

## On Whose Interest is the State Intervention in Biofuel Investment in Tanzania?

### CELA INTERESTE A QUI CONCERNANT L'INTERVENTION DE L'ETAT SUR L'INVESTISSEMENT DES BIOCARBURANTS EN TANZANIE ?

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Received 9 February 2011; accepted 24 February 2012.

**Supported by** Research on Poverty Alleviation (REPOA).

#### Abstract

Biofuel investment in Tanzania is spearheaded by foreign direct investors. The assumption behind increasing foreign direct investments in the country is that they enable capital flow, skills and technology transfers and create employment. Studies on foreign direct investment pointed out that, state intervention is needed to ensure that profits accrued from the investments benefit countries hosting these investments. Despite state intervention in biofuel investments in the country studies have reported that the investments have negatively impacted communities. The aim of this paper is to determine the nature of state intervention in the process of biofuel investment in Tanzania, using case studies of Kisarawe, Bagamoyo, Rufiji, and Kilwa districts. Eight villages were chosen, two from each district. Interviews were conducted with villagers and officials working in government institutions and biofuel companies. A review of minutes of village meetings which discussed investors' requests for land from the villages was conducted. Findings reveal that there was a strong state intervention to assist investors to get land from villagers, and lack of, or less state intervention is seen when villagers demand for compensation and asking investors to fulfil their promises.

**Key words:** Biofuels; Foreign direct investment; State intervention; Development

#### Résumé

L'investissement des biocarburants en Tanzanie est dirigé par les investisseurs directs étrangers. L'hypothèse

derrière l'accroissement des investissements directs étrangers dans le pays est qu'ils permettent des flux de capitaux, les compétences et les transferts de technologie et créer des emplois. Les études sur l'investissement direct étranger a souligné que, intervention de l'Etat est nécessaire pour veiller à ce que les bénéfices accumulés par les pays d'accueil des investissements prestations de ces investissements. Malgré l'intervention de l'Etat dans les investissements de biocarburants dans les études de pays ont signalé que les investissements ont un impact négatif sur les communautés. Le but de cet article est de déterminer la nature de l'intervention étatique dans le processus de l'investissement des biocarburants en Tanzanie, en utilisant des études de cas de Kisarawe, Bagamoyo, Rufiji, et les districts de Kilwa. Huit villages ont été choisis, deux de chaque district. entrevues ont été menées avec les villageois et les fonctionnaires travaillant dans les institutions gouvernementales et les sociétés de biocarburants. Un examen des procès-verbaux du village réunions qui ont discuté des demandes des investisseurs pour les terres des villages a été réalisée. Les résultats révèlent qu'il y avait une forte intervention de l'État pour aider les investisseurs à obtenir des terres des villageois, et le manque de, ou intervention de l'État est vu lorsque les villageois demande de compensation et de demander aux investisseurs pour s'acquitter de leurs promesses.

**Mots clés:** Biocarburants; L'investissement étranger direct; Intervention de l'Etat; Le développement

Opportuna L. Kweka (2012). On Whose Interest is the State Intervention in Biofuel Investment in Tanzania?. *Cross-Cultural Communication*, 8(1), 80-85. Available from: URL: <http://www.cscanada.net/index.php/ccc/article/view/j.ccc.1923670020120801.1132> DOI: <http://dx.doi.org/10.3968/j.ccc.1923670020120801.1132>.

