caulker (2010), 12.

109 | Jatropha Africa (n.d.).

investment promotion centers, and/or legislation. At the same time, civil society groups and local community members seem to remain largely on the sidelines during the negotiations, and investor promises made to these groups, such as the building of health services and schools or the provision of sufficient jobs for the community, are often the first to be broken when a project fails and/or is taken over by new investors—as, for instance, in the case of the projects of SBF in Tanzania and Mozambique.

From the British side, public agencies and government officials from different levels, as well as private actors and institutions, are involved. In addition to the prominent roles played by early stage companies, alternative stock markets, and financial investors, several public institutions seem to be relevant. One such institution is the CDC Group, the UK's public development finance institution that has begun to enhance its efforts with regard to land-consuming (private equity) investments in Africa, focusing on infrastructure, real estate, and, increasingly, agriculture. Moreover, new political institutions and reforms, such as bilateral investment forums or aid programs, have been introduced by the acting government as part of a broader attempt to step up commercial diplomacy with African countries.

Also, several financial institutions, such as the Standard Chartered Bank, a UK merchant bank with a long presence in African economies, and/or investment funds, and the AIM London Stock Exchange play an important role, as the majority of companies rely on their financial services for funding. At the same time, the UK government proactively calls on entrepreneurs to make use of aid-funded business opportunities in the form of public-private-partnerships. Some companies have also accessed aid funding through institutions of pooled sovereignty, such as the EU.[110]

On a (inter)national and regional level, there are a number of interlinked (non-) financial institutions at work, especially in the biofuel sector. These include domestic obligatory blending mandates, European and UK directives on carbon dioxide (CO_2) emissions reduction, the EU Emissions Trading Scheme, and/or UNFCCC-related mechanisms, all of which promote a renewable energy market. Also, the newly launched G8 Alliance for Food Security, which was established in 2012 and "gathers together donors, partner countries and the private sector" to "promote private sector investments in agriculture by improving the business environment and explore ways to reduce risk through providing better legal and administrative conditions for investors," has British companies among its members.[111] In the G8 Alliance program for Tanzania, for instance, the UK is expected to contribute GBP 63 million from 2012 to 2015. Several British companies submitted a letter of intent to participate in the

110 | P. Harvey (2010).

111 | European Commission (18 May 2012).

program, namely Syngenta, Unilever, and Vodafone, which basically implies expanding their business activities in multiple African countries.[112]

A significant share of the actors and institutions active in these investments also reflects the existence of a transnational or even global business culture that is characterized by personal linkages; registration in the same locations, namely the tax havens of Mauritius and Guernsey; the involvement of multiple investors from different countries in one project; and the reappearance of the same actors in different institutions.[113] At the same time, the network does not consist entirely of private actors but also includes UN agencies (UNECA; UN FCCC; WB) and other public agencies on the international (AfDB), regional (European Investment Bank), and domestic levels (see Table 6-2).

Table 6-2 – The UK in Africa: Actors involved in Land-Consuming OFDI (selected)

Actors Involved at Different Levels of Governance		Public	Private	Hybrid
INTERNATIONAL	International agents	• United Nations Industrial Development Organization (UNIDO) • UNFCCC Clean Development Executive Board • UNECA • European Commission Biofuel Directive • African Union • NEPAD Cassava Initiative • EU-ACP • AU (biofuel promise)	• Jatropha Alliance • Lufthansa • UoP Houston • Refining company in Helsinki • Africa Invest (Channel Island-listed)	• African Biofuel Board • G-8 New Alliance for Food and Nutrition Security • Jatropha Africa in cooperation with EU-ACP

112 | See New Alliance for Food Security and Nutrition (http://new-alliance.org/). For a critical discussion of the G8 Alliance in the context of commercial pressure on land, concentration of land ownership, and crowding out effects, see Hall and Sulle (2013).

