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# Take Action:

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

March 2015



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

PHOTO: STEPHANO KANIKI GOGI/ACTIONAID

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## List of acronyms

<b>AfDB</b>	African Development Bank
<b>CAADP</b>	Comprehensive Africa Agriculture Development Programme
<b>ESIA</b>	Environmental and Social Impact Assessment
<b>FAO</b>	Food and Agriculture Organization (UN)
<b>FPIC</b>	Free, Prior and Informed Consent
<b>IFAD</b>	International Fund for Agricultural Development
<b>IFC</b>	International Finance Corporation
<b>NGO</b>	non-governmental organisation
<b>SAGCOT</b>	Southern Agricultural Growth Corridor of Tanzania
<b>Sida</b>	Swedish International Development Agency
<b>USAID</b>	US Agency for International Development

## 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**



**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.

A close-up portrait of Sefu Mkomeni, an elderly man with a weathered face, wearing a white collared shirt. He is looking slightly to the left of the camera with a serious expression. The background is a blurred green, suggesting an outdoor setting with foliage.

**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

## Methodology

This briefing is based on extensive research in Bagamoyo district of Tanzania. Desk research was undertaken mainly from December 2013 to August 2014. The field level data collection was conducted by Mark Curtis and Richard Mbunda (consultants) from January to March 2014, with further research and local stakeholder meetings conducted by ActionAid Tanzania from June to August 2014.

The research employed purposive sampling and qualitative data collection methods. Information gathered from different sources was analysed and triangulated to generate findings. At the onset, villages affected by the EcoEnergy project were selected as subjects of the research. Focus group discussions were held across the selected villages from January to March 2014. A total of 153 people were involved in focus group discussions and individual interviews. These included farmers from Biga West, Gama Makaani, Goble, Kaloleni Biga, Bozi, Matipwili and Fukayosi. The selection of farmers for interviews was made in consultation with village and hamlet chairs.

Interviews were also conducted with the District Commissioner, the Gama Makaani CCM (Chama Cha Mapinduzi, Tanzania's ruling party) chair, hamlet chairs and their deputies in Bozi and Kitame, the lawyer for the people of Gama Makaani, the Agricultural Extension Officer in Matipwili, and IDC Ltd, a consultancy firm working with EcoEnergy on implementation of the project.

ActionAid and its researchers have been in contact with EcoEnergy throughout the research process, sending sets of questions and inviting the company to comment on the research findings and the draft version of the report. Some aspects of EcoEnergy's replies made from February to October 2014 are reflected in the report. Consultants also interviewed EcoEnergy staff in Dar Es Salaam.

A workshop was held on 17 February 2015 where the process of the research, findings and recommendations were shared with a range of stakeholders. Reflections made in the workshop have also helped to refine and enrich this report.

### ► Research limitations

At the end of August 2014, local authorities issued oral restrictions on ActionAid's activities on data collection on the project in the affected areas and this action hampered efforts to access more information. One month later, the ban was lifted.

On several occasions, ActionAid offered to meet EcoEnergy to discuss the report's conclusions, a proposition that the company had not yet answered when ActionAid finalised the report in March 2015. ActionAid has also been in contact with the Tanzanian President's Delivery Bureau (PDB) since October 2014 upon request of the latter. During meetings with ActionAid Tanzania's staff and board, representatives from



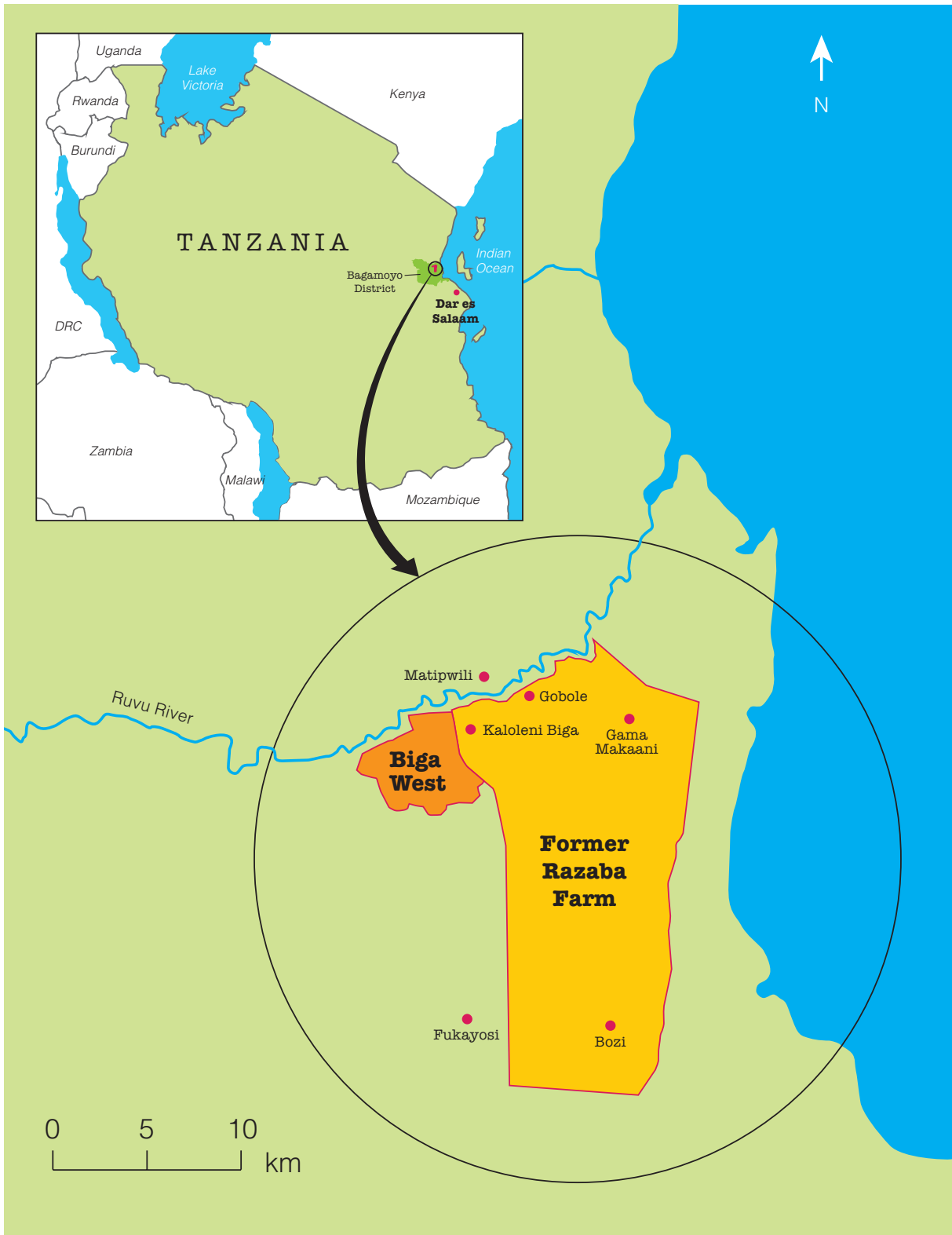
national and local government institutions expressed their discontent about and opposition to the research process, procedure, findings and recommendations.

Since then, ActionAid's efforts to gather further information from government authorities (Ministry of Lands, Housing and Human Settlements Developments, Tanzania Investment Center and the Bagamoyo District Executive Director) did not succeed as those authorities did not answer written questions or participate in interviews with ActionAid.

ActionAid invited relevant stakeholders (community members, representatives of selected local and national government ministries, intergovernmental and donor agencies and EcoEnergy) to a workshop on 17 February 2015 to discuss the report's major findings and recommendations. However, the Ministry of Lands, Housing and Human Settlements Developments, Tanzania Investment Center and the Bagamoyo District Executive Director did not participate in the meeting. ActionAid believes that their participation would have helped to enrich the report.

The release of this report was delayed due to the abovementioned developments and some changes may have taken place on the ground, as the field research was conducted from January to August 2014. ActionAid, however, has updated information contained in this report as much as possible to reflect developments since August 2014.