#### INTRODUCTION

Promotion of biofuel investment in Tanzania is done by

the Ministry of Energy and Minerals on the grounds that it will cater for energy needs, boost transportation and agriculture sectors and increase income. In 2007, the Ministry received a total of 36 applications from different companies seeking to invest in biofuels (Kamanga 2008). The total land area requested by 16 companies for this venture (for those who identified the amount), was 641,635 hectares. Most of these were foreign companies interested in acquiring land and growing biofuel crops mainly *jatropha carcus* (mibono) for biodiesel and sugarcane for ethanol all for exportation. Thus the coastal areas of Bagamoyo, Kisarawe, Rufiji and Kilwa became strategic points where exportation costs are minimal. Three main active companies in the areas are SEKAB (now Agro eco-energy Tanzania) in Bagamoyo and Rufiji; Sun Biofuels in Kisarawe; BIOSHAPE Tanzania Ltd. in Kilwa; and African Green Oil (AGO) in Rufiji. The companies were seeking for more than a half of the above stated land. In some villages they managed to secure land and started plantations, in some villages they just acquired land or entered into land negotiations with villagers.

Biofuel investment in Tanzania is taking place in the absence of a biofuel policy. A Biofuel Task Force has been created for the purpose of establishing the policy. In 2010 the Task Force released Biofuel guidelines. This study was conducted before the Guidelines were released. In the absence of a biofuel policy and the Guidelines, Ministry of Energy and Minerals, the Tanzania Investment Centre (TIC), National Environmental Management Council were the institutions that played key roles in receiving applications, issuing permits and review environmental and social impact assessments, respectively. TIC has now been named in the Guidelines as One Stop Centre for biofuel investment. TIC is involved in promotion of investments in the country. The manner in which biofuel investment is taking place in the country will not cater for country's energy need as the Ministry of Energy expects, but benefits associated with FDIs such as transfer of technology and skills, creation of employment, and increase income.

Studies looking at benefits of FDIs have indicated that there should be a strong state intervention in regulating activities of different companies (Olende, 2007, Reich 1989) for the benefits to be realised in the receiving countries. Experience of state intervention in biofuels is seen mainly in terms of providing subsidies to their farmers to grow biofuel crops. Examples can be drawn from German, Brazil, United States and the European Union (Nielsen, 2007, Olende, 2007, IRIN, 2007; Runge et al, 2007; The Economist, 2007). In German high technology production, strong government commitment, viable policy and solid collaboration from private sectors are some of the factors used to regulate foreign direct investment in biofuels to create benefits (Olende, 2007). The United States of America and European Union

provide subsidies to encourage farmers to grow biofuel crops.

Studies done in Tanzania have found out that biofuel FDIs have negatively impacted the areas where they have been introduced. These impacts are land grabbing (Sulle and Nelson 2009), little compensation and displacement of people (Kamanga, 2008), environmental degradation (WWF, 2009) and not assisting in poverty alleviation as perceived by the receiving areas (Shemdoe and Mwanyoka 2011). These negative impacts are attributed to the lack of a biofuel policy and some studies have proposed halting of the activities until a policy is in place. A study by Shemdoe and Mwanyoka (2010) proposed a need for the government to conduct costs and benefits analysis of the investment. This paper examines biofuel investment in Tanzania looking at the nature of state intervention by studying how the process of acquiring land for the investment was conducted.

Different laws and policies available in the country apply to biofuel investors. Investors are required by the TIC to submit a business plan, financial, economic, environmental and social impact analyses of their activities before they can receive investment permits. As far as access to land for investors is concerned, TIC claims to have identified and put under 'land bank' about 3.1 million ha in 21 regions (TIC, 2008) for investments. However all investors under the study obtained land through negotiations with the villagers. Other applicable instruments include the Land Acts of 1999 which established that acquisition of village land must be approved by Village Assembly Meeting and individuals must be compensated for their land. National Environmental Management Council requires an investor to conduct an environmental and social impact assessment (ESIA) before beginning any activity. On the basis of the ESIA report, the Council then advises the Minister for Environment to grant an environmental impact assessment certificate to the investor. The certificate is also required before the TIC can issue an investment permit. Why then despite these existing institutions, policies and laws biofuel investment in the country is reported to be not beneficial?

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## METHODOLOGY

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### Description of the Study Areas

Generally the study areas which are found on the coastal zone of Tanzania are regarded as the poorest areas in the country (Sulle and Nelson, 2009), with low income and low nutritional status (URT, 2010). The main source of income for the population is natural resources mostly wood products (Wang et al, 2003) and there is no alternative source of livelihood.