113 | For instance, SilverStreet advised GAVI alliance, and CAMEC and Agriterra had the same board members before CAMEC was sold to a Kazakh firm.

UK	National	• The CDC Group Plc • UK Renewable Fuels Agency (closed 2011) • UK Department of Trade and Investment (UK TI)	• British Airways • G4 Industries ltd • GEM Biofuels • CAMS Agri-Energy Tanzania • Schroders Investment Management • Vepower Ltd • Cru Investment Management • Virgin Train • Biodiesel Plants • Sun Biofuels Ltd • Trading Emissions Plc • ReSolve group • D1Oils (called NEOS -Resources Plc since 2012) • BP International (exited 2009) • Lion's Head Global Partners (run by former Goldman Sachs employees) • Highbury Finance • Principle Capital Investments • Saner Plc • Avana Group • Funds	• Private Equity Funds
	Subnational	• Regional investors (Wales)		• Investment Forums (e.g. UK-Nigeria Investment Forum 2012)
RECIPIENT COUNTRY	National	• Ministries • Parliament of Liberia • President of Liberia • President of Sierra Leone • Sierra Leone Investment and Export Promotion Agency	• Jatropha Africa (Ghana)	
	Subnational	• Government agencies • Communities • Farmers	• Contract farmers • Diligent Tanzania Ltd (Seed company)	

4. The Investments in the Recipient Context: Stated Goals and Multifaceted Reality

British FDI projects are embedded (as described above) in national and regional development frameworks which are characterized by their rhetoric of rural development, energy/food security, and economic growth with its alleged promise of jobs, better livelihoods, and state revenues. The Tanzanian government, for instance, has leased 600.000 ha to foreign investors since 2006 in

the context of a national development program that prioritizes biofuel production.[114] Similarly, the Ghanaian government promotes biofuel investments in the context of its national energy policy.[115]

Many host countries' national development programs aim to ease the administrative process that affects land-consuming FDI. At the core of such IFDI-attraction strategies is the perception that the host countries have to reduce barriers to investment "and tap their potential and comparative advantages to develop the biofuels sector and benefit from globalization through CDM [Clean Development Mechanism] and the global carbon market"[116] while boosting their agricultural sectors. This is expected to improve negative terms of trade and earn foreign exchange through export growth, but also to contribute to greater self-sufficiency in food and energy within the context of global market failure, namely the failure of the global market to ensure reliable access to cheap resources. Also, on a regional level, these investments are embedded in development frameworks. For instance, West African countries agreed on a "blueprint for bioenergy, agriculture and rural development" for 2009-2011. This so-called UEMOA strategy was facilitated by UN agencies.[117]

In line with the official rhetoric, most companies identify their projects as impact investments that combine profits with development objectives. Notably, there is a difference between "on the ground" and "off the ground" investors. "On the ground" companies tend to highlight the benefits of their programs, which allegedly contribute to rural development through jobs, housing, or health services. "Off the ground" actors, such as the financial companies that are majority shareholders in "on the ground" companies, seem to focus more on goals related to the context in which their headquarters operate, such as the UK and the EU. Trading Emissions Plc., for instance, stated its intent to profit from climate change mitigation policy by producing "clean" and renewable energy. Moreover, the scarcity rhetoric pursued by most agricultural funds appears to be more targeted towards capital from rich investor countries than poor ones, as in the latter case scarcity might be associated more with poverty than profit.

Whether the choice made by African governments to realize their development plans with foreign capital will be sustainable remains to be seen. In contrast to contemporary mainstream economics, with its focus on capital location, the above highlights that capital ownership and home country context could be equally important for a country's sustainable development. Take, for example, those biofuel investments that struggled to gain funding in the UK

114 | See, for instance, Veit (2010).

115 | Dietrich-O'Connor (2011); and Ministry of Energy, Republic of Ghana (2010), 20.

116 | UNECA (2008), 30.

