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HOW CAN AN AGRICULTURAL INVESTMENT THAT NEVER HAPPENED AFFECT PEOPLE LIVING IN POVERTY?

How can an Agricultural Investment that never Happened Affect People Living in Poverty?

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Linda Engström disputerade i september 2018 på avhandlingen ”Development Delayed: Exploring the failure of a large-scale agricultural investment in Tanzania to deliver expected outcomes” vid Institutionen för Stad och Land vid Sveriges lantbruksuniversitet (SLU). Hennes primära forskningsintressen ligger kring frågor om landsbygdsutveckling och global miljö- och jordbrukspolitik, med fokus på jämlikhet i utnyttjande av naturresurser, relationer mellan givar- och partnerländer och effekter av privatsektorfinansierat bistånd.

Avhandlingen finns här: https://pub.epsilon.slu.se/15590/ och Linda kan nås på linda.engstrom@slu.se.

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ABSTRACT

The idea of promoting large-scale agricultural investment in order to achieve rural development in Africa has been strongly promoted by governments, bilateral and global development agencies since the early 2000's. However, it is becoming widely recognized that many of these investments never materialize. So far, few studies have tried to understand this trend of failure. The main aim of my doctoral research was to contribute to the knowledge about how and why this new wave of large-scale agricultural investment so far has failed to deliver proposed outcomes, through studying a Swedish sugar-cane investment in Tanzania. One of the most important findings was that stalled or failed projects can have quite serious negative impacts on people living in poverty, not least pastoralists and smallholder farmers living on or using the land leased by the investor. This brief will outline how it is possible that something that never happened can have severe impacts. It makes the point that delayed or failed investments need much more attention in development policy. Finally, it will provide some policy messages on how development practitioners can work to avoid that such "non-materialized" investment projects harm people living in poverty.

PROLOGUE

On 28 July 2009, a Swedish company called SEKAB BioEnergy Tanzania sent a 2.5-page application letter to the Swedish Development Cooperation Agency Sida. SEKAB's overall idea was to develop sugar cane plantations of several hundred thousand hectares of land in two districts in Tanzania: Bagamoyo and Rufiji. The main aim was to produce ethanol for the European market. The application letter emphasized the company's high ambitions for social and environmental sustainability. For instance, the company refers to climate change and peak oil, the opportunity to reduce greenhouse gas emissions with ethanol as fuel, byproducts such as electricity for the Tanzanian market, and sustainable rural development. The time line presented was to have the project up and running in 2010.

It was at this point in time that Sida assigned the Sida Helpdesk for Environment and Climate Change, based at the Swedish University for Agricultural Sciences[1], to provide comments on the sustainability of the project. I was employed at the Helpdesk, and became part of performing that assignment, for three reasons: I had been following the debate on large-scale biofuel production in Africa as a solution to reduce greenhouse gas emissions the past few years, including SEKAB's plans and associated reports and initiatives that had taken place in Sweden and Tanzania, I had some experience of Tanzania, and I had previously been living in rural Indonesia, working with issues related to large-scale oil palm plantations.
In my assessment, I found controversial changes in the Environmental and Social Impact Assessment of the Bagamoyo project, systematically downplaying potential negative impacts of the project on environment and

[1] The Sida Helpdesk for Environment and Climate Change is an advisory group that assists Sida to integrate environment and climate change perspectives into Swedish development projects and programs. The group at SLU was later merged with a group at Gothenburg University with a similar assignment, in order to form *one* Helpdesk on Environment and Climate Change.

people. This was only the first controversy the project was to become involved in.

I didn't know it then, but this particular sugar-cane project, the high expectations behind it and its practical implementation on the ground, was to become the main focus of my PhD thesis, which I began writing three years later, in 2012. I was to spend seven months in Tanzania, interviewing District government representatives, state officials in prominent positions, representatives of Sida and the African Development Bank, state officials at Tanzanian ministries and authorities with responsibilities on land and agriculture. Not least, I would spend months living with, talking to and trying to understand the perspectives and needs among rural residents impacted by large-scale agro-investment. In the end, when President Magufuli revoked the company's land rights in 2016, I had followed the project over nearly a decade.

The project enjoyed strong support. It was referred to as an "iconic project" by the Tanzanian government, and as "state-of-the-art" by Sida, with a vision to become a "role model" for agro-energy production in Tanzania. The African Development Bank and other Development Banks were ready to finance the project, if certain criteria were met. Not least, the President at the time, Kikwete, was pushing for the project in various ways. Sida decided in 2014 to fund the project through a grant to be used as a security for a South African bank loan for a *bridging* phase to a larger loan. Despite this perhaps unprecedented support, the project never materialized. In my doctoral thesis, I tried to understand why. What happened?

I wanted to write this dissertation brief in the hope of spreading my findings to a wider audience. I hope to be able to convert a critical study of development cooperation into something more constructive and tangible for those who work with, or have an interest in, development cooperation, and offer some ideas about what could be done in order to increase its chances to truly benefit the poor.

The brief is based on my doctoral thesis ”Development Delayed: Exploring the failure of a large-scale agro-investment in Tanzania to deliver promised outcomes” which I defended 21 September 2018 at the Swedish University for Agricultural Sciences. It contained three, peer-reviewed papers and one manuscript, and a cover essay of 160 pages. The full dissertation gives much more detailed descriptions and references for those interested.

Uppsala, 20 December 2019
Linda Engström

BACKGOUND AND RATIONALE

Since the early 2000s, the agenda to promote large-scale agricultural investment in order to achieve rural development in Africa has been strongly promoted by the World Bank and the World Economic Forum, African and European Governments, and supported by several bilateral development agencies including USAID, The British Department for International Development and the Swedish Development Agency Sida. The idea is that African governments will lease or sell land to mainly foreign investors, in order to bring about modern and efficient agricultural production, increased food security and poverty reduction. An important underlying assumption is that smallholder agricultural production is outdated and inefficient. In the beginning, the emphasis was largely on production of biofuel crops such as jatropha or palm oil for biodiesel, and sugar or maize for ethanol. Eventually, however, the critical public debate on “food versus fuel”, and other factors, led to a shift towards food crop production. During this time, several bilateral donors, including Sida, decided to explore the possibilities of collaborating with investors, with the stated aim to ensure that people in poverty would benefit as much as possible from such land-based investments.