### Sample

The study was conducted in four districts, Kisarawe, Rufiji and Bagamoyo in Pwani region and Kilwa District in Lindi Region (Map 1). Interviews were conducted in eight villages in which two villages were selected from each district. The choice of the villages was purposively to include only those villages which have been involved in biofuel investment either by giving land or working in biofuel plantations. In Kisarawe district, Mhanga and Mtamba villages were selected out of 11 villages where Sunbiofuel Company acquired land and started a jatropha plantation. In Rufiji district, Utunge and Nyamatanga were selected where SEKAB and AGO companies acquired land for sugarcane and oil palm respectively; In Kilwa district, Mavuji and Migeregere villages were selected where BIOSHAPE started a jatropha trial farm in the former and acquired land in the later; in Bagamoyo, Magomeni-Makurunge areas and Fukayose village were selected. SEKAB started a seed cane farm at a place called Kigongoni and employed people from Magomeni and Makurunge places. The Company requested land from Fukayose village did not succeed.

### Methods

The paper is mainly based on reviews of minutes of village meetings to discuss land acquisition for biofuel investment. It also draws from interviews with villagers, and officials from government institutions and biofuel companies. A total of 251 interviews were conducted with households in the villages and 15 interviews with officials in government institutions and biofuel companies. Review of communications between state officials and villages was also conducted.

## STATE INTERVENTION IN BIOFUEL INVESTMENT

Strong role of the state in assisting the investor is demonstrated by involvement of different state actors such as the district land officers, legal officers, District Commissioners, the minister for land, and a Member of Parliament in either writing letters and/or attending village meetings. Through the letters and meetings the officials communicated with the villagers on behalf of the investors. The letters introduced the investors, gave information to the investors about availability of land, directed and gave instructions to the villages to give land to the investors. As reported in the Minutes of Mtamba village in Kisarawe district dated 23/08/2006 reported that they received a letter from district land officer on 23/03/2006. The letter demanded minutes which approved land for the investor (Sunbiofuel). In a meeting held on 30/03/2006 villagers agreed to give land to the investor and asked to be involved. The same was reported in Mhanga (minutes of 9/03/2009) that the village received a letter from the Minister for Land stating that: “part of your

village is a general land and that is the land for atrophy so members (of the Village Land Council) need to make a decision to accept the privatization of that land if there is no any problem.” Mhanga’s minutes of the 30/06/2006 meeting documented that the village council and elders, accepted and gave land to the investor. In Nyamatanga, a letter from the district office, dated 07/06/2007, introduced the investor (AGO) to the villagers (Nyamatanga, Rwaruke, Rungungu and Nyanjiti). The letter stated that “the district office has received the investor’s request for land and that the district is directing the investors to these villages because there is land.” The letter also instructed that “the investor must be accompanied by an officer from the district council when going to the villages.”

Officials participated in meetings spoke and answered questions on behalf of the investors. For example in Mtamba, upon finding out that the district land officer was seen demarcating the land for the investor without notifying the village, villagers called the District Commissioner, their Member of Parliament and the Ward Executive Officer in a meeting and complained. In the meeting the leaders promised to involve the villagers. However, the minutes of 5/11/2008 reported that villagers still did not know the size of land which was taken by the investor.

In Nyamatanga as well a district expert attended a meeting to discuss the request for land by the investor. The officer was asked questions and answered on behalf of the company (minutes of a special meeting of 7/7/2007). Base on this, villagers were satisfied and agreed to give land, and left the district to decide on the amount of rent (Village’s letter to the Director of Rufiji District Council dated 7/7/2007). Minutes of 12/11/2007 reported that villagers approved the land for the investor. A region officer from Lindi also attended a meeting in Migeregere and answered questions on behalf of the investor and ensured the villagers that the investor will assist in development activities (minutes of 18/05/2008). For example when villagers doubted whether the investor will support their developmental needs, the regional officer responded that, “BIOSHAPE is very keen and is only waiting for the contract and will begin the implementation as soon as the villagers sign the contract” (minutes of 18/05/2008). The officer also told the villagers (minutes of 18/05/2008) “BIOSHAPE has funds for social development set aside for education and proposed that the villagers call BIOSHAPE to get more information.”