117 | ESG/ICTSD/LeHub/UEMOA/UN Foundation (2008), 3-26, 110-118.

due to conflicting interests between headquarters and the subsidiary regarding timelines, or other events in the home country that affected the realization of development plans in the host country, such as the economic recession. Another factor to consider is the historically low rate of reinvestment regarding the profits made. At the same time, host governments have made unfortunate choices, such as providing support without accounting for the specific planting season of a crop.[118]

The discrepancy between planned and actually planted areas of land over time, the frequent change of owners, and the high degree of project failure all highlight the challenges of realizing domestic development plans through private foreign capital. For instance, the company SBF had not resolved its compensation problems by the time the company was resold, and the new investor was not interested in acting on the matter either. In many cases, new investors taking over failed projects do not make necessary investments while only reemploying a minor share of the previous workers. In addition, the above-average remittance rate that has characterized some British subsidiaries in Africa for a long time—with 75 cents of every dollar of profit being repatriated to the home country[119]—appears worrisome, as this means that only a minor share of the realized profits might actually be reinvested in host country operations. The ambiguous developmental impact of these investments also holds true in view of the underpinning business models. Many of these foresee the reduction of labor over time while relying on constantly low wages and minimum environmental standards to stay economically viable (e.g., Jatropha).[120]

Consequently, there remains sufficient room for doubt about whether these investments, and the extended commercial presence of British companies and actors in the form of aid and trade, will be "Delivering Prosperity Together"[121] as claimed. On a national scale, many host countries' overall governance performance has improved over the last decade.[122] At the same time, governance areas that are relevant in order for land-consuming OFDI to be beneficial for host country development, such as the rule of law, have deteriorated in many countries, including those that are considered to be the continent's economic powerhouses (Nigeria, South Africa).[123] Also, from a broader perspective, it is debatable whether export-oriented biofuel investments are a good way to

118 | Mitchell (2010), 124-125.

119 | Te Velde (2002), 4.

120 | See, for instance, the case of D1 Oils in Mitchell (2010), 124-125.

121 | Bellingham (2010).

122 | *The Africa Report* (29 September 2014).

123 | See, for instance, WB Governance Indicators (http://info.worldbank.org/governance/wgi/index.aspx#countryReports); and findings of the 2014 Ibrahim Index of African Governance survey (http://www.moibrahimfoundation.org/interact/9).

achieve greater food and energy self-sufficiency, as assumed by many national development programs. In fact, many African countries seem to be already over-extracting locally produced biomass, and this is a challenge that is likely to escalate in view of anticipated population growth, negative effects of climate change on land and soils, and/or general land-use conflicts (food vs. fuel vs. urbanization/modernization).[124] Many governments do not seem to attach any export restrictions or local content requirements to land-consuming investment projects, or to demand the development of domestic refining capacities to diversify their countries' economies.

5. Investment Funds for Agriculture

Similar to the issue of labor in the Chinese case, one particular aspect of British land-consuming FDI has gained widespread international attention: the rise of new actors in the form of investment funds that engage in agricultural projects. For a better understanding of what is actually happening, the following paragraphs outline the key characteristics of these projects. The goal is to capture the reality of this investor type, which is responsible for, or at least involved in, a significant number of British land-consuming FDI projects (see Table 6-3).

A first challenge towards the assessment of these funds is their complex and evolving nature and opaque structures. Accordingly, the crucial question is who is actually investing. Take, for example, the self-proclaimed "largest agricultural fund in Africa," African AgriLandFund, which has been launched by the British hedge fund Emergent Asset Management. It is based on a capital transfer made by a US pension fund with the stated intent to make private equity investments in African agriculture.[125] Running from 2009 to 2011 under the management of EmVest, an operating company under the control of Emergent Asset Management, the fund was spun out of the Asset Management investment portfolio in 2011. These constant changes in management and shareholding are key characteristics of these funds, which makes it difficult to capture what is occurring.