# Chapter 1: A New Alliance flagship project: who benefits?



On 9 May 2013, a Swedish-owned company EcoEnergy received a certificate of occupancy from the Tanzanian government, granting it a 99-year lease over 20,374 hectares of farmland in Bagamoyo district, located 70 kilometres north of Dar Es Salaam, the capital city of the country. The company is developing a 7,800-hectare sugar plantation and processing facility, whilst also planning to source sugar from outgrowers farming a further 3,000 hectares of land. The plantation aims to produce around one million tonnes of sugar cane per year for food and energy consumption, and production is expected to begin in 2016.<sup>16</sup>

The land acquired by EcoEnergy comes from the former state farm known as Razaba, which was established in 1976 as part of former President Nyerere's collectivisation policies, and abandoned in 1993. In Tanzania, it has been common practice for local people and former workers to use the land of collective farms after the government abandoned them.<sup>17</sup> In the two decades since Razaba was abandoned by the state, dozens of families – including pastoralists, farmers and charcoal makers – have established their lives, livelihoods and families on the farm.

The EcoEnergy project is large for rural Tanzania. Project investment may reach US\$500 million, financed mainly by the African Development Bank, but also by the International Fund for Agricultural Development (IFAD – a United Nations agency) and other development banks, although precise details are not available. The Swedish International Development Agency (Sida) is providing a loan guarantee to the project worth US\$17.5 million.<sup>18</sup>

**EcoEnergy's project is part of the G8's New Alliance for Food Security and Nutrition, a public-private partnership in 10 African countries** (see Box one).<sup>19</sup> The project is also part of the Southern Agricultural Growth Corridor of Tanzania (SAGCOT),<sup>20</sup> a public-private partnership which aims to put 350,000 hectares under profitable production to serve regional and international markets.<sup>21</sup> The founding partners of SAGCOT include companies such as Unilever, Nestlé, Diageo, SAB Miller, Monsanto, Syngenta and Yara, and it is supported by large donors such as governments and foundations.<sup>22</sup>

#### **Box one: The New Alliance and SAGCOT in Tanzania**

The G8's New Alliance for Food Security and Nutrition, launched in 2012, involves 180 transnational and African corporations that plan to invest US\$8 billion in agriculture in 10 African countries.<sup>23</sup> In Tanzania, New Alliance projects are funded by the US (US\$315 million), UK (US\$99 million), EU (US\$130 million), France (US\$50 million), Germany (US\$95 million), Russia (US\$30 million) and Japan (US\$178 million).<sup>24</sup>

The US Agency for International Development (USAID) describes the New Alliance as a 'win-win' strategy for farmers and companies,<sup>25</sup> but **growing evidence shows it is a vehicle for promoting an increasing role for big agribusiness in Africa that is likely to undermine small-scale food producers.**<sup>26</sup> The New Alliance agreements commit African countries to policy changes that threaten to deepen the corporate control of African agriculture, facilitate land grabs and impose a 'high-tech' industrial model (involving chemical inputs and hybrid or genetically modified (GM) seeds) of largely export agriculture.<sup>27</sup> Such strategy and policy changes go against Africa's real

priority, which is to empower, and increase public investment in, small-scale food producers, especially women who currently produce most of the continent's food.

USAID claims that the New Alliance is aligned to the African Union's Comprehensive Africa Agriculture Development Programme (CAADP), which was launched in 2003. But the primary goal of the CAADP was to increase African governments' commitment to public investment in agriculture, research and rural communities. **The New Alliance places large multinational companies in charge of agricultural development, while governments continue to fall short on devoting a fair share of public funds to rural areas.**<sup>28</sup>

The New Alliance was largely inspired by the World Economic Forum's programme of designing African growth corridors, including plans for the Southern Agricultural Growth Corridor of Tanzania (SAGCOT), unveiled in 2010. The New Alliance agreement developed by USAID in 2012 describes SAGCOT as, "a model for inclusive and strategic collaboration among government, donors and the private sector".

While politicians and large investors were expanding SAGCOT into the New Alliance, many development experts were concerned or even alarmed by the project's land impacts. The World Bank assessment of SAGCOT released in 2013 classified the corridor project as 'high risk' due to:

*"The presence of vulnerable groups and indigenous people, the absence of regional land use planning and lack of awareness/recognition of village land use plans (and the associated risk of social conflict arising from this)."*<sup>29</sup>

A 2013 environmental assessment of SAGCOT by a USAID consultant warned that:

*"The development of larger agricultural enterprises on the highest potential land for irrigation may push smallholder farmers onto marginal uplands, causing further forest loss and degradation in upstream watersheds."*<sup>30</sup>

All land in Tanzania technically belongs to the government, but 70% is 'village land', allotted to farmers by village assemblies. Another 28% is reserved land, consisting of protected areas and parks. Only 2% of land is 'general land', which may be held by private individuals or companies with long-term leases from the government.<sup>31</sup> The Tanzanian government's goal with SAGCOT is to transfer over a quarter of village land into the hands of investors, so that the share of general land rises to 20%.<sup>32</sup>

EcoEnergy Bagamoyo Ltd is 100% owned by AgroEcoEnergy Tanzania, which is 93.5% owned by EcoEnergy Africa AB, which in turn is owned by EcoDevelopment in Europe AB. Five percent of the remaining ownership of AgroEcoEnergy Tanzania is in the hands of the Tanzanian Petroleum Development Company (TPDC), and a further 1.5% is owned by the Community Finance Corporation Ltd (CFC). TPDC is 100% owned by the government of Tanzania. CFC is owned by three Tanzanian businessmen.<sup>33</sup>

The EcoEnergy project picks up where a similar attempt left off. From 2006 to 2009, the Swedish ethanol company, SEKAB, was the subject of considerable public criticism, especially in Tanzania and Sweden. In

2009, SEKAB applied for loan guarantees from the Swedish International Development Agency (Sida) for two biofuel projects in Bagamoyo and nearby Rufiji district, but these were rejected as likely to be harmful to the environment and to small-scale food producers.<sup>34</sup> EcoEnergy then bought the plans and investment licence from SEKAB to form the basis of its own project. SEKAB maintains an agreement with EcoEnergy in which the former has the right and obligation to purchase ethanol from EcoEnergy when an excess is produced that is not absorbed by the Tanzanian market.<sup>35</sup> This will most likely be the case, as the government of Tanzania announced in 2013 its intention to develop 15 large sugar plantations in addition to EcoEnergy's, and to move from being "a net importer to a large net exporter of sugar, supplying close to four million tons to the international market" by 2020.<sup>36</sup>

The people affected by EcoEnergy's project are mainly poor smallholder farmers, each with a few acres of land growing staple crops such as maize, rice and cassava and fruits such as bananas, oranges and mangoes. There are also around 70 pastoralists – with over 3,000 cattle and 650 goats – who use the land to freely roam and sustain their herds – a way of life that goes back thousands of years.<sup>37</sup>

The majority of the people affected by the project live in and around the former Razaba farm, the main land area acquired by EcoEnergy. **In the first phases of the project, approximately 1,300 people will lose some or all of their land and/or their homes. Some 300 people will be physically displaced, while households comprising approximately 1,000 people living outside the project area will lose farmland within the former Razaba farm.**<sup>38</sup> Further displacements will occur in Gama Makaani, in which ActionAid estimates that hundreds of people could be affected (see section on the former Razaba Ranch).<sup>39</sup> Those physically and economically affected are being offered compensation in cash or in alternative land. Those to be resettled have been offered training on alternative livelihoods at the company's expense.

EcoEnergy states that, "the project aims to become a role model and an engine for sustainable environmental and social development in the region".<sup>40</sup> It claims that the project will directly employ around 2,000 workers, benefit 1,500 outgrowers, create 11,000 –15,000 new jobs indirectly, and inject US\$45 to \$50 million a year into the local economy.<sup>41</sup> The Tanzanian government also remains a strong supporter of the project and argues that it will bring substantial benefits for the local communities and the country as a whole. It also argues that the project is able to displace people from the former Razaba farm because it is government land, provided that compensation be paid in accordance with performance standards of the International Finance Corporation and the African Development Bank, to which the project is bound.

