

LAND RIGHTS RESEARCH AND RESOURCES INSTITUTE

LARRRI/HAKIARDHI

By Bernard Baha Senior Programme Officer Research Publication and Documentation

THE POLITICS OF INVESTMENT IN LARGE SCALE AGRICULTURAL VENTURES; CASE OF MPANDA RUKWA TANZANIA

1.0 Introduction

Tanzania has always been a country in the spotlight over cases of land grabbing for various uses. Over the recent past there has been a lot of information in both print and electronic media of land being taken for various investment purposes. Little is known to the public of the deals the government is entering with these foreign investment companies that are eyeing Tanzania as a destination in agricultural investment. Investment in agricultural land has been a key driving force in Tanzania as a rush now has intensified in which agricultural land is being taken for various uses. An empirical study on the ground identifies three key motives for the rush; land for bio-energy purposes, food for export and carbon credit. This is taking place in different places and regions in Tanzania, of recent Rukwa region and Kigoma have joined the race in land acquisition thanks to the Iowa-based Summit Group and Global Agriculture Fund of the Pharos Financial Group, in partnership with AgriSol Energy LLC and the College of Agriculture and Life Sciences at Iowa State University and The Tanzanian arm of AgriSol Energy: AgriSol Energy Tanzania and Serengeti Advisers Limited, a Tanzanian investment and consulting firm who are currently planning to invest in agriculture in the land that is currently designated as refugee settlements in Katumba and Mishamo in Mpanda district and Lugufu which has already been evacuated in Kigoma rural district.

It is Serengeti Advisers that are key to the AgriSol Energy LLC decision to choose Tanzania as its investment destination over Kenya and Mozambique. According to Mr. Bertram Eyakuze, who is currently serving as AgriSol Tanzania Ltd CEO¹ Serengeti Advisers' primary role is to advice investors on how best they can invest in the country and for the best interest of both Tanzanians and the Investors. For the purpose of AgriSol, Serengeti Advisers have assumed lead role and used their resources to make sure that advanced and highly mechanized agriculture is used in Tanzania for consumption of Tanzanian and foreign market. This is in line with the National *Kilimo Kwanza* initiative which was promulgated in 2009. Through *Kilimo kwanza* the private sector is being encouraged to enter into production with a view that as a nation we need capital, technology and skills to transform the agricultural sector. Private sector is therefore being mobilized to take part in the sector that has long been neglected.

¹ Personal interview with Mr Betram, Abdu and Omar of Serengeti Advisers at Sea Cliff Hotel over the issues concerning AgriSol investments in Tanzania

HAKIARDHI in collaboration with Tanzania Land Alliance, Tanzania Bio-Energy Forum (TABEF) made a follow up visit to Mpanda to explore the nature of capital investment taking place in Rukwa and Kigoma and the socio-political implications for the peasantry in the area. In this briefing report a highlight of the findings on the basis of the objective and specific objective is given, specifically on the nature of the process of land acquisition and the response from different actors on the ground. This brief is limited only to Mpanda district where the team managed to visit two settlements planned to be used for investment after the resettlement process of the refugees and now newly naturalized Tanzanians in Katumba and Mishamo.

2.0 The politics of capital investment in Mpanda district

2.1 AgriSol Energy and its quest for investment in the area

The story of AgriSol Energy LLC is incomplete without deducing the role of a young Tanzanian who spent over 10 years in America, in his submission to the LARRRI/HAKIARDHI (Land Rights Research and Resources Institute) team Mr. Bertram who is now the CEO of AgriSol Tanzania Ltd was approached by colleagues in America who wanted his advice over investment opportunities in Africa and linked him with AgriSol Energy LLC a company which is among the biggest agricultural investor in America. According to Mr. Bertram three countries in Africa were given priority for agricultural investment, due to the following criteria; Favorable climate, fertile soil, and political stability and on this benchmark at the time Tanzania, Kenya and Mozambique were considered as the only African countries that can be accorded investment by AgriSol. At latter stage it is Tanzania that was selected fulfilling the adage that charity begins at home. After these considerations, negotiation took off between AgriSol and government agencies as to which land can be used for investment. The claim that Tanzania has large pieces of land was unrealistic since the government couldn't locate or prove the existence of unused land. It was at this negotiation the idea to use Refugee Camps that were to be evacuated after resettlement and repatriation process geminated, this Idea found favor of the government and the investors. Earlier to this, land owned by National Service, Prisons and some of the defunct government plantations and Ranches were in the mind of negotiators.