However, it is becoming widely recognized within the large community of researchers studying large-scale agricultural investments in Africa, that many of these investments never materialize. Some projects never leave the stage of being a paper product, other projects start crop production but go bankrupt. Others struggle for years to start production, are repeatedly delayed, but fail in the end. Even though the trend of delayed or failed large-scale agro-investments is becoming well-known, so far few studies have tried to understand this trend of failure. Therefore, the main aim of my doctoral research was to contribute to the knowledge about how and why this new wave of large-scale agricultural investment so far has failed to deliver proposed outcomes.

One of the most important findings from my research was that these failed projects can have quite serious negative impacts on rural people living in poverty, not least pastoralists and smallholder farmers living on or using the land leased by the investor. In this policy brief, I will show how it is possible that something that never happened can have severe impacts. I want to make the point that these delayed or failed investments need much more attention in development policy: The impression that "nothing happens" can be very misleading. I will point to several ways through which policy makers within development bodies can work to ensure that such "non-materialized" investment projects do not harm people living in poverty. To understand more about the challenges with large-scale agricultural investment is particularly important since the agenda of large-scale agricultural investment is still supported by international development cooperation today. Moreover, these policy messages might apply not only to large-scale agro-investments, but also to other large, complex development projects. The findings of this thesis are relevant also because they can present experiences from collaboration between development agencies and the private sector, another agenda that is still strongly promoted and encouraged in international development cooperation.

AIM AND METHODOLOGY

Against this background, the aim of my thesis was to contribute to the knowledge about how and why the new wave of large-scale agro-investment fails to achieve expected outcomes. To explore this, I studied two investments in Tanzania that had secured land access for starting large-scale food production (sugar cane and oil palm), but seemed to be struggling to start production. However, in my thesis, and thus in this policy brief, I mainly focus on the Swedish sugar-cane project[2]. Over a period of five years (2012-2016), I visited the area where the project was to be implemented, northwest of Bagamoyo town, at least once per year. My aim was to talk to people living on the land to understand their views on the project plans and follow the implementation process to observe ongoing developments. As indicated in the prologue, over this period of time, I also interviewed various other people involved in the project, including company representatives and state officials working close to the President. In total, this study is based on 79 interviews – 39 interviews with people living on and around the land planned for investment, and 40 interviews with Tanzanian state officials at District level, at State Agencies, Ministries, President's Office and within key agricultural programs. In addition, I read and analyzed 45 documents including policies, strategies, statements, media articles, and reports.

[2] The second investment, Felisa Ltd in Kigoma Region, received its land rights in 2007, but is at the time of writing not yet fully operational, producing annual food crops on approximately 100 hectares out of the 4,258 hectares they lease, while parts of the unused land within the project is leased to smallholder farmers on a seasonal basis. The decision to only include the Swedish project in my thesis was mainly to create a more consolidated thesis theoretically.

Importantly, while the research presented is based on an ample selection of project documents and strengthened by the opportunity to follow the Bagamoyo project over many years, it does not claim to tell the whole story about this development project. Nor does it claim to provide an exhaustive account of why it, or many other investments in many African countries, have failed. However, the findings still contribute to a general discussion about why so few of the planned large-scale agricultural investments since the early 2000's have delivered proposed outcomes.

THE BAGAMOYO PROJECT[3]

Bagamoyo town (see Figure 1), with its decaying, whitewashed stone buildings and its vibrant harbor overlooking the turquoise waters of the Indian Ocean, acts as the center of Bagamoyo district. Situated 65 km north of Dar es Salaam, it used to be the headquarters of the German colonial regime, before they moved it to Dar es Salaam. While the interest in Bagamoyo declined after this move, it was re-ignited under the rule of President Kikwete (2005-2015), who was eager to "deliver" to his home district before stepping down as President in 2015. The Swedish sugar-cane investment, situated north-west of town, was one of his "deliveries".

[3] A more elaborate version of the background of SEKAB and the project's trajectory can be found in Chapter 2 of my thesis

Figure 1. The sugar-cane project site north-west of Bagamoyo town, Pwani Region, Tanzania.

Razaba Ranch, its people and their land rights

In 2006, a Memorandum of Understanding was signed between the government and the Swedish investor. In May 2013 the investor acquired rights of occupancy to 20,374 hectares of land within a larger area, called

Razaba Ranch (Ranchi ya Zanzibar Bagamoyo), a former cattle ranch[4] (see Figure 1). The ranch includes another approximately 6,000 hectares to the east, along the coast. Expected outputs of the project included production of 130,000 tons sugar and 10 million liters ethanol annually, employment of 2,000 people and 10,000–12,000 jobs as spin-off effects, 13–18 million USD in annual revenue for outgrower farmers, communities managing 3,000–4,000 hectares of modern irrigated farms "with greatly improved standard of living" and 1,374 people resettled but amply compensated[5]. The initial time line as per 2007 was that about 3,000 hectares of plantation would be developed in 2008, and the remaining plantation would be developed in 2009 and ready for ethanol production in 2010. However, contrary to the huge expectations on what the project would achieve, the project became entangled in a messy reality, struggling to become operational over a decade.

The area has been inhabited for at least 1,500 years. The local communities affected by the investment include the smallholder farmers and pastoralists[6] living on, or using, the land acquired by the investor, and the villages bordering the project site. However, these two groups of people were involved, and impacted, in very different ways.

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[4] The Revolutionary Government of Zanzibar used the land as a cattle ranch from 1974 until 1994, when the project was abandoned. The approximately 300 workers and their families were permitted to live on the land until the farm was re-purposed for other activities.

