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# Take Action:

Stop EcoEnergy's Land Grab in **Bagamoyo**, Tanzania

March 2015



## Executive summary

Rural communities in the Bagamoyo district of Tanzania are opposing a much-lauded sugar cane plantation project planned by EcoEnergy, a Swedish-owned company that has secured a lease of over 20,000 hectares of land for the next 99 years and which is about to push smallholder producers off their land. Although the company has conducted consultations with affected villagers, the research conducted by ActionAid found that the majority have not been offered the choice of whether to be resettled or not,<sup>1</sup> and have not been given crucial information about the irreversible effects the project may have on their livelihoods and their rights to food and land. **By failing to obtain the free, prior and informed consent of the communities in the area affected by the project, EcoEnergy is grabbing the land of these communities, or risks doing so.**

EcoEnergy's plan to develop a sugar cane plantation is a flagship project of the increasingly controversial New Alliance for Food Security and Nutrition, the G8's African agriculture initiative.<sup>2</sup> The New Alliance is a set of agreements that give large corporations a key role in agricultural development in Africa and which require African governments to give incentives to agribusiness, expanding corporate access to seeds, land, water, labour and markets – often at the expense of local communities.

More than two years after the launch of the New Alliance, ActionAid and many other civil society organisations believe that it discriminates against small-scale food producers and undermines food security, nutrition and the progressive realisation of the right to food in Africa.<sup>3</sup> In Tanzania, the New Alliance is funded by the European Union and the British, French, German, Japanese, Russian and US governments.<sup>4</sup> EcoEnergy's project is also receiving direct support from the African Development Bank, the International Fund for Agriculture Development and the Swedish International Development Agency.

### ► Lack of choice and consultation

EcoEnergy and the Tanzanian government claim that the project will bring many benefits to the local communities, but this research highlights numerous problems with it. In the first phases of the project, approximately 1,300 people – mainly farmers – will lose some or all of their land and/or their homes.<sup>5</sup> There will be further displacements in subsequent phases, in which ActionAid estimates that hundreds of people could be affected.

EcoEnergy has promised compensation in cash or alternative land to farmers who are physically and economically affected. However, some of the people ActionAid interviewed complained about the quality of the land being offered and the lack of binding commitments from the company. The land acquisition process has lacked transparency, with key information not publicly available. **Above all, most affected**

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COVER PHOTO: A sign points to the Ecoenergy project in Bagamoyo, Tanzania.

PHOTO: STEPHANO KANIKI GOGI/ACTIONAID

**people have not been offered the choice of whether to be resettled or not;<sup>6</sup> they have only been offered a choice of whether to receive compensation in cash or land for being resettled. These are two different things.** And in Biga West, one of the project areas, community members are denouncing claims that they have agreed to hand over their land to the company. ActionAid believes that this project thus disregards the principle of free, prior and informed consent.

► **Risky outgrower scheme**

EcoEnergy proposes to establish an outgrower programme in which 1,500 smallholder farmers would use village land to form 25 to 35 'block farms' where, on average, 50 farmers will plant sugar cane and supply sugar to the company at an agreed price.<sup>7</sup> Yet, interviews with both EcoEnergy and farmers confirmed that many farmers in the area are unaware of the details of this model, which presents potential risks to local smallholder farmers and involves a major shift in livelihoods and food security in the area.

**Each group of 50 smallholder farmers is expected to create its own outgrower company. Outgrower companies will have to take out loans of at least US\$800,000<sup>8</sup> – equivalent to approximately US\$16,000 per person – a sum that is 30 times the minimum annual agricultural salary in Tanzania.<sup>9</sup>** Just as problematic, EcoEnergy's most optimistic estimates state that it will take seven years for the outgrower companies to pay back their loan before they can make a profit.<sup>10</sup> Until this break-even point, the farmers' only earnings would be from their farm labour, which is likely to be low since agricultural minimum wages in Tanzania are only US\$44 a month.<sup>11</sup> The outgrowers are also likely to have little bargaining power when obtaining loans from the banks and in setting the price at which they sell their sugar to the company.

EcoEnergy says these risks are normal and can be mitigated.<sup>12</sup> However, ActionAid's information is that many of the people to be displaced have not been informed of the details of the outgrower programme, let alone the high risks that may be involved in comparison with the benefits they would receive (eg low salaries over a long period of time). This constitutes a failure to obtain the free, prior and informed consent of affected communities.

► **Unclear financial benefits**

There is little verifiable information available about the project's financial benefits. EcoEnergy claims that the project will inject US\$45 to \$50 million a year into the local economy.<sup>13</sup> But ActionAid estimates, on the basis of limited figures available, indicate that this figure could be much less, between US\$8.55 million and US\$11.5 million a year, mainly from direct and indirect job creation and wages from the outgrower model.

Additionally, EcoEnergy has on occasions provided misleading information about the tax it will pay and government ownership in the project. The company has stated that the government will have a 25% ownership interest in the project. However, the information that ActionAid accessed reveals that the government's share will be 10% for the first 18 years, increasing to 25% only in year 19. Other information from the company states that EcoEnergy will pay 30% corporate income tax, yet ActionAid's research found that the company has been granted a 10-year tax holiday in this respect.<sup>14</sup> The project's Performance Contract has never been made public and hence details about tax payments and exemptions are not publicly available.<sup>15</sup> In addition, the available project material fails to specify what contractual and legal safeguards or obligations the company has towards the local community.

ActionAid has been working in Bagamoyo district since 2004, supporting communities with programmes on education, women's rights, food security, land rights, good governance and prevention of HIV/AIDS. Following the research between January and August 2014 on EcoEnergy's project, ActionAid communicated its principal concerns to the company. Evidence indicates that the company and the government are addressing some of the issues raised by communities and by ActionAid, for example by allocating land to pastoralists, by improving the consultation process in some areas, looking at reducing the risks of the outgrower model and providing further information about the project on the company's and government's website. However, community members say that key issues raised are still not addressed – notably those concerning consultation, land acquisition and the outgrower scheme – in the thorough and comprehensive manner that would allow communities to make an informed decision on their future with full information and in view of alternative options.

## ► Recommendations

In support of the communities claiming their rights in the EcoEnergy project area of Bagamoyo district, ActionAid calls on the government of Tanzania to suspend the project and to conduct a new process of consultations that respect the principle of free, prior and informed consent. This would include the opportunity for communities to: accept or refuse resettlement, reconsider different forms of compensation, discuss different outgrower models and either have the option of considering alternatives to EcoEnergy's project or be able to make other changes to plans. All consultations should be based on sufficient available information. EcoEnergy should comply with these recommendations, in particular by making public its financial obligations, projections and safeguards to communities.

ActionAid calls on donor governments and agencies to ensure and monitor transparency and dialogue in this process. Governments supporting the New Alliance for Food Security and Nutrition should stop all engagement in and support for the New Alliance and replace it with initiatives that genuinely support small-scale food producers and advance sustainable agriculture.



**Sefu Mkomeni** is a farmer from Matipwili, a village in the Biga West area. During an interview in March 2015, he told ActionAid "The choice to stay or leave our land was not there: it was only to leave. We have been given no option on how the land is to be used. I have already invested in that area and now I am expected to move."

PHOTO: DANIEL HAYDUK/ACTIONAID

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**ActionAid** is a global movement of people working together to achieve greater human rights for all and defeat poverty. We believe people in poverty have the power within them to create change for themselves, their families and communities. ActionAid is a catalyst for that change.

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