AgriSol Energy LLC and its sister company AgriSol Energy Tanzania Ltd whose share is 25% draw much of their investment objectives from the Kilimo Kwanza initiative drive whose main thrust is agricultural transformation. In his press release AgriSol Tanzania Chairperson Iddi Simba², states that the company intents to create large-scale agriculture zones that; help stabilize local food supplies and bring lasting food security to our country; create jobs and economic opportunity for local infrastructure improvements; spur investment in local infrastructure improvements; develop new markets for our agricultural products; and attract investment in related businesses. This is corroborated by the statement from Rastetter³ AgiriSol Energy LLC CEO who says the project will show how the use of high-quality seeds, machinery and chemicals

² Simba, I.S, Press Release on behalf of AgriSol Energy Tanzania Limited, 6th July, 2011, p. 1

³ Iowa agribusiness investor Bruce Rastetter is leading a project to turn as much as 800,000 acres of land in the east African country of Tanzania into a massive grain-and-livestock operation. Extracted from (www.organicconsumers.org/farm.cfm) accessed on 27th July, 2011. In a direct conversation with Philip Brasher, Well-known D.C.-based agriculture reporter

common to U.S. agriculture can dramatically increase food production in Africa and improve the livelihoods of local, poor farmers.

2.2 Land grabbing or investment venture?

AgriSol plans to invest in the area has attracted wide attention both within and outside Tanzania⁴. It has been defended by the top leadership of the country and some members of the parliament as a right investment venture that will benefit the local communities and contribute in transformation of agriculture in Tanzania. Likewise it has been vindicated by supporters of investment that through this venture Tanzania is going to be self sufficient in terms of food security and it stands a chance to be a top exporter of cereals to the region and beyond apart from benefiting through technology transfer and out growers schemes that will benefit the surrounding communities that are said to also through this venture secure the market for their produce. However this position is not shared by all sections of the society locally and internationally. Like many other similar ventures this is seen as another land grab. Since the actual implementation of the investment has not yet started critics are singling out the Memorandum of Understanding (MoU) clauses as a sign that it is going to be another case of land grabbing and of course through experience of similar cases in Tanzania. In this highlight we are trying to build the case through the findings from the field and general knowledge and experience on cases of land grabbing in Tanzania and Africa in particular.

Tanzania like many other African countries have opened up its door for investment capital from within and outside, with more weight on attracting foreign direct investment. Agriculture sector has also seen its share of the same with many companies looking for ventures into food crops for export and related investments in bio-energy and carbon credit schemes involving huge chunks of land. Large-scale agricultural investments in Tanzania not only receive support from the political elite establishment, it also has its backing in the legislative frame work, in its quest for preparing conducive environment for investment the government has in place the framework that concentrates much of the decision making powers at the centre to enable easy transfer of land and where necessary acquire land for public interest, there is a framework that governs investment in general and an organ responsible for coordination of the same, Tanzania Investment Centre which apart from facilitation role manages incentives for would be investors in Tanzania.

The justification for investing in agriculture is on the basis that as a country, arable land accounts for 44 million hectares out of which 10.1 million hectares are currently under cultivation. Irrigation accounts for about 29.4 million hectares suitable for irrigation; out of which 2.3 million hectares are of high development potential and 4.8 million hectares are of medium development potential. There are many lakes, permanent and seasonal rivers and underground water sources for irrigation and other uses.⁵ It is this kind of conclusions that brings the notion

⁴ Oakland Institute (2011) Understanding Land Investment Deals in Africa; AgriSol Energy and Phalos Global Agriculture fund's Land Deal in Tanzania

⁵ URT (-) Ministry of Agriculture and Food Security; A summary of investment opportunities available in the Tanzania's Agricultural Sector

that there is plenty of unused land to be handed to private developers. In a bid to attract investors the government offers the following investment incentives package in agriculture sector: Zero-rated duty on capital goods, all farm inputs including fertilizer, pesticides and herbicides, Favorable investment allowances and deductions on agricultural machinery and implements, Deferment of VAT payment on project capital goods, Imports duty drawback on raw materials for inputs for exports, Zero-rated VAT on agricultural exports and for domestically produced agricultural inputs, Indefinite carry-over of business losses against future profit for income tax and Reasonable corporate and withholding tax rates on dividends.

The AgriSol investment is a good case in justifying that in Tanzania it is the state which grabs on behalf of the investors as opposed in other areas where land is acquired illegally. In Tanzania land commercialization is seen and taken by the political elite as the root through which modernization in the agricultural sector will take place. With the use of high-tech and modern farm implements the potential to tape much of the so called un-used or underutilized land will be realized. The Prime Minister has emphasized from time to time over the importance of investment in the agricultural sector and again building on the statement he gave in Kilombero district in Morogoro region that the government would not hesitate to take over underutilized farms from the villagers should they get serious investors, this time in the parliament he vowed to die with this venture if need be.