[5] See Table 1 in Paper III for a detailed description of expected and achieved outcomes.

[6] Smallholder farmers on Razaba Ranch grow many of the major Tanzanian subsistence crops, including maize, paddy rice and cassava. Moreover, many households grow perennial fruit trees and cash crops, for instance banana, avocado, mango, watermelon, sesame and cashew nuts. Only a few households grow sugarcane, and then mainly for domestic consumption. In addition to smallholder farmers and Barabaigs, other groups residing in the project area include charcoal producers and seasonal fishermen. Villagers from adjacent villages were found to use the land for temporary cultivation, firewood collection, hunting and charcoal burning.

There are five sub-villages in the project area, with a large number of scattered houses and huts in between. The population in the project area has been estimated to approximately 1,400 people, representing a wide range of tribes including the original peoples of the Swahili coast, such as Zigua, agro-pastoralists such as Sukuma, and pastoralists such as the Barabaig.

None of the people living inside the project site have had their land rights formally acknowledged and were frequently referred to as “invaders” or “settlers” by company representatives, state officials and development staff. While project proponents represented the land as unambiguously general land under the management of the state, there were a range of contradicting stories told by the residents on the land. For example, some residents insisted that they were not adequately compensated at the time when the land was granted to Zanzibar and questioned the allocation of the land in the 1970s. Other residents claimed they had never been part of Razaba Ranch and therefore should not be included in any resettlement scheme targeting the ranch. Yet others advanced their customary rights of occupancy in accordance with the land law[7] allowing people who have being using or occupying the land for 12 consecutive years to claim formal land rights. However, their claims were not recognized.

Evaluation and resettlement

In order to finance the 500 million USD investment, the company sought a loan from a consortium of Development Banks, led by the African Development Bank. In turn, Sida was asked to provide a guarantee[8] for that loan. One condition from the funders was that the project adhered to

[7] Part IV of the Village Land Act.

[8] Sida’s guarantee instrument aims to reduce risk for the private investor. The (loan) guarantee means that Sida, and ultimately the Swedish state, pays the lender (usually a bank) if the borrowing investor fails to make their payment. It was introduced for testing in 1998 and was made permanent by 2009.

International Finance Corporation Performance Standard number 5 for Involuntary Resettlement. These standards rest on principles of minimizing adverse social and economic impacts, including providing compensation for loss of assets.

A comprehensive Resettlement Action Plan was produced, where a total of 1,374 people within the site were identified as project-affected people and thus legible for compensation when resettled. As a basis for compensation, an evaluation of each household's assets was performed in October 2010. The company encouraged farmers to shift from farming perennial crops to annual crops, in order to avoid investing in assets they would not be compensated for at resettlement.

The outgrower programme

While people living on the project site were mainly involved in the project through the resettlement process, the estimated 6,000 villagers[9] living adjacent to the project site were involved in other ways. The main project activities in these villages were related to the planned outgrower programme where the company envisioned to engage 2,000—3,000 smallholder farmers to produce sugar-cane for their factory.

The idea with the programme was that farmers would organize themselves in groups around plots of 100 hectares, to make it possible to set up irrigation systems. In total, the company expected to develop 5,000—6,000 hectares under such management[10]. The company envisioned transforming smallholders into entrepreneurs, increasing their incomes and reducing their

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[9] Living in three villages and four sub-villages bordering the site; the population figure is from 2008.

[10] According to the company's project plan for developing the outgrower programme from 2010, a six-year time period was anticipated in 2011, and it was stated that the programme would supply approximately 30 percent of the total supply by 2017.

food insecurity. Thus, the program was essential for the company's stated aim to achieve poverty reduction and constituted one of the main reasons for Sida to support the project. The farmers were expected to take loans of 1.25 million USD. It was difficult to get clarity about why they needed to take such large loans, but one component was setting up irrigation systems. This was a figure that I found, through interviews, that the farmers had difficulties to understand the magnitude of[11]. If the farmers could not repay these loans, they risked losing their land, a risk that was identified by Sida in the Final Appraisal[12].

Sida's financial support

The Swedish company applied twice for financial support from Sida. On the first occasion, on 29 October 2009, their application was rejected, most likely due to criticism in media and elsewhere, but partly with reference to an assessment I had performed on behalf of the Sida Helpdesk for Environment and Climate Change. In the assessment I had identified controversial changes made in the Environmental and Social Impact Assessment for the Bagamoyo project, systematically downplaying the potential negative impacts by the project on environment and people[13].

Around this time, the company lost its support from three Swedish municipalities, shifted names from SEKAB BioEnergy Tanzania Ltd to Bagamoyo Eco Energy Ltd, and shifted its focus from ethanol to sugar as

[11] In fact, I discovered that the interpreter used a lower sum when translating to the villagers, citing the reason that it was impossible for them to comprehend the concept of billions of Tanzanian shillings.

[12] See summary of Paper III

[13] For more information, see Chapter 2

the main product[14]. This fitted well into Tanzanian policy with sugar being one of three target crops and high sugar import costs. Only a few months after the setup of the new company, a new timeline was presented, according to which sugar production would be initiated in June 2013, three years later than initially planned.

In May 2012, Sida received yet another application, for a 94 million USD credit enhancement guarantee (equivalent to 940 million SEK), which, if affected, would have been Sida's largest such guarantee ever. In Feb 2014, Sida decided to support the company with a smaller grant of 16 million USD from the Swedish Development Budget, to be used as a security for a South African bank loan for a *bridging* phase to the larger loan of 300 million USD. While the project was run by a "new" company, the company executives remained the same. Moreover, the project targeted the same land, with the same crop. The same people were targeted by resettlement and outgrower schemes, and the project was based on the same environmental certificate. However, the company's ambitious plans in Rufiji District, which had attracted the most substantial criticism in 2009, had been downplayed, albeit not removed. Another difference was that the project was marketed as a food project, rather than a (more controversial) biofuel project. After having paid 54 million SEK (6.2 million USD) during 2014, Sida set a number of conditions before providing the next payment. However, these were not fulfilled and in May 2015, Sida decided to stop any further payments. The application for the larger guarantee was still pending when, on 15 March 2016, nearly ten years after the Memorandum of

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[14] For more information about the emerging biofuel market in Sweden, the role of SEKAB and its Chief Executive Officer Per Carstedt and Swedish municipalities, see Chapter 2.