Judging from the rhetoric of a range of fund managers, the focus on SSA is explained by the region's favorable conditions for food production. In the words of the African AgriLandFund: "because of its series of microclimates, its highlands, its agricultural diversity and good logistics, South Africa and Sub-Saharan Africa can deliver an enormous amount of food."[126] At the same time, most funds use the same overarching theme to explain their business interest

124 | Mushi (18 May 2012).

125 | EdificeCapital.com (2014); and McNellis (2009), 11.

126 | McNellis (2009), 13.

in farmland and agriculture: they apply a resource scarcity framing. Accordingly, in a world with a growing population, a rising middle class, a declining arable land per capita ratio, climate pressures, high commodity prices, and competing claims over (farm)land, investments in agriculture promise high returns at a time of otherwise meager investment prospects as a result of the financial crisis.[127]

In practice, however, the connection to farmland and food production is in many cases less obvious than it first appears. While empirical evidence does highlight a variety of farmland- and food-related activities, it primarily reveals funds investing in the private equity of agricultural companies (e.g., Cru Investment Management) or going into related sectors, such as real estate, trading, shipping. So far, only a few funds have invested in land itself. For instance, Schroders Investment Management's "Agricultural Land Fund," which was launched in 2008 when commodity prices peaked, pursues a mixed strategy by investing "in companies and funds which 'will generate capital and income from the efficient management of land,' as well as holding direct stakes in agricultural land."[128]

Moreover, alongside this new trend of investment funds framing agriculture and land as an asset class, there are critical voices as well. Take, for example, David Bryant, Managing Director of Rural Fund Management (Australia), who warns that the rise of investments in natural assets, such as agricultural land, hints at the formation of a new bubble that is likely to burst in the future.[129] According to Bryant, the rosy predictions of a continuous appreciation in farmland value are by no means certain. Instead, the correlation of high commodity prices and land value raises serious doubts about the long-term profitability of such undertakings. From a historical perspective, total returns from agriculture, of which land values are a key component, "rose in line with [commodity] prices, but were driven back again by economic events," most of which were outside the control of individual companies, such as the Asian crisis. In reality, the "property component of agricultural businesses is that these assets are natural resources;" and the "dynamic of agricultural property business is that the ability to yield, combined with the price of the commodity it produces" defines the profitability of the operation and the value of agricultural land.

Returns from large-scale agricultural projects are also severely challenged by other factors, such as the price volatility of agricultural markets, and/or the risks of currency appreciation, extreme weather events, and pests; the fact that "economies of scale in agriculture tend to approach an optimum at relatively

127 | Schroder (August 2008).

128 | McNellis (2009), 16.

129 | Bryant (2011), 16-18.

low levels of scale"—due to the relative increase of overhead costs compared to returns; and the difficulty of establishing adequate corporate structures which respond to the volatile and dynamic farming realities on the ground.[130] In practice, and similar to the biofuel projects discussed before, the investment fund sector has already witnessed cases of dramatic value destruction and allegedly fraudulent behavior, as the case of Cru Investment Management (Africa Invest) highlighted.[131] Moreover, the illiquidity problem experienced by Cru Investment shows that holding land as a strategic asset also poses a challenge in the case of project failure.

Together, these factors indicate that it is not surprising that the business rationale of agricultural investment funds often turns out to be less successful than it first appears, particularly with regard to the claim of above average returns in the medium term (see below). They also suggest that a business rationale which assumes appreciation in land and commodity values in its profitability calculations could become troublesome in view of global food security. The inherent problem for food security becomes obvious in a 2002 presentation about falling wheat prices by Silver Street Capital, "an investment management firm focusing on investing in two major areas: Africa and the agricultural sector."[132] The presentation starts out with a "problem definition" centered on the fact that the front month futures prices for wheat were "still around 40 % off the 2008 peak."[133] Ascribing declining world wheat inventories to extreme weather events since 2008, the presentation comes to a 'positive' outlook of re-rising wheat prices:[134] "Global inventories are now near balance once the Black sea shortfall [i.e. reduced production due to drought conditions] is replaced [i.e. once US farmers have sold surplus inventories] so any further negative surprises in wheat harvests will lead to price rises."[135] While expected price increases are clearly bad news for people depending on markets to access their food supplies, they are good news for the investor.