However, ActionAid's research and analysis challenge these and other claims and highlights numerous problems with the project, including opposition to the project by community members as described in the following sections.



## Chapter 2: Livelihoods up for grabs



**Anza Ramadhani**

PHOTO: ADAM WOODHAMS/ACTIONAID

### Case study: Anza's story

EcoEnergy organised consultations with communities living on the former Razaba farm. However, testimonies from women and men living in the area show they have not been offered the choice of whether to be resettled or not. They also lack guarantees about key issues in the resettlement process or employment opportunities. Anza Ramadhani, a 51-year-old farmer, explained the consultation process in August 2014 to ActionAid:

*"The land is my home; it means everything to me. This is where we live, this is where I gave birth to my children, this is where I plant my crops and keep my animals – for all these years, it has been my family's livelihood. It is all I have.*

*"It was in 2010 that we first heard about the sugar plantation project. We were told it would bring lots of benefits to our community. Life is not easy and we started to look forward to change. I thought the village might benefit from the investment.*

*"We were told that we would be resettled and get compensation. I got a document promising me compensation. I kept it very well – I know this is my proof for being entitled to compensation.*

*"We never had a chance to influence the decisions concerning our land and future. There has been no transparency whatsoever. We don't know if we will be resettled, where it will be or if we will be compensated. We don't know how much the compensation will be or if it will be at all.*

*"They said there would be employment for all men and women but we never got a guarantee, only verbal promises. So far, nothing has happened except that people are still waiting. Everything is at a standstill. The youth are still unemployed and we are all living in a limbo not knowing at all what the future will bring. The resettlement was supposed to happen in September 2012. They keep on pushing the date. We have no say to all of this. **It is like we are up for grabs.**"*

The EcoEnergy project constitutes a land grab according to the internationally agreed definition (outlined in Box two below), as the land acquisition process disregards the principle of free, prior and informed consent, and is not based on transparent contracts specifying clear and binding agreements about activities, employment and benefit-sharing.

**Box two: Defining a land grab**

The Tirana Declaration, endorsed by the International Land Coalition – with participation from NGOs, indigenous and farmers' organisations, UN agencies and the World Bank – defines land grabbing as involving one or more of the following:

- (i) In violation of human rights, particularly the equal rights of women.
- (ii) Not based on free, prior and informed consent of the affected land users.
- (iii) Not based on a thorough assessment, or in disregard of, social, economic and environmental impacts, including the way they are gendered.
- (iv) Not based on transparent contracts that specify clear and binding commitments about activities, employment, and benefits-sharing.
- (v) Not based on effective democratic planning, independent oversight and meaningful participation.<sup>42</sup>

It is of particular importance that the Tirana Declaration called for the principle of free, prior and informed consent to be applied to all affected land users. Free, prior and informed consent (often referred to as FPIC) has emerged in recent decades as an international human rights standard that derives from the collective rights of indigenous people to self-determination and to their lands, territories and other properties. However, the International Land Coalition and a number of other civil society organisations with extensive experience of large-scale land investments consider that FPIC should be extended to all affected local communities.<sup>43</sup> A number of multinational corporations such as Coca-Cola, PepsiCo, Nestlé and Unilever have all pledged to carry out FPIC with all affected local communities throughout their supply chains,<sup>44</sup> and the recent UN Food and Agriculture Organization (FAO) Technical Guidance on FPIC says many private sector-related voluntary standards – such as the World Commission on Dams, the Forest Stewardship Council and Roundtable on Sustainable Palm Oil – all now require that companies obtain FPIC from both indigenous and local communities prior to proposed large-scale land deals.<sup>45</sup> Similarly, the African Commission on Human and People's Rights issued a resolution in 2012 calling on States to ensure local participation and FPIC for all communities involved in natural resource governance issues and associated land-related cases.<sup>46</sup>

What FPIC entails is defined in recent UN guidelines:<sup>47</sup>

- 'Free' refers to consent given voluntarily and the absence of coercion, intimidation or manipulation, and is a process that is self-directed by the community from whom consent is being sought.
- 'Prior' means that information must be provided and consent must be sought sufficiently in advance of any authorisation or commencement of activities, and that the time requirements of right-holders' consultation and consensus processes are respected.
- 'Informed' refers mainly to the nature of the engagement and type of information that should be provided prior to seeking consent, and requires that information should be accessible, transparent, delivered in appropriate languages, objective and complete.
- 'Consent' refers to the collective decision made by the rights-holders and reached through

the customary decision-making processes of the affected peoples or communities. Consent is a freely given decision that may be a 'Yes' or a 'No', including the option to reconsider if the proposed activities change or if new information relevant to the proposed activities emerges. At the core of FPIC is the right of the people concerned to choose to engage, negotiate and decide to grant or withhold consent.

ActionAid considers that the principle of FPIC is not met where any one or more of the above four elements is not met. When ActionAid communicated to EcoEnergy its analysis of the project's failure to obtain the free, prior and informed consent of local communities, the company answered that it has *"done better by following the principle of Free, Enlightened Decisions, made by the people, for the people (...) by empowering and teaching local people to generate their own options and then to make informed choices."*<sup>48</sup>

The *"principle of Free, Enlightened Decisions"* that EcoEnergy is referring to does not appear in any research or internationally agreed standards or guidelines known to ActionAid. In addition, EcoEnergy has confirmed that consultations in the main project area, the former Razaba farm, did not offer communities any choice but to give away the land they currently use and relocate to new sites. The project is proceeding according to the Performance Standards of the African Development Bank (AfDB) and the International Finance Corporation (IFC, a World Bank-backed financial institution). However, these standards do not require the securing of FPIC for all project-affected people as the Tirana Declaration does.

Residents of the former Razaba farm who are due to be displaced, and who were interviewed by ActionAid, confirmed that none had been offered the choice of whether to be resettled or not: they had only been offered a choice of whether to receive cash or in-kind compensation for being resettled. These are very different things. EcoEnergy stated that, *"this is involuntary resettlement and choices provided are not 'whether they should stay or go', but through a consultative process and a negotiated agreement of how they resettle"*.<sup>49</sup> ActionAid holds that, according to the Tirana declaration, communities in all affected areas – both the former Razaba farm and Biga West – should have been offered a choice of whether to be resettled or not.

In addition, EcoEnergy is trying to acquire a section of village land outside the Razaba farm – known as Biga West – and has been facing opposition from the people of Matipwilli, the most affected village (see section on Biga West). During the course of this research, the company indicated that people in Biga West *"will decide for themselves whether they want to move or not, and this will be based on the principle of FPIC"*.<sup>50</sup>

Furthermore, although EcoEnergy is promoting an outgrower programme, in which farmers are expected to supply sugar to the company, as one of the main benefits for affected communities, many farmers in the affected areas (Razaba farm and Biga West) are not aware of the details of this model. Thus, the proposed scheme cannot be said to be based on a thorough and informed understanding by affected communities, as required under the definition in Box two.

The project also lacks transparency; the Performance Contract (ie, the investment agreement between the company and the government) has not been made public, making it impossible for local people and others to make informed judgements on its impact on development as a whole. Furthermore, whilst there have been intimations regarding jobs, and financial projections (revenue benefits), the project does not provide any clear and binding commitments on these elements, which are crucial for affected communities. These issues are among those that EcoEnergy should have addressed in this project. Since the company is planning to displace a number of households and affect the livelihoods in and around the project area, transparency and binding commitments are necessary to ensure that the rights of the people affected are upheld.

### Box three: Impacts on women

Research by ActionAid<sup>51</sup> has shown that large-scale land acquisitions have specific negative impacts on women. Women are particularly dependent on the land they use and yet generally tend to have less secure land tenure and are often less involved in decision-making at different levels. The EcoEnergy project involves particular risks for women, some of which are recognised by the project's Resettlement Action Plan.<sup>52</sup>

In Bagamoyo district, women are the main suppliers of food for their families, meaning that their hardships with regard to land and farming are translated into food insecurity for entire communities. Women who grow food in this area generally focus on long-term (or perennial) crops, in particular fruits and cashew nuts, as an important part of their production and household food security. However, with the announcement that they may be relocated and their land given away, women were understandably reluctant to invest in crops from which they would see little return. This was stressed by Anza Ramadhani, a 51-year-old widow, who told ActionAid that she grows maize, black-eyed peas and pumpkins for her own consumption, saying "*it would be a waste to plant long-term crops*" in such a context, knowing that she may have to vacate the land at short notice.