Understanding had been signed, the newly elected President Magufuli decided to revoke the company's Right of Occupancy[15].

While we might imagine that this would be the end of "the Bagamoyo Saga"[16], it was not. On 11 September 2017, the company launched a lawsuit against the Tanzanian state, at the International Center for the Settlement of International Disputes — a World Bank organ in Washington DC. The aim is to regain an alleged loss of 52 million USD. According to the International Institute for Sustainable Development, this lawsuit constitutes the first known investor-state dispute linked to the new wave of large-scale agro-investment. Thus, the "Bagamoyo Saga" continues (see Epilogue).

Summary of chapters and papers

My thesis was a compilation thesis and based on three peer-reviewed publications and one manuscript. Below is a brief summary of each paper.

Summary of Paper I:

"A critical analysis of practices and dynamics of large-scale land acquisitions in Tanzania" (*published with Jumanne Abdallah, Kjell Havnevik, and Lennart Salomonsson in "The Global Land Grab: Beyond the Hype" edited by Zoomers & Kaag 2014*)

[15] In October 2016, the President granted 10,000 ha of land in Bagamoyo to the domestic company Bakhresa. One month later, the company received a letter from the newly elected president stating that the Government no longer "have an interest" in the project, a decision that became public in February 2017. According to national media, Bakhresa re-initiated activities on the seed cane farm in December 2017.
[16] To the horde of increasingly critical spectators, the story of the Swedish sugar-cane investment has become known as 'the Bagamoyo Saga', a name coined by Ann Usher, journalist at Development Today, who has been following this project since it was made public in Sweden in 2007.

Paper I formed the basis of the thesis: It paints a broader picture of the status of large-scale agro-investments in Tanzania, showing that the recent hype on massive "land grabbing", and the criticism of it, was exaggerated and poorly grounded. Based on statistics from the Tanzanian state and a review of reports from Non-Governmental Organisations and scientific papers, I identified more than 30 planned deals larger than 2,000 hectares in Tanzania initiated since 2003. However, a short pilot study in 2012 revealed a striking gap between the extent of planned deals and the number of materialized investments – most had never left the stage of being a paper product. Some had already gone bankrupt. Moreover, a majority of the few investors who *did* require land were struggling to start operations. Another important finding was that the rush for large-scale biofuel investment had ceased completely – all biofuel investments had gone bankrupt, left their sites or attempted to shift to food production, but were still struggling to materialize.

Summary of Paper II:

"Land deals in limbo: Exploring simplification, delay and development failure in a large-scale agro-investment in Tanzania" (*will be published as a book chapter in "Land, Investment and Politics: Reconfiguring Africa's Pastoral Drylands, edited by Jeremy Lind, Doris Okenwa and Ian Scoones in June 2020*)

Paper II was one of the key papers for communicating my findings. In brief, this paper showed that plans for how and when the project would develop disregarded a lot of the complexity in the local context – the plans built on many *simplified* ways of seeing the context. I show that this disregard of contextual complexity in the design of the Bagamoyo project contributed to repeated delays in the project implementation process, since a lot of obstacles appear that had not been planned for. In the end, these delays contributed to the project's failure to materialize at all. While these delays were perceived by *all* involved actors as a major problem, I focus here on the supposed main beneficiaries of development cooperation: the poor people living on, and around, the project site. In order to visualize the negative impacts on the local smallholders and pastoralists that are so central to this brief, I will describe some of the contextual complexities in detail.

One of the most important issues that were underestimated in project timelines was the complex situation of land use and land rights, and the associated competing claims over land that is common all over Tanzania, just like in many other African countries. In Tanzania, all land is owned by the state, since Germany and Britain introduced systems of Crown land. The current land legislation also recognizes *customary* rights to land, where demarcated villages have the right to manage their so called village land. However, there are loopholes and ambiguities in the land laws. For instance, land under state management, so called general land, is identified as including *unused village land*. This makes rights to land a matter of interpretation, based on perceptions of what unused is. In such conflicts, pastoralists and smallholders, especially women, have repeatedly been shown to be the most vulnerable to losing their land. This was the case also in Bagamoyo: villagers living around Razaba Ranch dismissed the existence of unused land, referring to activities such as grazing, the collection of non-timber forest products or set-asides for future generations. Moreover, some of the people living on the land planned for investment advanced their customary rights in line with land laws allowing people who have being using or occupying the land for 12 consecutive years to claim formal land rights. Nevertheless, they were not recognized with such rights[17].

One of the most important land conflicts in the Bagamoyo case, was a court case initiated by three elders living on the project site. Referring, truthfully or not, to their historical use of the land, they decided to sue the company and the Tanzanian state for trespassing. Even though the court case was sped

[17] In accordance with part IV of the Village Land Act No 4 of 1999.

up by the government, and won by the company and the Tanzanian state, it delayed the investment with at least three years.

A second important disregard was that there was no thorough soil analysis conducted at an early stage of project planning, which caused a number of delays. Even though knowledge about soil properties would obviously be a prerequisite to guarantee a feasible project, the company did not properly investigate soil properties on the estate in the early planning phase. Instead, soil properties were investigated in detail for the first time many years after the agreement with the Government was sealed, with surprising findings:

> "Then when you start to do all of this soil investigation I talked about– it showed that OK the land is not all that good, they said you can't grow crops on all the types of land anywhere, so when they did the soil study you found that you had salinity and other problems, so– we have a mosaic of land that is good to use, a lot of land is not really good for farming at all". (personal interview with Managing Director, April 2014).