Against this background, a growing body of literature has been emerging since 2008 that discusses the disconcerting implications of this financialization of the food sector, i.e. the increasing role of financial actors, instruments, and rationalizations in the food and agriculture sector.[136] It seems particularly worrisome to see financial actors gaining equity related control over various

130 | Bryant (2011), 16-18.

131 | See Chapter 6 (Section 3).

132 | Silver Street Capital (12 March 2015).

133 | Silver Street Capital (9 August 2010), 10.

134 | Silver Street Capital (9 August 2010), 10.

135 | Silver Street Capital (9 August 2010), 10.

136 | For a detailed discussion of the political implications of the financialization of the food sector in the form of distancing and private accumulation, see Clapp (2013).

activities in the global food-supply-chain.[137] This could bestow investors with the power to induce scarcity in the medium term in order to increase profits,—for instance, by withholding crops in storage or not planting anything. It also reflects the broader trend of the concentration of land ownership in the hands of a few. In this case, the owned land is then leased to farmers or directly operated by the investment fund.[138] At a minimum, examples from other sectors characterized by similar processes of ownership concentration and control over supply chains—from production to storage and distribution—serve as a warning about the potential repercussions. Take, for example, the manipulative control of a physical commodity market in the form of price rigging through hoarding—an accusation that Goldman Sachs was confronted with in 2013, when the stockpiling of tons of aluminum allegedly drove up prices.[139]

For the time being, the empirical evidence on UK financial companies investing in African land and agriculture (presented below in Table 6-3), highlights that reality is starkly different than the assertion that scarcity pressures and rising demand will ensure the success of these undertakings, which in turn will contribute to food security and reduce import dependency in host countries. Instead, Cru Investment Management's Africa Invest turned out to be fraudulent in its use of financial resources and, Susan Payne's widely mentioned African Agricultural Land Fund came under new management in 2011, though it did attract an impact investment of USD 500 million from another financial investor. At the same time, Actis' Africa Agribusiness Fund's monopoly in grain handling allegedly led to food price increases in Kenya, highlighting the dangers associated with excessive market power. And Schroders' Agricultural Land Fund did not generate the alpha returns promised; in fact, it mostly performed under the benchmark level from 2006 to 2013, showed great volatility over time, and invested largely in futures rather than equity.

This empirical evidence, then, raises a very different question: How is it that this rhetoric of success and profit continues to be so powerful (and go unchallenged) in the media and government policies, even though the counter-examples are so numerous? Additional and more detailed assessments of these investment projects are needed in order to trace the path of the millions of US dollars associated with cases of fund failure. This would help to clarify the underpinning interest formations that are characteristic of a significant share of these investments.

137 | Also see Patel (2012); and Clapp (2013).

138 | Wilson (28 July 2013).

139 | Wilson (28 July 2013); United States Senate Committee on Banking, Housing and Urban Affairs (23 July 2013); and *The New York Times* (26 July 2013).

Table 6-3 – Examples of UK Financial Companies Investing in Africa (Merian Research and CRBM 2010)[140]