Women living on the former Razaba farm live in uncertainty about their future and are thus unwilling to adequately invest in their small enterprises, a vital part of most families' subsistence, for fear of being soon relocated. The uncertainty is partly due to delays in the project, which EcoEnergy states are caused mainly by legal challenges (see section on Razaba farm). In order to mitigate the impact of delays in the project, EcoEnergy is funding an 'early measures' programme to support the livelihoods of those affected.<sup>53</sup>

Finally, the outgrower model could increase inequality between men and women, which would need to be further assessed by the company. Indeed, a 2008 FAO study found that, under the Swaziland outgrower project that EcoEnergy cites as the main inspiration for its own project in Bagamoyo, "women's income generating potential has been considerably reduced compared with that of men"<sup>54</sup> (see section on the outgrower model). More generally, a recent review of 24 agricultural investments in developing countries that was carried out by the World Bank and the UN Conference on Trade & Development (UNCTAD) concluded that "virtually all out-growers were men" as "only 1.5% of out-growers were women".<sup>55</sup>

## Chapter 3: The story of the former Razaba Farm



**Vincent Nawahi**

PHOTO: ADAM WOODHAMS/ACTIONAID

### Case study: Vincent's story

Vincent Nawahi is 56 years old and lives in Bozi, on the former Razaba farm. He produces maize, black-eyed peas and lentils on two acres of land and possesses four other acres of land.

*"I have lived and worked on this land for 23 years, it is my home. To me, land is a big opportunity. You depend on it for everything, you plant your crops on it and you get your food from it; the land is your life."*

*"In 2010, we were told by a group of consultants [NB: IDC Ltd, a consultant group working with EcoEnergy on the project's implementation] that our land had been given away to EcoEnergy, which would establish a large sugar plantation. The sugar plantation project would benefit us in all kinds of ways; create employment and raise the livelihood of the communities, they said. But apart from doing numerous people and property counts, photographing us, and giving us verbal promises about undefined compensation and resettlement, nothing has happened."*

*"There was no dialogue and there was no consultation. It is not that I am against investments and projects for the betterment of the community, but we would like to be consulted and have a dialogue and not end in a situation where we are forced into something which might be a dead end."*

*"Since the very first meeting, we have seen three places which the people behind the EcoEnergy project have suggested as potential places for resettlement; Kidomole, Gezaulole and Kiputike. As a farmer, you know what fertile soil is. All the areas we have seen have been places with dry and hard soil. When we raise our concerns to the consultants about the bad quality of the land their response is: 'We are working on it.'"*

*"I wish they would give written promises. A lot is being said and it is very hard to distinguish what is sincere. The information seems to change all the time. The process is not transparent at all. The other day, we were told that we would be moved to the south-western part of the former Razaba farm where the workers' quarters would be built. We would have a house at the quarters and one acre of land. What should someone like me think about that? It is like a joke to me; one acre of land instead of six acres. If this is true, I am being fooled."*

*"I have not been offered any employment; I do not meet the requirements. They came and took pictures of all the men and women in the community and issued permits for burning and selling charcoal. But I am a fisherman and a farmer; my livelihood is not in charcoal."*



ActionAid interviewed a number of residents of the former Razaba farm who are due to be displaced: like Vincent, all said that they were not offered the choice of whether to be resettled or not. They also complained about the resettlement and compensation process.

In a letter to ActionAid, EcoEnergy stressed that these processes are at different stages depending on the communities: people in Bozi like Vincent Nawahi will, for example, be displaced at a later stage and negotiations about compensation are thus still ongoing. The company recognised that these delays are causing *“anxiety and anger”* and stated that they are mainly due to the legal dispute over Gama Makaani (see below) and ongoing discussions with the government.<sup>56</sup> In addition to starting a new process to obtain the free, prior and informed consent of communities in the former Razaba farm, ActionAid believes that EcoEnergy should address the negative impacts caused by the current process.

The main project area, known as the former Razaba farm, is formally government land. As such, Tanzanian law does not require EcoEnergy to obtain the free, prior and informed consent of the residents of the former Razaba farm. As far as ActionAid is aware, the Tanzanian government has not explicitly recognised the residents of Razaba as legitimate land-rights holders. However, the project is proceeding according to the Performance Standards of the African Development Bank (AfDB) and the International Finance Corporation (IFC, a World Bank-backed financial institution) (see Box six), which require that those affected by the project before the cut-off date (date of completion of the census and assets inventory of persons affected by the project, November 2011 in this case) must be given compensation, whether they are land-rights holders or not. For this reason, EcoEnergy says that its acquisition of the Razaba land cannot amount to a land grab.

However, the Tirana declaration goes further than the IFC and AfDB performance standards in requiring companies to obtain the free, prior and informed consent of affected land users. As indicated earlier, ActionAid interviewed a number of residents of the former Razaba farm who are due to be displaced: none had been offered the choice of whether to be resettled or not. They had only been offered a choice of whether to receive cash or in-kind compensation for being resettled. EcoEnergy has confirmed in a letter to ActionAid that, ***“This is ‘involuntary’ resettlement and choices provided are not ‘whether they should stay or go’, but through a consultative process and a negotiated agreement of how they resettle and the specific provisions made for each household.”***<sup>57</sup>

This indicates that communities’ consent was not obtained according to the principle of free, prior and informed consent.

In addition, there is uncertainty, confusion and differences in perspectives with regards to the future of one of the settlements on the former Razaba farm called Gama Makaani.<sup>58</sup> Currently, the project is to displace people from this settlement. It is estimated that there were 185 households (approximately 350 to 500 people) living in Gama Makaani at the time of the project cut-off date in November 2011.<sup>59</sup> Some people living in Gama Makaani before this cut-off date are refusing to accept resettlement and initiated a legal dispute with EcoEnergy in February 2011 over what they claim is their right to the land.

Since the cut-off date, hundreds of people have moved to and sometimes bought land in the area. Some of them were unaware that the land had been leased to EcoEnergy, despite public warnings from the government, and appear to have been duped into buying land from other people. Villagers told ActionAid that approximately 700 people now live in Gama Makaani,<sup>60</sup> while EcoEnergy estimates that approximately 1,000 people moved to the area after the cut-off date.<sup>61</sup> This situation and the legal case have resulted in delays and uncertainties both for villagers living in the area and for EcoEnergy, thus creating further delays to the project as a whole.

In group discussions, some people in Gama Makaani said they understood they would be resettled outside Razaba farm and some believe promises have been made to resettle them inside it, a few kilometres away. Others believe that agreement has been reached to allow them to stay and farm their land.<sup>62</sup> Villagers expressed a variety of views, some saying they would accept resettlement with compensation or the provision of alternative land.

Following AfDB and IFC standards, EcoEnergy stated it will compensate the people who were living in the area at the time of the project cut-off date (November 2011).<sup>63</sup> ActionAid believes that the company and the government should in addition obtain their free, prior and informed consent to the project and to their intended displacement. ActionAid also advises that the cases of the people who have moved into Gama Makaani since the cut-off date should be addressed case-by-case by the government and the company with support from an independent mediator.

There are also a number of Barabaig indigenous pastoralist households living with their cattle on the former Razaba farm. EcoEnergy informed ActionAid it has temporarily allocated 2,400 hectares of land so that the pastoralists can continue to graze their cattle.<sup>64</sup> However, these people have not been given permanent land rights. The company could thus still expand its operations to that area in the future, a move that could be necessary for its operations, according to local sources. In such a case, EcoEnergy indicated that the pastoralists would be relocated and that it would pay for the replacement of necessary infrastructure (such as a dam and cattle dip).