Officials promoted the benefits of the investment and did not mention any potential threats of the investment. This was seen with the Member of Parliament in Mtamba and also the regional officer in Migeregere. In Mtamba minutes of a meeting held on 18/08/2006, revealed that the Member of Parliament push the villagers to accept the investment. He told them “they will be left behind if they do not accept the investment and if they accept they will

benefit by getting employment, seeds and investor will contribute to development activities.”

Officials therefore set high expectations to the villagers who then accepted the investment and demanded that investors implement development projects in their areas. In Mtamba a meeting held on 30/03/2006 reported that villagers accepted the investment because they saw that there are some benefits and insisted that they should be the first to be considered for employment opportunities. Villagers also listed social services and infrastructures needed in the village as their demands from investors. Expectations of the villagers in Mtamba increased upon seeing a researcher who was sent by Sunbiofuel to the village to conduct a base line study (meeting of 5/11/2008). The study as the minutes reported, aimed at finding out what villagers want as part of Company's community development initiatives. In the meeting of 17/11/2008 villagers reiterated the development activities they wanted for the investor to implement.

In Mhaga minutes of the 30/06/2006 reported that the village council and elders, accepted to give land to the investors on condition that the investor will provide compensation for trees, offer employment, distribute seeds, contribute to village development activities, and provide oil for running machines in the villages. The minutes also reminded that three individuals whose land has been taken were promised to be paid since the 23/03/2009 but up until the time this study was being conducted, a year after, they were not paid.

In Nyamatanga minutes of 12/11/2007 reported that villagers identified health, education, water, milling machine and road services for the Company to support in return for the land. In the interviews it was reported that villagers thought that the company would help them to conduct modern agriculture and provide markets for their produce and increase their income. In Migeregere, a letter to the district dated 8/10/2007 reported that villagers insisting that 50% of BIOSHAPE employees must come from the village. The investor had not started any investment up to the time this study was being conducted. Instead the company wrote a letter to the village requesting to harvest wood from the land, villagers required a contribution of 300,000 Tanzania shillings to grant the permit (minutes of 26/08/2008).

Officials bypassed villagers in the process of surveying the land. Many villages wanted to know the size of land they have given to the investors after it was surveyed but were not told. This was seen in Mtamba and Nyamatanga. In Mtamba minutes of 30/03/2006, reported that villagers accepted the investment and requested that they want to be involved in the survey of the land for boundaries demarcation but they were not involved. In the minutes of 18/08/2006 the villagers and their leaders agreed that they will be involved in the survey and informed of the size of land, but this did not happen. In the minutes of 5/11/2008

it was reported that villagers still did not know the size of land. A comment from one official working with the Company, during interview was that the land from Mtamba was too small. In Nyamatanga villagers refused to sign a contract because they did not know the size of the land.

In Migeregere, the minutes of 24/08/2006 reported that the village gave conditions to the investor and requested the District Executive Director to help them. The first condition was that the villagers wanted to know the size of land first after the survey then they can decide on different uses including investors' request. They were told by the district office that if they do not give the whole land BIOSHAPE will go to a different area. After the land was surveyed they wanted to reduce it from 34,000ha to 20,000ha or 14,000ha (09/09/2008 minutes). Then they were told that it is not possible unless the village pay for the cost of surveying the land. The cost of surveying the land was paid by the investor, and villagers could not afford. Therefore accepted to give all of the surveyed land to the investor (minutes of 17/09/2008). While the interview with districts officials indicated that the government is asking the investor to assist in surveying and land use planning in villages before any investment takes place, in this case, here the villagers are told differently. The villagers were told that they will have to pay for the costs of surveying the land. The district office is the one to inform the villagers about different rules and laws but in this case they took advantage of their little knowledge. The district office knew that villagers will not be able to pay therefore took advantage of their poverty.