Name	Time	Vehicle & Activity	Projects	Additional Information
Cru Investment Management	Unclear start (2008?); suspended in 2009	Africa Invest Management Ltd. London *Activity:* Invest in agriculture for food production (e.g., paprika, chilies, potatoes) and profit from rising global food demand	Private equity investments in five to seven farms in Malawi (conflicting information) Approx. 6.000 ha and additional outgrower schemes	The fund was suspended in 2009, farms were sold to a Malawi farming company, and CEO Jon Maguire was accused of misuse of financial resources for personal profit.[141] Just before its closure, Africa Invest was awarded the European Market Research Centre award at a UN FAO conference, as well as the "Best SME in Africa" Award at the "Commonwealth Business Council—African Business Awards Ceremony" held in London in 2008.[142]
Actis Capital LLP London	Actis was established in 2004. Until then, it had been part of the CDC, the UK's development arm, which was founded in 1948 to invest in the Commonwealth.[143]	Actis Africa Agribusiness Fund Activity: tea and coffee processing, aquaculture, horticulture, forestry, and bio-power.[144]	Private equity investments	Actis was previously part of the CDC, which still holds 40 %.[145] Grain Bulk Handlers Ltd., in which Actis is invested, has established a monopoly in grain handling in Kenya which has driven up food prices.[146] In 2009, Actis was voted Africa real estate firm of the year, highlighting that most of its investments are in effect not flowing into agricultural projects.[147] Instead, the Fund focuses on mining, gas and oil, financial services, and/or real estate rather than agriculture.[148]

140 | The table is based on Merian Research and CRBM (2010), as well as information from corporate websites.

141 | Merian Research and CRBM (2010), 28.

142 | Merian Research and CRBM (2010), 28.

143 | Actis (2014a).

144 | AltAssets (26 April 2006).

145 | AltAssets (26 April 2006). Accordingly, "[a]gribusiness has been a core part of CDC's investments in Africa over the past 50 years and realizations have generated returns of up to 40 per cent, according to CDC. All of CDC's portfolio companies need to comply with CDC's business principles, including health and safety, business integrity and social policies."

146 | Merian Research and CRBM (2010), 9.

147 | Actis (2014a).

148 | Actis (2014b).

Emergent Asset Management Ltd. London[149]	2008 until 2011	African Agricultural Land Fund, London[150] *Activity*: biofuel, livestock, game farming, and timber	Private equity fund investing in multiple projects 150.000 ha of land under management in 15 African countries (in 2008)	Opened by former employees of Goldman Sachs and JP Morgan, Susan Payne and David Murran. Susan Payne also has microfinance projects in Africa. When Susan Payne left Emergent Asset Management Ltd. in 2011 the fund was spun out as well. As of 2012, the fund had received a USD 500 million investment from Truestone Impact Investment Management.[151]
Schroders Investment Management	2008	Schroders Agricultural Land Fund	Hybrid fund involved in real estate, private equity, and equity markets [152] Follows investment theory that 44 % growth in population over next 40 years will be highly profitable in these areas. Total fund size is USD 200.8 million.	The fund shall deliver 10-15 % to institutional investors per year over 5 years by investing 25 % in agricultural land related equities and commodities—to get returns on land holding and land management.[153] De facto, it had primarily invested in futures of agricultural commodities by 2013, and it did not generate alpha (above-average returns) but rather stayed largely below the benchmark value while reflecting great volatility.[154]

6. Conclusion

This chapter has presented the main empirical characteristics of what has happened regarding British land-consuming OFDI since 2000. The key empirical characteristics of British land-consuming FDI in African countries highlight the necessity to critically investigate investor claims. Instead of representing cases of scarcity-induced success, many projects have failed and/or never lived up to their promise of high returns and developmental impact. This holds even in areas, such as the biofuel sector, where government policies and international frameworks are highly supportive of related entrepreneurial activities. In some cases, the resulting market concentration even led to price

149 | McNellis (2009), 11, 13.

150 | Murrin (2009); and Private Equity (10 February 2012).

151 | See Private Equity (10 February 2012); and corporate website Truestone Impact Investment Management (n.d.).

152 | Also see De Schutter (2011b).

153 | Schroders (2008).

154 | Schroders (2014).

rises, pointing to the challenges associated with massive capital inflows in developing countries.