This late discovery of lack of fertile land launched a cascade of downstream effects, which were also largely related to land. For instance, the company approached nearby villages in search for land, which revealed ongoing conflicts over land between these villages that needed to be solved first. In negotiations between the company and the villages, there were misunderstandings and conflicts on who would compensate the villages if they decided to contribute land to the project, and with how much. In parallel, 3,000 hectares of land in the northern part of the project site, one of the most fertile land areas on the site, became subject to a conflict *within* the government on whether it belonged to the adjacent Saadani National Park or the Ranch. In 2015, the area was claimed by the Ministry of Natural Resources and Tourism, who insisted that the land belonged to the bordering Saadani National Park. All these processes delayed the project implementation since the potential funders, African Development Bank and other development banks, demanded that the company had access to a certain minimum area of arable land.

Indeed, the fading interest among smallholders and funders was stated a key reason for Sida to provide a guarantee for a smaller loan, to keep the project going until the larger loan had been sorted out. The importance of not producing simplified project plans unaware of context is pointed out as a key policy message below. This becomes even more pertinent given the negative impacts that delay had on local communities.

While all these processes took place, the people living on, and using, the land planned for investment were waiting in uncertainty. Despite conditions to adhere to the sustainability standards, resting on principles of free, prior, informed consent throughout the research, I met much confusion among people living on and around Razaba Ranch about what the project actually entailed, who was responsible for what, where they were being resettled and when. Similar findings have been presented by other studies of the same case. The lack of information, mixed messages on resettlement and ongoing land conflicts created mental ill-health, tension and conflict. Guards were hired by the company, with repeated reports of violent behaviour towards people cutting down trees to make charcoal, an important source of income for some people. Every three to six months, they were informed by company consultants or state officials that a resettlement was approaching. Since the evaluation, they had been encouraged to stop investing in perennial crops, and in their houses and other assets, since they would not be compensated for these investments. This was problematic, since perennial crops are often a fallback if annual crops are flooded. Some farmers were forced to stop farming and take jobs at minimum wage for the company. For financial and other reasons, some male farmers sent their wives and children away to relatives. Others kept investment to a minimum. Since the people were to be resettled, they were also disregarded by state support programs in the area.

The consultant hired by the company to design the Resettlement Action Plan proved very important for the smallholders: through the consultant and her team, smallholders were regularly informed about the company's plans. Moreover, the consultant initiated various activities with the aim of diversifying the farmer's livelihoods and skills: they were assisted to set up chicken farms and invited to courses on construction or acquiring a driver's license. Moreover, some farmers were trained to set up and organize themselves around irrigated outgrower schemes with rice as a trial crop.

To conclude, the paper particularly points to delay being important if we want to understand why the Bagamoyo project failed. Perhaps even more importantly from a poverty perspective, it shows that delay can have severe effects on local communities.
In this paper, I could also show how similar simplifications have been observed and criticized in many past studies of development projects. Thus, an important conclusion was that simplification of different aspects of people and environment is being *repeated* over time and over geographical contexts.

Based on this conclusion, I wanted to understand more about *how and why* project proponents could keep repeating such simplifications, even though past experience and research, as well as the perspectives of, and impacts on, people living on the land, showed that these simplifications can be very problematic. This was investigated in paper III.

Summary of Paper III:

"Conjuring a win-world: Resilient development narratives in a large-scale agro-investment in Tanzania" (*published with Flora Hajdu in the Journal of Development Studies, 2018*)

Paper III is the second key paper in terms of presenting my findings. In this paper, we identified three key sources of information, which would had been

very valuable to take into account in the Bagamoyo project, and which could have helped planners foresee potential obstacles, local context and perspectives, past experiences and research on development[18]. Through a thorough reading of previous studies of development projects, we found that these three sources of information have often been overlooked in development projects. This literature also shows how projects which are designed without taking these sources of information seriously, have been shown over and over again not to bring expected results. Despite this, the design of broader development agendas and project planning continue to overlook context. The Bagamoyo project was just another example.
These three elements of context are all important for various reasons: past experiences are important to integrate when launching "new" development agendas and projects, in order to avoid previous mistakes and learn from successes. In this paper, we outline that this is the fourth time since German colonial time that the idea of large-scale agro-investment as a way to achieve rural development and poverty alleviation is launched in Tanzania. Much development research and practical experiences are available, which have shown that many past attempts have not materialized as expected. One of the main problems behind the notorious British Ground Nut Scheme in the 1940s, for instance, was gross simplifications in its design, focusing on technical aspects while ignoring local variation in soil quality and rainfall.

Our analysis showed that many proponents of the project had limited understanding of the local context, and the perspectives and everyday life of local people. Officers at African Development Bank and Sida, and company representatives spent very little time on the land planned for investment, with the aim of understanding people's experiences, needs and perspectives. Instead, the way project proponents talked about land and rural smallholders built on certain, simplified ways of understanding the local context that have been counter-proven many times. Two such

[18] "Research on development" is a simplifying term for Development Studies, Post-Development Studies and Post-colonial Studies.

simplifications of the local context proved crucial. First, the perspective that there is an abundance of unused land available for investment, without any negative consequences for smallholder farmers, is a highly problematic, stubborn myth that has been counter-proven many times in development studies and through experience. Importantly, Sida wrote in their final appraisal that "there is no such thing as unused land", suggesting that the availability of land should be assessed later (for the larger credit guarantee, which was never operationalized).

Second, we found that the view of smallholders was simplified in the sense that project proponents tended to describe smallholders as a homogenous group. While this is a problem in itself, since smallholders differ widely in their knowledge, perspectives and needs, smallholders were also often described in a negative way, as if they were lagging behind, using ancient methods, were inefficient and did not understand their own best interests. This way of describing smallholders as "backward" has clear colonial legacies. Especially strong were these perceptions among company representatives. In a discussion with a company consultant he for example explained the company's "model" on how to help the smallholders become a "business man" through helping farmers in the planned outgrower villages to "rise up" from the "black hole" where they currently lived and from where "you cannot see straight". He added:

> "You can look up and you might see an object moving, and we know it's an airplane, but if you were just in that hole you wouldn't know it's an airplane, you would just see pshht! You know what I mean? Cause you can't fill in the gaps (personal interview, 10 April 2014).