Officials gave little and sometimes no information to the villagers. They did not involve them in the whole process and misled them in some occasions. Villagers made decisions with the little information they had as a result the decisions were not rational. For example, when Mtamba village received a letter from the district office it was the first time they heard about the investment but accepted and gave land.

When villagers complained about the investors not fulfilling their demands there was no state intervention in making sure that their demands are fulfilled as it was during investors requesting for land. For example in Mtamba during the interviews, villagers complained that they were not given priority for employment opportunities but employees were brought from outside the village, as far as Dar es Salaam (the biggest commercial city in the country near Kisarawe). In addition, the villagers complained about hard work and that they were not given professional positions such as running machines but only manual works which do not add to their skills and skilled jobs were given to employees from Dar es Salaam. It was also found out that in Mtamba there were no many villagers working in the jatropha plantation. One of the reasons given is that they earn very little as compared

to what they use to earn from charcoal. Therefore some villagers decided to go back and sell charcoal. In the plantation they were paid 2,500 to 3,000 Tanzania shillings while when they sell a sack of charcoal they get 20,000 Tanzania Shillings. Mhaga and Mtamba villagers have not received any seeds as promised by the Member of Parliament.

In Mhaga and Nyamatanga which had more workers in the plantation complained about hard work, long working hours, bad working conditions and less payment. They pointed for example the fact that they have to cook their own food during short lunch breaks and women are carried in tractors to and from the work. During interviews with villagers in Mhaga, it was reported that three individuals whose land has been taken have not been compensated. As one individual complained, the procedures for claiming compensation were costly. They involved travelling to the town, opening a bank account, and taking a photograph. These costs were incurred by him and yet he had not received the money.

In Utunge, villagers reported that the investor was given 1,000 acres and made a village land use map which showed more land than what was given. The amount of land taken by the investor was about 75% leaving the village with only 25%. The investor had put marks on some trees on the ground to demarcate the boundaries of the land. In the minutes of Utunge Village Assembly Meeting obtained in the district office dated 12/07/2008, item no 2 reads: "to stop investors' application for land in the Utunge village". The details of the item reads: "the village has decided that the investor continues with the 1,000 acres given and other areas will be under Utunge." As reported from the district office, the case was with Ministry of Land and Human Settlement. Officials at the district and the villagers reported that it was six months since the company was last seen in the district. Neither the Ministry nor the district office has taken any action.

In Nyamatanga upon seeing that the investor is not fulfilling their conditions they refused to sign a contract (minutes of an emergency meeting held on 28/09/2009). The reasons mentioned were: they did not know the size of land; some individuals have not been compensated for their land; low payments for those employed by the investor in the farm and poor working conditions. Villagers sent their complaints to a district lawyer but did not receive any response. A village officer went and spoke about the issue over a radio and showed the contract to a lawyer (his friend) for a help. He was then put under police custody for two days by the district office. He was charged with "exposing government's document (the contract) and violating decision making levels". During interview with the officer he pointed out that the contract was made by the Company and neither the government nor the Company's stamp was on it. In the interviews, villagers reported that the investment has divided them,

brought tension in the village, with some villagers blaming those who accepted the investment in the first place.

Even in places where investors provide compensation more was allocated to the district and less to village as in Migeregere (reported in minutes of 26/08/2008) where from a total of 425,719,000 Tanzania Shillings paid for the land 60% went to the district and 40% to the village. Villagers used the compensation money to build a village office and a doctor's house. Minutes of 26/08/2008 also reported that villagers were allowed to continue using the resources on the land until all the compensation and contribution required by the village has been paid by the company.