The predominant actors in British land-consuming FDI in SSA are large corporations with a long presence on the continent, early-stage companies, and financial investors. More recently, British government officials have also become involved in promoting OFDI, and the CDC, the development finance institution, has expanded the range of its activities in SSA. It promotes trade and investment and also acts as both an indirect and direct investor in land-consuming OFDI projects. Important institutions that influence investor rationales and/or open business opportunities are the international and domestic climate regime, host country privatization policies, the London Stock Exchange, and multilateral aid projects.

The UK's long investor history is obvious in the activities of "old" companies in the recipient countries, but also in the responsiveness of new actors to international/transnational incentive structures. At the same time, it is surprising that the majority of investments are undertaken by newly founded companies, or by actors (e.g., funds) that engage in new operations (e.g., agriculture). Thus far, the majority of investments have used land as a natural resource, with the focus on export to world markets. However, the reliance on stock markets for industry finance often leads to the problem of crashing share values and a lack of patient capital, particularly in agricultural projects with medium-term maturation timelines.

The previous assessment devoted a section on the nature and implications of new actors that have attracted a lot of attention in the contemporary debate, namely financial funds investing in the physical commodities of food and land. The overview highlighted that their business rationale is less self-explanatory than it might appear at first sight. Indeed, their business models might come at a high price in cases where this yields market power concentration and wealth destruction. Even though their access to large sums of capital puts these investors at an advantage over competitors that are only active in the productive or farming sector, the poor performances of the various funds raises doubt about their business rationale and developmental impact. Moreover, and similar to the Chinese case study, the agency in host countries featured prominently in these investment projects: not only did the respective governments try to attract British land-consuming FDI, but British companies also participated in regulatory initiatives of host countries.

In conclusion, several tendencies of British land-consuming OFDI seem notable and demand a more detailed assessment in the home country context. In particular, the British investment projects in SSA reflect a very diverse private sector that seems to have distinct business interests that relate to host country reforms, biofuels legislation, and/or the search for alternative investment outlets at a time of financial crisis. In this context, the findings also show

the predominant use of alternative stock markets to access funding and the related lack of patient capital has led many projects 'on the ground' to ultimately fail—highlighting a potential dysfunctionality of the UK's political economy. More recently, public actors and institutions have begun to engage in British land-consuming FDI activities, as investors and/or agents that pro-actively support the private sector through commercial diplomacy. Importantly, these investments seem to respond to home country policies and/or crises that influence investor choices, and the government promotes them as a part of its development agenda and foreign policy—indicating that they do not take place in a "free market" vacuum.

Table 6-4 – Brief Review of the Empirical Characteristics of UK OFDI[155]

Category	Core Empirical Characteristic
Actors	Three types of actors are predominantly involved: corporations with a long presence on the continent, early-stage companies, and financial investors. Recently, the British development finance institution, the CDC, has become involved as investor.
Institutions	Important institutions include the international and domestic climate regime (e.g., the CDM), host country privatization policies, the London Stock Exchange, and multilateral aid projects (e.g., the G8 Alliance). Increasingly, commercial diplomacy institutions (e.g., bilateral investment forums) and British development finance (the CDC Group) are involved.
Sectors	While official data shows that British OFDI in SSA goes largely into mining projects and financial services, "land grab" databases largely list projects in agriculture for food and energy (biofuel) purposes.
Timelines	Most investments started around 2000 or later. Three major timelines can be identified: around 2000, from 2005 onwards, and post-2007.
Role of land	Land is used as a natural resource, as a space where profitable business opportunities open up (e.g., construction), and as an asset. Investments often intend to produce for export; however, they often end up selling locally.
Recipient context	British investments are part of national development plans in host countries which try to attract IFDI. In the case of biofuels, British companies were invited by several host governments to participate in the development of sectoral regulations.

155 | This table intends to reduce complexity and orientate the reader. In doing so, it leaves out some findings presented in this chapter that though important, do not form the core of British OFDI in SSA.