#### **Box four: Pastoralists in Tanzania**

Tanzania is home to over half a million indigenous pastoralists, including Maasai and Barabaig. In many areas, pastoralists' rights to seasonal grazing areas are not recognised, and they do not have adequate land to maintain their indigenous culture and livelihoods. There can also be competition for land between smallholder farmers and pastoralists. Because of the competition for land within the SAGCOT region, pastoralists who lack land rights have been pushed into areas designated for environmental protection, where the government has not provided them with adequate support for many years. In 2012 and 2013, the state of Tanzania evicted pastoralists in the Kilombero district, during which time nearly 500,000 cattle were reportedly seized.<sup>65</sup>

## Chapter 4: The story of Biga West

EcoEnergy is also seeking to acquire the use of some land in Biga West, outside the former Razaba farm. This acquisition remains controversial, because it is legally village land,<sup>66</sup> disputed between two neighbouring villages – Fukayosi and Matipwili. There is contradictory information about the historical status of the land over time. The project's Environmental and Social Impact Assessment (ESIA) states that the company will lease 21,555 hectares of the Razaba farm “plus an additional 2,000 hectares in an ‘adjacent village’”<sup>67</sup> and all company maps include Biga West as part of the project area.<sup>68</sup> EcoEnergy's website says:

*“In 2008, the Razaba land was demarcated as the bulk area for the project as well as some adjacent land of Fukayosi was agreed through the village assembly of Fukayosi to become project land. It was formally declared as project land according to international standards in November 2011. The land title with a 99-year lease was formally issued in May 2013.”<sup>69</sup>*

However, the land title issued to EcoEnergy in May 2013 – which the company has shown to ActionAid – refers to the former Razaba farm only, not to Biga West. When asked about this contradictory information, EcoEnergy said it had not yet secured the full agreement of local villages to the leasing of the land in Biga West.

Local sources confirm that district officials in the area agreed to change the designation of Biga West from ‘village’ land (ie, managed by villagers) to ‘general’ land (ie, managed by the government), based on an agreement made in 2011 with Fukayosi villagers but without consultation with Matipwili villagers. Fukayosi villagers accepted the proposal to allocate 2,000 hectares of land to EcoEnergy on the basis of certain conditions, most of which have not been fulfilled.

The available information indicates that the people of Fukayosi do not want to use this land. However, it is a key resource for people in Matipwili, because their village centre is closer to it, and they want to continue using the fertile area near the river for their crops. Following opposition from the people in Matipwili, the company has not completed the acquisition from Fukayosi as originally intended. Instead, since 2012 the company and local authorities have engaged in the dispute between Fukayosi and Matipwili in order to reach an agreement that will enable EcoEnergy to use at least part of Biga West. The company told ActionAid that it will obtain the free, prior and informed consent of both communities through a Village Land Use Planning process that has been underway since 2013.<sup>70</sup> EcoEnergy added that it now only intends to use two-thirds of the land in Biga West in a parcel that is largely unused and away from the river, and that all residents will stay in Biga West, indicating that some may be resettled within the area.<sup>71</sup>

However, interviews conducted with farmers in Biga West in 2014 and 2015<sup>72</sup> revealed that many were still poorly informed about the consultation process (see Huba's story below) and that no agreement has been reached between Fukayosi and Matipwili on the villages boundaries and EcoEnergy's land use plans. In addition, although Tanzania's Village Land Use Planning process may facilitate communities' free, prior and informed consent, it may not guarantee its full realisation. Indeed, a recent land tenure assessment by the US Agency for International Development (USAID) criticised the Village Land Use Planning processes for setting a prior goal of transferring land away from villages to the category of ‘general land’ for lease to investors.<sup>73</sup>

ActionAid believes that the consultation process with Matipwili regarding Biga West runs the risk of not respecting the principle of free, prior and informed consent, because EcoEnergy and local authorities entered into these consultations claiming to already have acquired the rights to the land from Fukayosi. ActionAid recommends that a process of securing the free, prior and informed consent of villagers affected by the proposed acquisition of Biga West begin again, led by independent consultants who are not paid by the company. In addition, the company should be transparent with all stakeholders about the status of the land acquisition process in the area.



**Huba Uzageni**

PHOTO: ADAM WOODHAMS/ACTIONAID

#### Case study: Huba's story<sup>74</sup>

Huba Uzageni is 39 years old and has five children. She and her husband grow rice, beans and tomatoes as cash crops on four acres of land that they got in 1991 from the village council. Huba explained her understanding of the process to ActionAid in August 2014:

*"We depend on the land for everything. If we did not have the land, we would have nowhere to farm and we would have nothing to eat. We wouldn't be able to afford the children's education. When we got the land it was bush land,*

*we have developed it to what it is today, farmable land.* **How can I express my feelings about my land? It is like my child, or my parent or my livelihood.**

*"In my understanding, when projects like EcoEnergy's start and when the village ultimately will have to give up its land, the first thing that should take place is a dialogue between the community and the investor. The village members will have to be positive about the project before anything else can happen. If the members are positive and it is testified in the village assembly minutes, then the case may go to the village leaders and from there to the local government. When they understand that, the villagers can either accept or refuse.*

*"When I first met the group of consultants that work for EcoEnergy, they said they would build a sugar plantation that would give employment and a number of other benefits for the community. They promised to build a clinic and a new village office. They also said they would pay compensation for the appropriated land or resettle us. Their verbal promises have never been backed up by written agreements.*

*"During a meeting with the village leaders and EcoEnergy, we were told that we would be allocated three acres of land. We went to see the land, but the land they offered can only be used for sesame that can only be harvested one time per season. For me to say yes to this land, it is not a plan A or B, more like plan D or Z."*

EcoEnergy stated that the planning process which started in 2013 is participatory and that people "will decide for themselves whether they want to move or not, and this will be based on the principle of FPIC".<sup>75</sup> Yet local sources and testimonies from Huba and other farmers show that many are still poorly informed and/or dissatisfied by the ongoing consultation process.



## Chapter 5: Who shoulders the risks of the outgrower model?

EcoEnergy argues that the outgrower programme will be one of the principal benefits of the project to local communities and that “ordinary people from the surrounding communities”<sup>76</sup> will be able to decide if they want to be involved in the programme or not. Yet ActionAid’s analysis is that the proposed outgrower model presents potential risks which may make it unworkable for smallholder farmers living in the area.

The company seeks a guaranteed supply of 300,000 to 400,000 tonnes of outgrower-produced sugar cane per year, to supplement production on its own sugar cane estate. EcoEnergy says the outgrower programme will involve around 1,500 families and that it has identified 3,400 hectares of land for this purpose; this land belongs to local villagers and EcoEnergy does not plan to assume control of it.<sup>77</sup> The idea is to establish 25 to 35 ‘outgrower companies’ typically comprising 50 farmers, working ‘blocks’ of land of approximately 75-150 hectares.<sup>78</sup> Each farmer would contribute two hectares of land to a block farm managed by a company in which they would be shareholders (and might eventually earn a share of the profits in the form of dividends). They would also work as employees of the company to earn wages as farm labourers.<sup>79</sup> EcoEnergy recently announced on its website that the “aim for the outgrowers is to comply with the BONSUCRO production Standards” and that “a holistic environmental and social impact assessment (ESIA) will be done for the entire 3,000 ha outgrower project. In addition to that, each outgrower farm will prepare an environmental management plan, which will be in line with the overarching ESIA”.<sup>80</sup> The company has stressed that no one will be displaced by the outgrower programme, and that the area earmarked for outgrowers is by-and-large underutilised land that is being used for livestock grazing.