We argued in the paper that these statements build on rather extreme assumptions of smallholders as a homogenous, inferior group. Such assumptions have been counter-proven many times, in development research, but also in this particular case where local communities used various ways of claiming their rights, such as when three elders managed to influence project implementation through filing a lawsuit.

The company representatives' relatively extreme images of the smallholder, combined with their lack of experience in Africa, was especially problematic since the company developed project design, including the outgrower program. The company also had an important role when it came to updating Sida and other actors on how the project was progressing on the ground, and the views of the farmers on this progress. This was problematic, since, consistently, in our interviews, company representatives and smallholders on the ground gave us very different information: while the company wanted to provide a picture of progress and agreement, smallholders described a much more complex reality with challenges and stalled processes. Moreover, they were increasingly worried about how, when and where they would be resettled, and how they would be compensated.

Another key finding presented in Paper III, relevant to the policy messages below, is how project funders dealt with serious risks for smallholders. Many farmers included in the outgrower program were positive and hopeful about the project. However, we could also show that many farmers had problems with fully understanding the program and the risks it entailed. For instance, Sida identified serious risks of smallholders taking part in the outgrower program; they could lose access to land, and/or they could become seriously indebted. These serious risks were "accepted" in the final appraisal, with two mitigation measures: i) clear instructions to the company that these risks must not materialize since "a sound outgrower approach is key to Sida's support" and ii) close monitoring by Sida (with external support) to ensure that these risks were "managed in an adequate manner". Both these mitigation measures are problematic. For instance, while Sida relied heavily on the company to make sure that farmers did not lose land or became indebted, the company would not be able to control all events that could have impact on farmers e.g. how involved banks would act. Relying this heavily on the will and capacity of the investor to avoid such profound risks for the supposed beneficiaries of development collaboration proved problematic. The second mitigation measure, close monitoring, was never initiated since it, from Sida's perspective, appeared as if "nothing happened". Again, delays became a problem for the smallholders, since they already experienced negative outcomes even though the project had not materialized. This will be pointed out as a key policy message below.

In summary, Paper III showed that another contributing reason to why many large-scale agro-investments fail to materialize could be that their design repeatedly overlooks important sources of information. In turn, this means that project proponents lack important knowledge about the local context and that poor people's perspectives are far from being the take-off point.

Summary of Paper IV:

"Between dependence and deprivation: The interlocking nature of land alienation in Tanzania" (*published in Journal of Agrarian Studies, 2018, with J. Bluwstein, J.F. Lund, K. Askew, H. Stein, C. Noe, R. Odgaard and F. Maganga*)

Paper IV serves the purpose of placing my research findings in a wider context, by looking at the combined pressure on land in Tanzania; for large-scale agriculture, mining, tourism and conservation. Most of all, it clearly shows that one of the simplifications above, the one about accessible land or unused land, is not reflecting the reality. Instead, the paper shows that pressure on land in Tanzania can be seen as a major threat to poverty reduction efforts.

Such an aggregated analysis of the current pressure on land in Tanzania is important, since smallholder farmers and pastoralists suffer from accumulated impacts from agriculture, conservation, tourism and mining.

The overall message is that while smallholders are still largely dependent on land-based livelihoods, they frequently lose land for the purposes mentioned above and are offered a limited number of alternatives. For instance, we could conclude that the share of reserved land for national parks and wildlife management in Tanzania will soon reach a stunning 50 percent of Tanzania's land.

Paper IV also shows that landlessness is a growing issue in some regions, particularly among women. It shows that there are no vast tracts of unused, available land for expropriation, as stated, for instance, by many actors supporting the agenda on large-scale agro-investment. An important conclusion is that all these constraints placed on smallholder farmers deprive them of the opportunity to increase production. This is problematic since, as described above, low yields in "inefficient smallholder farming" is often used as a way to motivate the need for development strategies such as large-scale agro-investment.

Thus, apart from situating the thesis' findings in a wider context, Paper IV provides solid evidence for the claim that the idea of large-scale agricultural investment is underpinned by serious simplifications in relation to land abundance. Finally, Paper IV includes some findings from my second case study in Kigoma, which support the conclusion in the thesis that stalled investments can have widespread impacts, since the Kigoma investment has also been repeatedly delayed, but nevertheless has had severe impacts on local communities.

Conclusion and Policy Messages

Overall, the thesis points to the importance for <u>policy makers and private actors to understand the context, and take it seriously, when designing and implementing a development project</u>. This might be even more important when supporting such complex projects as large-scale agro-investments.

Context is to be understood in a wide sense: the thesis points to three important aspects of such contextual knowledge:

1) Knowledge about past experience from similar projects and development trends

Such knowledge can be obtained from various sources: local communities, other development practitioners, evaluations or social and natural science research literature.

2) Knowledge about the current socio-political context and challenges that might arise

This means that project design must take into account, for instance, social and political relations and inequalities; vested interests among involved actors; conflicting claims and power struggles over land; environmental complexity and unexpected external events at national or global level. As shown above, many of these contextual complexities contributed to repeated delays and were very challenging for the Bagamoyo project.

Given the emphasis on gender mainstreaming in development cooperation, knowing the context concerning land access is especially important. There are at least two reasons for this: landlessness is a growing issue in some regions, particularly among women and women have also been shown to be disproportionally marginalized in land conflicts. Moreover, smallholder farmers being pushed off their land due to investment have difficulties finding alternative livelihoods. Thus, the current pressure on land in Tanzania can be seen as a major threat to poverty reduction efforts.

