



Biofuel Investment in Tanzania: Awareness and Participation of the Local Communities

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Key messages

- In Tanzania biofuel investment is happening in absence of a biofuel policy this should be halted until a biofuel policy is put in place.
- There is lack of accountability and governance in management of the biofuel investment in the country as the results; the local communities land and livelihood are endangered.
- There is a need to review the laws and procedures related to decision making over land, more specifically land for biofuel.

Executive summary

Biofuel investment in Tanzania has been welcomed on the grounds of its expected ability to reduce energy costs, increase national income, and help in transport and agriculture sectors by providing income and rural energy, thereby alleviating poverty. However, in Tanzania biofuel investment is unfolding in absence of a biofuel policy. The principle aims of the present study were to understand the manner in which biofuel investment is managed in the country; establish the extent to which the local communities are aware of the threats and benefits of the investment; and determine the level of involvement and participation of the local communities in the decision-making process, especially the decision to give land to the investors.

The study used both quantitative and qualitative methods of data collection. A survey of 215 respondents was done in 8 villages. Moreover, a total of 15 in-depth interviews were conducted with officials working in government institutions and biofuel companies. A review of minutes from village meetings on negotiations over land composed the main qualitative data used in the study.

The study reveals a lack of accountability and governance in managing biofuel investments in the country. As a result, biofuel investments have done little to alleviate poverty, empower villagers, and protect the environment. As villages were unprepared, hastened to make decision, and were lured by words of the investors and leaders who promoted the benefits of the investment more

than its threats. Reviews of the minutes from the villages meetings show that villagers accepted the investment but with certain conditions and demands; however, most of these conditions and demands were not fulfilled by the investors. As a result of biofuel investment, the local communities lost their land and their livelihoods are endangered.

In an effort to leverage biofuel's potential benefits in alleviating poverty and environmental degradation, this study recommends reviewing the laws and procedures related to decision making over land and specifically land for biofuel production, and halting the process until a biofuel policy is put into place. This study also recommends strengthening the roles of different institutions involved in biofuel investment in the country, returning the land where procedures for land acquisition were violated, and ensuring compensation for land following the demands made by villagers, as stipulated in the minutes of village meetings.

Background

Globally, concerns over the depletion of oil reserves, the increase in global warming, and the need for renewable energies have led to the promotion of biofuels. Biofuels or agro fuels are forms of energy obtained from plants and animals. For the purpose of this study, two broad categories of biofuels were examined, namely bioethanol and biodiesel. Bioethanol is produced from either sugar crops (sugar cane and sugar beets) or starch (maize, potato, or cassava), whereas biodiesel is obtained from oil-producing plants such as jatropha and oil palm. Still, while biofuel production comes with some benefits, the lack of accountability and governance in the management of biofuel investments translates into a variety of costs – some of which are addressed here. Benefits include expanded energy supplies, alternative income-generating activities, reduced expenditures on oil importation, improved transportation, reduced

greenhouse gas emissions, increased income, reduced poverty, and more sustainable ways of life. The costs include greater food insecurity, land grabbing, and environmental problems like the loss of biodiversity. In Africa and in Tanzania in particular, biofuel is developed for export and not for domestic use. Investors have taken large pieces of land, which some have described as land grabbing. Moreover, conflicts have plagued the local communities where biofuel production has started, and their demands in return for the land they gave were not fulfilled.

Current policies and observation of policy options

Tanzania's 2005 Strategy for Growth and Reduction of Poverty (SGRP) outlined policy clusters related to poverty reduction. Clusters 1 and 2, which pertain to economic growth and wellbeing, rely on achieving cluster 3, which focuses on good governance and accountability. Among the key indicators of cluster 3 are the citizens' rights to own and use land, their participation in local government, and the dissemination of information as a way to create awareness of local government. Good governance and accountability are important elements in poverty reduction, and local awareness and participation in the process of economic development is a measure for achieving good governance and accountability. Today the process of planning and budgeting in Tanzania requires all ministries to orient their development plans to meet the goals of SGRP. This means that all FDIs are also subjected to the same conditions faced by government institutions. The key questions asked in this study include the following:

- How are biofuel investments conducted in absence of a policy?
- To what extent are the villagers aware of the benefits and threats of investments?
- How are they involved in decision making over land for biofuel production?