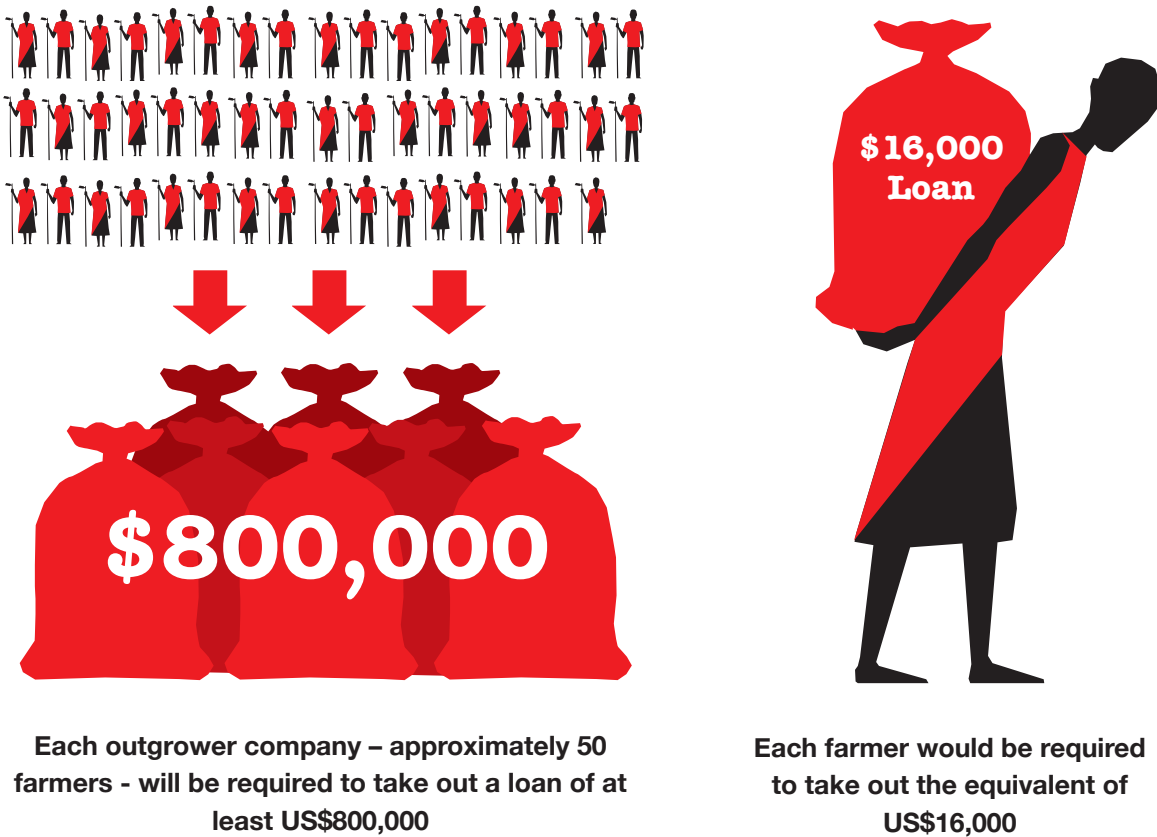
**Ally Ame and Pili Hassan Musa** in their field of cassava in Bozi, in the former Razaba Ranch. They grow maize, cassava, pumpkin, peas and pineapples on 6 acres of land, and also keep chickens.

PHOTO: STEPHANO KANIKI GOGI/ACTIONAID



Local communities in Razaba and Biga West are, however, concerned that, under this proposed scheme, each outgrower company will be required to take out a very large loan – of at least US\$800,000,<sup>81</sup> equivalent to approximately US\$16,000 per person. The minimum annual agricultural wage in Tanzania is US\$528,<sup>82</sup> meaning these loans represent a commitment of 30 times the minimum agricultural annual salary. In Sweden, this would be the equivalent of each farmer taking out a loan of US\$1.8 million.<sup>83</sup> EcoEnergy told ActionAid following our questioning that the size of these loans is “subject to investigation” by the company, the government, the African Development Bank and the International Fund for Agriculture Development (IFAD).<sup>84</sup> A representative of IFAD indicated to ActionAid that the Fund is indeed looking at existing outgrower schemes such as the Kilombero Sugar Company Limited, in central Tanzania, to ensure that best practices are applied and that negative impacts are prevented or mitigated.<sup>85</sup>

**Outgrower company loan**



ActionAid considers that the loans could be even more risky for poor smallholder farmers if they need to use their land as collateral – as is often the case in rural Africa for smallholders whose main asset is their land. EcoEnergy has indicated that smallholders will not have to use their land as collateral because the supply contract would be used as collateral by outgrower companies, “with the bank entitled, even forced, to operate the farm in order to redeem the loan”.<sup>86</sup> However, ActionAid believes that could entail risks such as banks demanding high interest rates to cover their risks, which could greatly reduce prospects for outgrowers’ returns, or even the take-over of the outgrower companies by banks, as EcoEnergy itself suggests.

Just as problematic, it will take at least seven years for the outgrower companies to pay back their loan and make a profit, according to EcoEnergy<sup>87</sup> and IFAD.<sup>88</sup> EcoEnergy pointed out that *“farmers will have the opportunity to negotiate with their bankers the terms of the loans, who may agree to pay small dividends at the expense of longer payback times”*.<sup>89</sup> Until loans are repaid, the only earnings for farmers will be from farm labour, at wage levels set by each company (in the absence of any dividend entitlement that may be agreed by the banks) and which are likely to be low since minimum agricultural wages in Tanzania are only US\$44 a month.<sup>90</sup> ActionAid considers that the outgrowers are likely to have little bargaining power in obtaining loans from the banks and in setting the price at which they sell their sugar to EcoEnergy, as they will confront a virtual monopsony – a market with only one plausible or very dominant buyer.

Given these risks, there is a danger that farmers could later lose their land and be replaced by those with more capital, or by EcoEnergy – which could eventually take over the land. ActionAid Brazil observes that mechanisation in sugar cane farming often increases to the point where companies use little labour and expand by leasing small farms and then taking over operations. Once enough neighbours begin to rent land to a company it becomes untenable for other community members to live within a sugar cane plantation, due to the use of agro-chemicals and other cultivation practices, as well as the loss of important social relationships.<sup>91</sup>

#### **Box five: EcoEnergy's position on risks associated with the model**

The information provided by EcoEnergy to ActionAid outlines that: *“To support the outgrower development project, it will be necessary to provide bulk infrastructure such as roads, electricity supply, canals and dykes. These infrastructure plans will form part of the village development plans being undertaken by villagers themselves. They will decide where this should be located and they will have to ensure that people who may be adversely affected by bulk infrastructure activities are properly consulted and compensated.”*<sup>92</sup>

EcoEnergy also recognises that its model entails risks for the people who will participate in it and informed ActionAid that, *“with opportunity comes risk. We should not fear risk but learn to manage it. (...) The project is trying very hard to (1) reduce the size of the loans by arranging for grants, concessionary finance, lines of credit and financial guarantees, (2) reduce the risk by working with financial institutions and government to ensure that there are safety nets, (3) improve people's capability to manage risk by an extensive capacity building programme.”*<sup>93</sup> The company later stressed that it has *“purposely sought out and followed the thinking underpinning one of the most successful community outgrower development initiatives in Africa (...), the Komati Downstream Development Project,”* a large-scale agricultural project completed in Swaziland.<sup>94</sup>

However, a number of independent studies of the Komati project have noted several negative impacts on local communities. A 2008 FAO review of Komati since its inception in 2001<sup>95</sup> found that farmers' food security had been reduced: *“Most of the land, especially the most productive land, has been allocated to sugar cane production, significantly reducing the amount of fertile land available for other crops, including main staple crops such as maize.”*

Farmers were quoted as being dissatisfied with the allocation of land to crops, and with the lack of land and irrigation water for other crops besides sugar cane. The report continued: *“Another issue*

*raised by the farmers was the potential land use conflict created by the extremely limited portions of land available to each family both as living space and for growing crops other than sugar cane. This limited land availability is extremely problematic, especially for new generations.”* The FAO study also noted that, *“women’s income generating potential has been considerably reduced compared with that of men,”* since most men have claimed back land they previously allocated to their wives, and backyard gardens have been turned into farmland.

A 2012 study of sugar farmer associations in Swaziland<sup>96</sup> found, on the one hand, that profits for outgrowers participating in the Komati project and one other irrigation project in Swaziland were much lower than expected due to a changing economic environment. Many growers were saddled with high debts and were not making any profits, leaving them *“working for the financier”*: *“In these cases, people appeared to regret abandoning their previous livelihoods of maize and cotton growing for the promises of sugar cane, a business in which they were now locked in.”* On the other hand, the study found that opportunities had been created to lessen dependence on rain-fed crops, and that food security had been enhanced. Another benefit was the creation of jobs in the sugar cane fields, though these workers earned only around US\$4.26 a day.