3) Knowledge about the needs of people living in poverty, their interests and conditions, and their perspectives on development, as a take-off point

While poor people's perspectives is an important part of the socio-political context (point 2), I believe it deserves a separate point. Not least because it reflects key recommendations in global and Swedish policy. For instance, the World Bank's Environmental and Social Safeguards require an engagement process with affected people[19]. Interestingly, this is mentioned as a particularly important requirement in order to "reduce the risk of project-related delay". For Swedish Development Cooperation, the Politics of Global Development from 2003 states that "all decisions and activities must be underlined by [among others] the perspective of the poor", and that "poor people's *needs*, *interests*, *capacity* and *conditions* should be a point of departure in efforts to achieve equitable and sustainable development" (p. 19, my emphasis)[20]. Thus, while policy is very clear on the importance of poor people's perspectives as the foundation of any development project, my thesis problematizes how development cooperation actually integrates poor people's perspectives in practice. Importantly, people living in poverty are not a homogenous group, but represent a range of perspectives, needs, vested interests and social inequalities.

Implicit is the importance to <u>critically reflect upon, and adjust, one's own knowledge base and perspectives on development, and take local, every-day perspectives on development as the entry point for projects to truly adapt to the needs of people living in poverty</u>.

[19] In the Environment and Social Standard 6 on Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities, it is a general requirement that the borrower "undertake[s] an engagement process with affected Indigenous Peoples/Sub-Saharan underserved traditional local communities". The Standard also states that "this engagement process will include stakeholder analysis and engagement planning, disclosure of information, and meaningful consultation, in a culturally appropriate and gender and inter-generationally inclusive manner". (p. 79) http://pubdocs.worldbank.org/en/837721522762050108/Environmental-and-Social-Framework.pdf Accessed 27 Nov 2019

[20] Similarly, the Policy Framework for Swedish Development Cooperation and Humanitarian Assistance (2016), states: "Sweden's development cooperation takes as its point of departure and is characterized by the perspective of poor people on development".

To take poor people's perspectives into account proved to become even more challenging in the Bagamoyo project, when Sida entered into a collaboration with a Swedish private actor with no previous experience of African countries. As I have shown, company representatives held strong positions in supplying other actors with information on project progress. At the same time, I showed that this information was often misleading, and influenced by their colonial view of the life and capacity of local people. This shows the importance for developing cooperation practitioners to gather independent information to enable independent assessment in collaborations with private sector. This would require enquiry into past experience and research, as noted above, combined with independent and frequent field visits to build trust with people and assess the situation from their perspective.

For all the recommendations above, an overarching prerequisite is that structures are in place that allow for, and incentivize, in-depth analyses including field visits for development cooperation practitioners. In my research, independent field-visits seemed under-prioritized.

While many of the above policy messages have been put forward before, the insight from my thesis about paying attention to delay has been little discussed in development policy debates. I have shown that if context is simplified in project design and implementation, the project can become repeatedly delayed. Importantly, delays can have severe and negative impacts on all actors, including local communities. Thus, I argue that delays, or the failure of development projects to materialize at all, are important but overlooked in international development cooperation.

In this particular project, there were several ways through which the impacts of delay became invisible. One was that the monitoring of socio-economic impacts of the project, a mitigation measure to safeguard smallholders from losing land and becoming indebted in Sida's risk assessment, was never initiated with reference to that nothing was happening. This is highly problematic, as it renders stalled projects, and their substantial effects, invisible. Second, the availability of land for the investment that Sida wanted to assess never happened, since the project didn't materialize. Against this background, I put forward the following recommendations:

Risks for delays and failure need to be taken very seriously: First, in situations where there is risk for delays, this should be noted in Appraisals, Risk Assessments and other Due Diligence reports of development projects. Second, such risks must be taken seriously. Existing Sustainability Standards and Safeguards do not address risks of delay in any elaborate manner. In the World Bank Safeguards, for instance, the reference above about engaging indigenous people as a way to reduce the risk of project delay, is the only time delay is mentioned. There are no other requirements as to how delay can be hindered (such as understanding the context in a wider sense), or requirements on how to handle project delays[21]. In Sida's decision to provide the guarantee in 2014, risks for delay were deemed high, but only mentioned in relation to risks for rising project costs, risks for speculation in land or risks for the company not being able to pay back the loan. Thus, we can draw the important conclusion that the risks of negative impacts of delay on local communities were not addressed in any of these documents.

Against this background, I recommend that in processes where Swedish or Global Sustainability Safeguards and Standards are developed or revised, more emphasis be put on delay, reflecting one or more of the following elements:

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[21] In the International Finance Corporation Performance Standard 1, "Assessment and Management of Environmental and Social Risks and Impacts", delay is not mentioned at all. https://www.ifc.org/ In the Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security, delay is mentioned once, in the context that "those who give up their tenure rights to land, fisheries and forests should receive equivalent payments without undue delay" http://www.fao.org/3/a-i2801e.pdf (p. 26).

- Knowing the context (in a wider sense, see above) is important to reduce risk for delay
- Potential impacts of delay on people living in poverty must be analyzed and mitigated
- In cases of delay, monitoring and follow up of the situation among local communities is still necessary
- Where risks of delay are assessed high, costs for mitigating delay and managing its effects should be included in project budgets

Finally, this thesis relates to the debate on large- versus small-scale agriculture. As mentioned in the Background section, a large share of planned large-scale agro-investments have stalled or failed to materialize, not only in Tanzania, but in many other African countries. Even though little attention has so far been paid to the impacts of stalled or failed investments in research, local communities around other investments are probably being negatively impacted by such failures just like in the Bagamoyo project. Given the complex nature of such investments and their implicit vast need for land in an often land-scarce context, they have repeatedly been documented to encounter massive protests and resistance from local communities. Moreover, delayed large-scale agro-investments supposedly bring huge transaction costs to both development bodies and governments. Few investments have been found to create jobs for local communities other than low-paid, seasonal positions. A final drawback with large-scale agriculture worth mentioning is that it goes against recommendations for climate change adaptation, where it is recommended to *increase* variability and diversity of crops to spread risks over time and space, in a context of an increasingly unpredictable weather. Against this background, and with repeated reference to poor people's perspectives, I put forward the recommendation that development cooperation <u>prioritizes support directly to smallholders, based on their own expressed and context-specific needs and conditions.</u>

Epilogue and a final Policy Message

As indicated above, the Bagamoyo Saga partly continues across the Atlantic, 13 000 kilometers west of Razaba Ranch, in Washington DC. Through dialogue with researchers at the Columbia Center on Sustainable Investment[22] and the International Institute for Sustainable Development, I have followed the investor-state proceedings taking place at the International Center for Settlement of Investment Disputes, one of the five institutions making up the World Bank Group. This section is informed by their insights.