Findings on the ground indicate a lot of land related conflicts between peasants and pastoralists as well as between pastoralists and different government organs disputing greatly the notion that there is plenty of land in the area. Even the official statistics from the district points out clearly that arable land accounts for only 19% of total land, game reserve 18, forest reserve 59% and water bodies 4% in total reserve land accounts for 77% of land in Mpanda district no wonder that conflicts between pastoralists and game warders are rampant. Speaking to the team of researchers a leader of pastoralists' network in the area testified that in 2009 they had presented recommendation to the Prime Minister to use part of the settlement after refugees' resettlement for pastoralism as a way of resolving conflicts between farmers and pastoralists in the area until now they have not received in response only to hear that the land in question have been earmarked for agribusiness investment. There is no doubt from the very beginning that the whole process was centrally coordinated with involvement of key personalities like Ministers and the executive branch in general from central to local government. This is from the time that feasibility studies in 2008 started. The manner in which land acquisition process have been handled raises a lot of questions as to whether this is not another venture that we are paying at the expense of local communities that have equally same land demand given the pressure on land use.

It is evident that knowledge asymmetry between representatives of the people at the council level and executives did contribute very greatly to the councilors being used as rubber stamps. The fact that people could not even name who the investor is and for what purpose is a clearly indication that there was no transparent and accountability in general as even Councilors who

took part could not explain to their people fully on the investment plans in the area, at council level the District legal officer sees this as an opportunity since the government could have decided on the matter at central government level on what to do with the land. However this further raises a lot of questions; was the local government functionaries handled the land and given directives as to who is the suitable investor? Was there a choice? This form of participation is very common in Tanzania where people are involved when matters have been already decided; it is like being informed on a decision that has long been settled.

Much as Tanzania is doing its level best in attracting foreign direct investments in the agricultural sector, the government must uphold the etiquettes of good governance. Transparency, accountability, participation and rule of law should be the driving forces; a lot of questions that have been raised still need answers, at whose expense and what terms? There is a need to review the incentives given as this leaves room for plundering of resources and when we talk of land grabbing this is it at its best; it is true that we are conceding too much for nothing.

The condition given in the title deed for commercial farms and ranches which rates land rent at 200 per acre per annum is outdated how can you give 350,000ha equivalent to 790,728.7acres at 200Tshs?⁶ Per annum. At all three sites of Lugufu, Mishamo and Katumba, the government will only earn 158,145,740Tshs! At Lugufu where the company has secured 10,000 ha which is equivalent to 24,710.27acres the government will earn 4,942,054 per annum as land rent! Another area that seem to attract attention and which leaders at different areas are handling carelessly is the question of use of GMOs, listening from the way they talk about the matter is like they have already decided that GMOs is allowed, wider consultation should be employed to reach a consensus on the matter, while there is a hype on the target market being internal and the interest sited as food security we have all the reason to suspect that this is just being used as a stepping stone as the overall investment objective is export, why would the investor think of pushing to irrevocable guarantee for an export license for maize? Another concern is similar to what happen in Kilwa with Bioshape exploiting villagers through meager wages making them abandon farming in their own farms and provide cheap labor to the company plantation, is this not going to be another way of plunging already poor peasants into destitution?

3.0 Conclusion

The debate on large scale land acquisition in Tanzania is far from over as there is a changing dynamic now as local investors team up in joint venture with foreign investors, we are made to believe that since we have one of our own in the investment venture our interests are taken care of. This may not be the case as we are witnessing now concentration of property in hands of the few well connected. This concentration of landed properties in the hand of the dominant class in Tanzania at the expense of the majority peasants and pastoralists is not a sign of progress but rather signify turbulent relations of classes in the future, whereas the government is leasing land

⁶ Note that the figures given as size of land may change for Katumba and Mishamo at the time of the fact finding mission were still at feasibility study, it is only Lugufu where 10,000ha are confirmed to have been allocated.

for 99 years we are still a growing nation with a population of 45 Million Tanzanians, 80% still depend on agriculture, much as the government want to get rid or reduce this percentage if not handled properly this may plunge a once peaceful nation into civil unrest. With regard to the AgriSol deal much as the land targeted does not involve village lands still it falls under official land grabbing in which the government decides to allocate land to the investor regardless of the interests of other users. The law provides for this as for the case of Tanzania it is the state that holds the radical title and may decide when it comes to general land allocation. The centralized system now is manifesting itself in the manner in which we are currently witnessing rush for land in the hinterland that was not previously attractive to investments, and the leadership is at the centre stage luring in potential investors. With the opening up through infrastructure upgrading it is expected that more ventures will now flow in areas that were previously regarded as periphery, the land rights of villagers in these areas are at stake since the modernization path being advocated here has no room for small peasants and pastoralists.