EcoEnergy states that all outgrower companies participating in the Komati project have repaid their loans and that *“abject poverty and food insecurity have been eradicated and the people and communities are thriving”*.<sup>97</sup> The impacts on food security are, however, criticised by the most recent independent study on the Komati project,<sup>98</sup> which concludes that after six years farmers have been made *“worse off”* as a result of the outgrower scheme and that, *“this project does not contribute towards poverty alleviation, but in fact adds to the struggle of life in rural areas”*. The key problem is, *“having to hand over their land for sugar cane cultivation, costing them not only their freedom to use their land but also the ability to ensure an adequate level of food security at home”*. Food security is thus deemed by this study to be a pressing problem due to farmers’ concentration on cash crop cultivation.

People who are to be resettled from the former Razaba farm interviewed by ActionAid said they do not know the details of the outgrower programme. EcoEnergy stated in a letter to ActionAid that *“the outgrower programme is well known in the target villages”* that have been earmarked for the programme and that *“only when the households will have a clear understanding on the outgrower programme, will they make their own decisions”*. The company, however, added that *“the fact that not all farmers in the area at the moment know in detail about this programme has to do with management of expectations, we have been engaging at a village leadership level and with those that are early adopters of the process”*.<sup>99</sup>

Detailed information on the outgrower programme is critical for all the people living on the former Razaba farm and in Biga West, since those to be resettled stand to lose most from the project’s immediate impacts but, under EcoEnergy’s reasoning, might gain most from being outgrowers if they wish to participate in the project. Aside from basic information on the company website, ActionAid is not aware of written material in the public domain or made accessible to the communities about the outgrower model. Without this kind of information, communities in the affected areas cannot possibly assess whether the outgrower programme will be positive for them or if its risks are too high – meaning that free, prior and informed consent has yet to be demonstrated in the case of the outgrower programme.

**Box six: EcoEnergy's position on risks associated with the model**

In order to receive a loan and concessional funding from the African Development Bank, the project is meant to be conducted in accordance with the Performance Standards and policies of the AfDB and the International Finance Corporation (IFC, a World Bank-backed financial institution); EcoEnergy's website states that the company is *"fully complying"* with these.<sup>100</sup> ActionAid has not assessed the whole project against these standards and accordingly does not express any view as to whether they have been met in detail. However, ActionAid considers that these standards have not been met in relation to the outgrower programme.

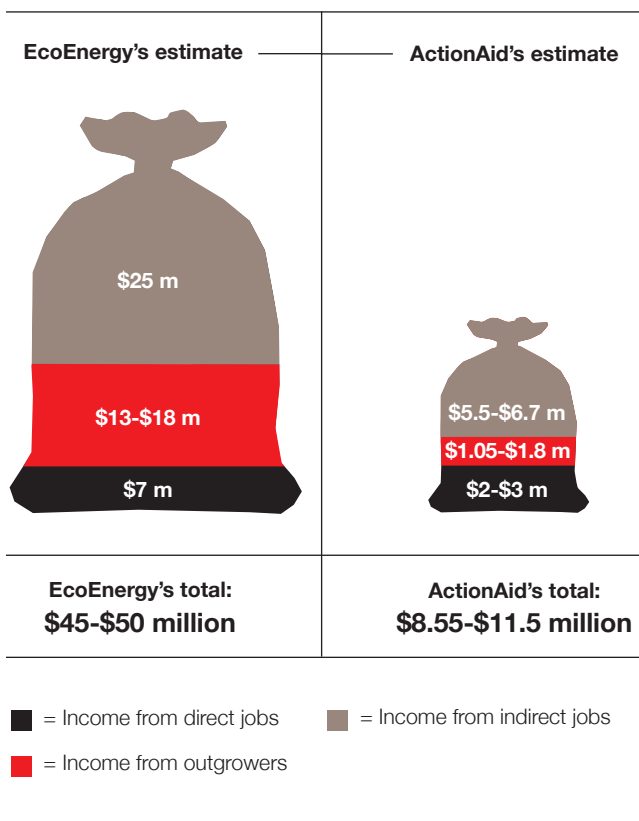
For example, the IFC's Performance Standards require a company to provide affected communities with, *"access to relevant information on... any risks to and potential impacts on such communities and relevant mitigation measures."*<sup>101</sup> The standards also require a company to conduct, *"an informed consultation and participation process that... will result in the affected communities' informed participation"*.<sup>102</sup> Some of those affected by the project have few if any details of the outgrower programme, as noted above.

Similarly the African Development Bank's Involuntary Resettlement Policy requires that *"all stakeholder groups will be involved at an early stage in the project design"*, and that they should be *"fully informed, consulted and effectively involved at all stages of the project cycle"*. Indeed, the Bank's standards state that, *"the resettlement plan should include an explicit public information strategy"*.<sup>103</sup> Yet ActionAid's research shows that many local people, including those to be displaced, have not been adequately consulted or informed about the nature of the outgrower programme.

## Chapter 6: Smoke and mirrors

A further problematic feature of the project is that EcoEnergy’s presentations and material contain questionable claims concerning the likely financial benefits of the project. Indeed, there are no independent means by which those to be affected by the project can evaluate the claims.

### Estimated annual revenue for the local economy



EcoEnergy claims that the project will inject US\$45 to \$50 million a year into the local economy: US\$7 million from direct jobs, US\$13-18 million in gross income for outgrowers, and US\$25 million from indirect jobs.<sup>104</sup> EcoEnergy told ActionAid that these figures are a “best guess” but likely to be “conservative” based on “the feedback we have from other engaged experts”.<sup>105</sup> Yet these figures would seem to be very optimistic. For instance, the US\$7 million revenue from direct jobs amounts to an average annual salary of US\$3,043, yet the majority of jobs will be casual labour-based roles that actually attract much lower salaries: the minimum yearly agricultural wage in Tanzania is US\$528.

In addition, the US\$13-18 million income for outgrowers is based on EcoEnergy’s estimate of the sugar price they will pay to outgrowers being US\$45/tonne. However, this price has only been suggested by EcoEnergy and could be far less. For example, the price paid by Kilombero Sugar Company Limited to outgrowers at Kilombero, in central Tanzania, is currently US\$35/tonne.

ActionAid’s analysis, based on the limited figures available, is that the gains to the local economy could be between US\$8.55 million and US\$11.5 million a year, mainly as a result of the direct jobs (approximately US\$2 to 3 million) and the indirect jobs (approximately US\$5.5 to 6.7 million) created by the plantation and the wages from the outgrower model (approximately US\$1.05 to 1.8 million). This does not, however, take account of the losses from resettlement or other risks associated with allocating land to outgrowing.

EcoEnergy has stated in some of its presentations that the government will have a 25% ownership interest in the project. The information ActionAid accessed reveals that for the first 18 years of the project, the government’s share will be 10%. The 25% stake begins only in year 19. **Some other company presentations state that it will pay 30% corporate income tax, failing to disclose that EcoEnergy has actually been granted a 10-year tax holiday.**<sup>106</sup>



The project's Performance Contract has not been made public so far, so the fiscal and other details are not formally known.<sup>107</sup> ActionAid researchers asked the African Development Bank, the main financial backer of the project, if it could share any revenue projections. It responded that it was, "*bound by a confidentiality agreement with the sponsors*", and advised that, "*EcoEnergy is better placed to share the information*".<sup>108</sup> ActionAid asked EcoEnergy and the government whether they could make the Performance Contract public, but they have declined to do so thus far.

The available project material does not specify what contractual/legal safeguards or obligations the company has towards the local community. ActionAid is not aware of any formal commitments to provide a certain number of jobs at specified salary levels, for example. This means that the company would be free to pay low wages, greatly reducing its contribution to the local economy. Neither is ActionAid aware of commitments to pay outgrowers certain prices or to buy from them over the medium term. It is also unclear what obligations the company has for delivering on the commitments made in the Resettlement Action Plan. ActionAid's understanding is that the African Development Bank can withhold money if the Resettlement Action Plan is not fully implemented, but the Plan itself does not specify this.