I have chosen to highlight three aspects about such international investment disputes that are particularly relevant to development cooperation. First, these investor-state claims suffer from very limited transparency which makes it difficult to know who is involved, whether and how people impacted by the investment may be affected and what the outcomes are. While efforts have been made in past years to increase transparency around

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[22] The Columbia Center on Sustainable Investment (CCSI) is an applied research center in New York, working to align frameworks that govern international investment with sustainable development and human rights objectives, with actors engaged in reform of the international investment regime. For more information: http://ccsi.columbia.edu/. The International Institute for Sustainable Investment is a Canadian think-tank that provides advice to governments to help transform public and private investment into a vehicle for change. For more information: http://www.iisd.org

investor-state disputes[23] significant challenges remain. This detracts from efforts by development cooperation to strive for increased transparency in international governance and policy frameworks.

A second problem is that treaties and claims based upon these are generally geared towards protecting the interests of the private sector, while shifting high amounts of risk onto the host-country and its taxpayers[24]. As of July 2019 investors had obtained a favorable decision in at least 51,5 percent of publicly-known claims, mainly in disputes against low- and middle-income countries[25]. However, both awards and settlements can consume significant portions of states' annual budgets since the average cost of tribunal proceedings alone is 5 million USD[26]. Importantly, when respondent states lose and pay large awards[27] they often use public expenditures. Thus, should the Government of Tanzania lose in the Bagamoyo claim, they may lose 52 million USD (520 million SEK) from public expenditures. This equates to approximately two thirds of the yearly Swedish development support to Tanzania (750-850 million SEK).

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[23] For example through the UNCITRAL Rules on Transparency and the UN Convention on Transparency in Treaty-based Investor-State Arbitration.

[24] UNCTAD, Investment Policy Hub, Investment Dispute Settlement Navigator

[25] CCSI, "Primer: International Investment Treaties and Investor-State Dispute Settlement" http://ccsi.columbia.edu/2019/06/03/primer-international-investment-treaties-and-investor-state-dispute-settlement/, citing Behn & Daza, "The Defense Burden in International Investment Arbitration" (2019) PluriCourts Working Paper (*forthcoming*).

[26] Ibid. See also Hodgson, 'Costs in Investment Treaty Arbitration: The Case for Reform' in Kalicki & Joubin-Bret (eds), *Reshaping the Investor-State Dispute Settlement System: Journeys for the 21st Century* (Brill 2014) 756.

[27] The average award is 120 to 500 million USD (ibid and UNCTAD "Investor-State Dispute Settlement Review of Developments in 2017"https://unctad.org/en/PublicationsLibrary/diaepcbinf2018d2_en.pdf)

The third problematic aspect of the international investment apparatus I want to highlight is also related to investor protection: in these disputes, the investors' claims often supersede states' obligations to protect human rights and environment[28]. For instance, investor compliance with national law on environmental and social impacts or international sustainability standards are generally not considered in tribunal procedures. Moreover, environmental degradation or complaints from local communities because of the investment are not adequately considered in these processes, if at all. Indeed, local communities cannot intervene as third parties in these disputes[29]. This means that international investment treaties can provide companies with a remedy and even shield them from accountability to these people[30], even when not taking sustainability issues seriously as companies can recover expenditures regardless of the social and environmental impacts of their investments.

One overall conclusion that can be drawn from the thesis, combined with these insights about the international investment regime, is that the major risk in resource extraction projects is not taken by the investor. Rather, smallholder farmers, pastoralists and the public at large stand to lose in many different ways.

Although there is increasing recognition of the high societal costs associated with these procedures[31] it remains uncertain whether current discussions

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[28] For instance Coleman et al 2019 "Human Rights Law and the Investment Treaty Regime" (CCSI Working Paper, June 2019)

[29] For more information, see CCSI, Access to Justice http://ccsi.columbia.edu/work/projects/access-to-justice/

[30] See e.g., *Chevron Corporation and Texaco Petroleum Corporation v. The Republic of Ecuador*, UNCITRAL, PCA Case No. 2009-23.

[31] Pohl, J. "Societal benefits and costs of International Investment Agreements: A critical review of aspects and available empirical evidence" (OECD, 2018)

will be sufficient to solve the serious and systemic issues with investor protection and investor-state disputes[32]. A final recommendation is therefore that development cooperation supports reform of the international investment regime to align treaties and dispute settlement systems with protection of smallholder farmers, pastoralists, the environment and the general public in developing countries.

Moreover, contracts between private and public actors supported by development cooperation should be assessed along similar lines, since such documents and procedures can play a vital role in ensuring sustainable investment and possibilities for poverty reduction in global extractive industries generally, and in large-scale agro-investments.

[32] Sachs 2019 "ISDS Reform at UNCITRAL: Two Guiding Principles." CCSI Blog (16 Oct. 2019)

Large agricultural investment projects have been popular in African development for almost 20 years. The results of these investments however, have often failed to materialize. This DDB explores the consequences for people living where such investments were promised but benefits never delivered, through a case study of a Swedish sugar-cane project in Tanzania.

Storskaliga jordbruksinvesteringar är sedan 20 år populära medel i afrikanskt bistånd. Resultaten från dessa investeringar lyser dock ofta med sin frånvaro. Denna DDB undersöker konsekvenserna för människor på platser där investeringar utlovats men aldrig förverkligats, med hjälp av en fallstudie från en svenskfinansierad sockerplantage i Tanzania.

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