In Mavuji, BIOSHAPE rented a 200 acre village land and started a trial farm, employed some villagers and closed down without notification or paying benefits to the workers. The same in Magomeni - Makurunge areas in Bagamoyo district where SEKAB had started a seed cane farm at a place called Kigongoni (200 acre farm rented from a prison) and employed people from the areas. The two cases have been covered well in Shemdoe and Mwanyoka (2011). Fukayose is the only exceptional case where the district office informed the villagers that the investor (SEKAB) has enough land and advised the village to leave the land for out growers who will grow sugarcane and sell to the investor. In addition to the seed cane farm the investor acquired another big farm called RAZABA farm which was a ranch farm belong to the government of Zanzibar in the nearby area. However until this study was being conducted the investor had not started any operation in the big farm and Fukayose villagers could not participate as out growers.

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## CONCLUSION

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Biofuel investment in Tanzania can best be conceptualised in the context of foreign direct investment looking at the assumption that they bring capital, skills and technology transfers. Tanzania has adopted neoliberal policies since 1980s and FDI is promoted as a development policy. This study adding to the literature on the role of the state in the neoliberal era argues that state intervention per se is not enough, the nature of the intervention and the strength matter. This study found out that FDI will not benefit the country if state intervention is not directed towards assisting the local communities. Unfortunately state intervention in biofuel investment in Tanzania is strong in supporting investors to get land and little assistance and lack of any response or action is taken to assist villagers in their demands or holding investors fulfil their promises. Thus villagers have lost their land, some received little return, have not been employed, no skills gained and there is increased poverty and environmental degradation as they resort to natural resources for income.

Lack of a biofuel policy is not a strong reason of why biofuel investments in Tanzania have led to negative impacts but less state intervention in assisting villagers to make their demands is the main reason. The intervention of the state in the investment is guided by a number of laws and policies including land laws, which were not used to assist the villagers. Villagers were given little information on the threats of the investment, some misled, some were not involved, and in some cases they were threatened and power was used to silence them. The Biofuel Guidelines (2010) has given power to TIC. The same institution which was involved when there were no guidelines, and which proved to have weakness in addressing villagers' demands and complains to the investors. The institutions involved in biofuel investment in the country need to develop a mechanism for holding investors responsible for their action in the country. Villagers' lack of enough information on the investment especially information on its threats, lured by the benefits which were promoted by their leaders and their poverty is what made them accept the investments thinking that they will benefit.

## ACKNOWLEDGEMENT

The author is thankful to Research on Poverty Alleviation (REPOA) for funding the study. The study was conducted in Jan-March 2010.

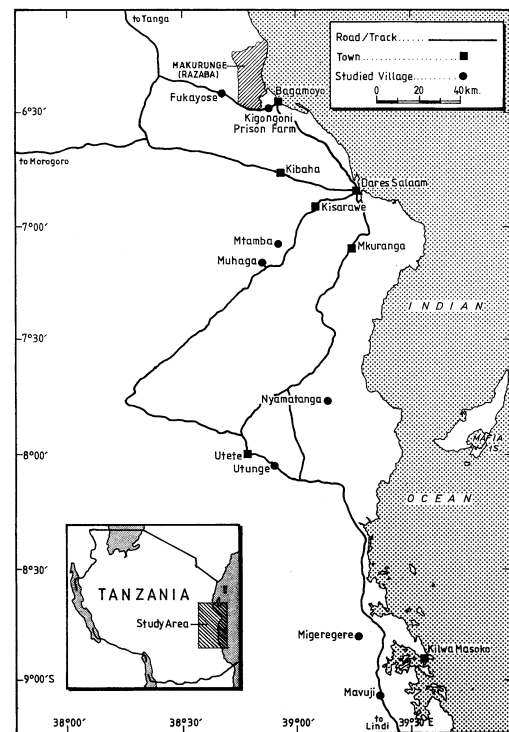
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Map 1: Study Areas



Source: Author's 2010