Research Findings

Findings reveal a lack of biofuel investment policy, where investments are instead treated as a foreign direct investment because many of the investors were from outside the country. Key institutions involved include the Tanzania Investment Centre (TIC), the National Environmental Management Council, and the Ministry of Land and Human Settlements. The study found a lack of good governance and coordination among the institutions promoting biofuel investment.

TIC is in charge of issuing investment certificates. The major assumption is that certificates are issued after the TIC is satisfied that a project will benefit the country at large and that it is conducted in a sustainable manner. However, TIC neither measures whether these benefits are actually realized by the communities where the projects are introduced nor does it monitor the investments after the certificates are granted. In the case of biofuel investment, there were many conflicts between the investors and the villagers, and TIC had not dealt with any of them even when villagers and district reported to them.

The country's land issues are guided by the Ministry of Land and Human Settlements and the Land Acts No 4 and 5 of 1999. The Land Acts state that villagers will be compensated at the market rate when their lands are confiscated. However, this study found that some individuals were not compensated, and much of the compensation for land was below the market rate.

Since most of the land was village land, villagers put conditions and demands but they were not implemented, thus leading to loss of village land in most cases. Moreover, the Ministry's land-use guides have not been respected by the investors and villagers, resulting in encroachment into or endangerment of protected lands.

Environmental issues in Tanzania are guided by the Environmental Law (2004) and the National Environmental Policy (2004), as well as the Environmental and Social Impact Assessment framework (ESIA). The National Environmental Management Council (NEMC) reviews the ESIA and reports on and advises the Minister of Environment, who then issues the ESIA certificates. The present research found that the process involved in ESIA studies for all biofuel investments were not transparent.

Villagers were not aware of the threats posed by the investments. They were made to believe that the investments will bring them development and remove them from poverty. The level of villager involvement in decision making is also questionable, where the findings show that they were pushed by some top authorities to accept the investment. Many villagers were not well informed, and in interviews some of them pointed out that those who opposed investments were ignored. In the minutes, however, villagers clearly outlined the conditions under which they accepted the investment, although only few of these were not fulfilled in some places.

Policy Recommendations

This study makes a variety of recommendations, all of which look to enhance accountability and governance in biofuel investments, thereby strengthening the poverty alleviation and environmental benefits of biofuel production.

1. Return the land to the villagers in cases where procedures were violated.
2. Amend the land laws to include quorum and vote taking in decision making by villages.
3. Until the issues are clarified and the villagers' demands fulfilled, TIC should stop all the investors to whom complaints have been aired by villagers.
4. TIC should make a rule that local communities must hold shares in the investments introduced in their areas.
5. TIC should monitor FDI and ensure that they abide by the SGPR's poverty reduction stipulations, and the success of FDI should be measured by looking at improvements in people's livelihoods.
6. Enhance transparency and monitoring of investors' business activities. This can be done by giving a copy of the business plans and ESIA reports to the local communities concerned, who will then communicate with the TIC/NEMC in case of any violation or change in business plan.
7. Preparing the village land-use maps should not be left entirely in the hands of the investors. The utilization of land-use maps prepared by the Ministry of Land and Human Settlements and any decision by any institutions to give land should follow the land use maps.
8. Compensation should be made for land acquisition and land clearing. Similarly, environmental economics should inform compensation for environmental degradation and the long-term loss of livelihoods among the villagers.
9. Investment in large-scale biofuel should be discouraged, while investments into alternative sources of energy, e.g. solar energy, should be encouraged.
10. There should be guidelines for community participation in decision making over community development activities. The guidelines should outline the task of each of the stakeholders.



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