**Shabaan Kasanula** is a hamlet elected chair in the former Razaba farm. During an interview in March 2015, he said to ActionAid "At the beginning we were happy to hear the investor is coming because we thought we would get development. But now it is 2015 we have not seen anything. We are not happy anymore."  
PHOTO: DANIEL HAYDUK/ACTIONAID



**Jumanne Salum Waziri**

PHOTO: ADAM WOODHAMS/ACTIONAID

**Case study: Jumanne's story  
(August 2014)**

*"Land is vital. People in the rural areas depend on land to survive and to take care of their children. It is for children's sake that we create awareness on people's rights to land.*

*"I have participated in many meetings with EcoEnergy. The company's plans and intentions are good in theory but not so good in practice. There are a number of unclear issues: there is lack of transparency as many people do not know where they will be resettled, what the compensation will be, when they will get it and how their lives will unfold.*

*"There are lots of verbal promises but no concrete written agreements with the communities about compensation and resettlement, meaning the investor can change its plans without any consequences. It leaves the community vulnerable to the company's will.*

*"The local government did not adequately prepare the people for the project; it did not give all the required information about the advantages and the disadvantages of it. For such a big project, it should have prepared communities, ensured transparency and made sure that all the promises were written down and legally binding so that the communities could hold local government accountable."*

Although EcoEnergy and the government conducted consultations with the people to be displaced or affected by the project, this research shows that many people are questioning the consultation process. Furthermore, the project does not appear to provide any clear and binding commitments about activities, employment and benefits-sharing.

## Chapter 7: A case for alternatives

After a careful evaluation of all the available information, ActionAid strongly believes that the problems currently associated with this project, if allowed to continue, will far outweigh benefits for local communities. EcoEnergy has taken steps to initiate training and alternative livelihoods programmes for those to be resettled. The company is also facilitating substantial infrastructure investments (power lines and roads, for example) as part of the outgrower programme. Yet, this project is also dispossessing many households without their informed consent and failing to offer adequate alternatives. It is likely to concentrate project benefits mainly into EcoEnergy's hands, with potential benefits accruing to the government only in the long run.

A key issue is whether EcoEnergy's use of the former Razaba farm is actually the best use for this area, some of which is currently being used productively by both farmers and pastoralists and could be further developed for their needs. The presence of the Wami River means that this land could be irrigated for improved agricultural production provided that public investment and support from the government's extension services were forthcoming.

The presence of landless pastoralist households and the growth of the settlement of Gama Makaani on the former government farm demonstrate the demand for land in the area. Many smallholder farmers and pastoralists in Bagamoyo district would increase their food security if their land rights were recognised and if they were provided with adequate infrastructure to support their livelihoods.

Obtaining government and donor support for smallholder irrigation should be possible. For example, a major component of USAID's Feed the Future programme in the SAGCOT region is intended for irrigation projects. Most of this money has not yet been disbursed<sup>109</sup> because most of the large-scale rice irrigation projects planned within SAGCOT for both large companies and smallholder farmers were revealed to be in environmentally sensitive areas and to pose significant land tenure risks for local small-scale land users.<sup>110</sup> These projects are currently being reassessed, but other projects where smallholders are already farming would have lower risks. The government and donors might consider smallholder irrigation projects at the Razaba site and surrounding villages.

The Tanzanian government is encouraging big foreign investments in agriculture, as exemplified in its support for the New Alliance and SAGCOT. In 2013, the UK government funded the Tanzanian Big Results Now planning process, which created a new agricultural plan building on the New Alliance. This plan calls for fast-tracking the EcoEnergy project and 15 additional large sugar cane plantations, likely for biofuels export, along with the establishment of large-scale plantations for rice, a crop that is well known to be suited to smallholder production.<sup>111</sup>

ActionAid is not opposed to foreign investment in agriculture, but believes that both the overall strategy and the details of such investments make the difference between small-scale food producers benefitting or not. **Farmers must be empowered by being enabled to give their Free, Prior and Informed Consent to projects, and they must also be supported by the government, especially through significant public investments.** Until the recommendations below have been met, the development of the former Razaba farm and Biga West will not benefit local communities substantially and may adversely affect others. ActionAid believes that communities should not only have the right to say 'yes' or 'no' to a project that has direct impact on their lives and livelihoods, they should also be able to have access to independent technical support and to consider multiple alternatives for economic development.

## Recommendations

### **The government of Tanzania should:**

- Suspend the project and conduct a new process of consultations that respect the standard of free, prior and informed consent, with particular attention to women's participation and rights. This would include the opportunity for communities to: accept or refuse resettlement, reconsider different forms of compensation, discuss different outgrower models and to 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 and detailed alternative development propositions.
- Appoint an independent mediator to address the claims of the people who moved into Gama Makaani after the cut-off date.
- Make public the project's Performance Contract and ensure that it contains binding commitments on the financial and social benefits.
- Subject EcoEnergy's claims regarding the financial benefits of this project to a process of independent scrutiny.
- Above all, seek to promote land management systems and models that respect the legitimate land tenure rights of users, in particular women, and guarantee the social, environmental and human rights responsibility of the investments.

### **EcoEnergy should:**

- Comply with the above recommendations.
- Make public all financial obligations, projections and safeguards to affected communities and those who may be engaged in the outgrower scheme.
- Make public the land use and development plan developed by a consultant hired by EcoEnergy for Matipwili.

### **The African Development Bank and the International Fund for Agriculture Development should:**

- Make public loan details for this project.
- Establish an adequate mechanism to monitor this project and ensure that public-facing material concerning the project is accurate.

### **Governments supporting the New Alliance for Food Security and Nutrition should:**

- Stop engagement in and support for the New Alliance and replace it with initiatives that genuinely support small-scale food producers and advance sustainable agriculture. This means initiatives such as the Comprehensive Africa Agriculture Development Programme (CAADP) that represent Africa's own solutions and commitments to supporting small-scale food producers, revitalising rural communities and tackling poverty whilst carrying out agriculture in a sustainable way.
- Establish and reinforce guidelines for companies involved in public-private partnerships – to prevent land grabs as well as other harmful social and environmental impacts.

**Annex: ActionAid Tanzania's work in Bagamoyo District**

ActionAid Tanzania is a registered organisation in Tanzania under the Companies Act 2002 with a Certificate of Incorporation No 81643 (23 February 2011). The organisation has been working in the country since 1998 and has had a long-term development programme in Bagamoyo district since 2004. The Bagamoyo programme was initiated after conducting a Participatory Rural Appraisal that identified challenges in agriculture and food security and land rights, women's rights, education, HIV and AIDS, justice and democratic governance.

Through the implementation of its programmes on these issues, ActionAid Tanzania has supported the building and rehabilitation of school classrooms and a girls' hostel; it has built pit latrines and water wells in the community and supplied reference books in primary schools. It has supported farmers' associations through training and procuring irrigation pumps.

Moreover, it has supported the formation of a women's network in Bagamoyo district, and organised a series of training sessions on women's rights and prevention of gender-based violence. Besides raising the awareness on the pandemic, the HIV and AIDS programmes have facilitated the formation of an association of people living with HIV and AIDS and provided support through training and the implementation of a grain mill project.

As part of its governance interventions, ActionAid Tanzania has provided training to community development facilitators on social accountability, monitoring and public expenditure tracking systems. It has also created community circles for effective lobbying and advocacy. Since 2004, ActionAid Tanzania has worked with at least 43 villages across the district.

Recognising the close link between land rights and food security, and the increasing challenges of land issues to farmers in the district, ActionAid Tanzania has been implementing the Land Accountability Programme in 25 villages since 2011. The programme involved a baseline study to identify the challenges to farmers' land rights, provided training to communities and community development facilitators, and held a series of public dialogues and a district public land hearing.



## Endnotes

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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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**Take Action:** Stop EcoEnergy's Land Grab in Bagamoyo, Tanzania  
ActionAid, March 2015