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Large-scale agricultural investments and rural development in Tanzania: lessons learned, steering requirements and policy responses

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Abstract

Tanzania has a long tradition of large scale agro-investments (LSAIs), established during colonial and early post-independence, dismissed during socialist times. New efforts have been made to attract LSAIs, and many investors tried to establish them in the last 10 years, with limited success and frequent failures. Development impacts are heavily disputed. This study looks into the reasons for success or failure of investments, socio-economic impacts and the policies steering them. It is based on an empirical study with 276 qualitative interviews with various stakeholders in spring 2015 around ten LSAIs, all following the nucleus-outgrower model, in three different sub-sectors – sugarcane, tea, rice – in different phases of realisation: planning, establishment, full production and (close to) failure. Results show that there are many challenges to successfully implementing LSAIs in Tanzania, including the general agricultural and specific sub-sector policies, business environment, and particularly land issues. On the other hand, there seems to be considerable potential of these investments to support local development, in particular through providing employment, outgrower farmer incomes, infrastructure and corporate social responsibility projects as part of community compensation. The concrete business model influences the opportunities as well as risks, but no single model seems to be superior. In general, the policies to attract and steer LSAIs are not yet sufficiently developed, coordinated and implemented.

Key words:

large scale agro-investments, Tanzania, rural development, smallholders, nucleus-outgrower schemes

1. Introduction

Large scale agro-investments (LSAIs) in Sub-Saharan Africa (SSA), in particular if including large scale land acquisitions, are fiercely debated worldwide with regards to their impacts on rural development and food security (German et al. 2013). Tanzania has a long tradition of such investments, and after a period of discouragement the United Republic of Tanzania (URT) has started to support them again, following modernisation strategies under the Agricultural Sector Development Strategies (ASDS) of 2001 and 2006, and the Kilimo Kwanza strategy of 2009 (URT 2009, URT 2015). Consequently, a number of policies, initiatives and instruments have been devised over the past years to foster large agro-investments and to improve their impact on national social and economic development.

While the political impetus to establish LSAIs, thus, seems to be strong, the track record and the desirability of large agro-investments are far from clear and undisputed in the country. However, most empirical studies concentrate on individual investments and provide strongly contradictory results. In addition, many of the investments do not even seem to take off, or are closed down, and again, there are reports of negative effects of these closures, either due to unfulfilled promises or due to loss of incomes, jobs and other benefits. Generally, the evidence about the occurrence, the success rate and the reasons for success or failure, as well as the developmental impacts of LSAIs from the short to long term is far from being clear.

A study by a group of researchers from four German and Tanzanian research organisations looked into the lessons to be learned in and from Tanzania on land-based LSAIs. It shows reasons for (lack of) progress in establishing LSAIs, their socio-economic impacts, the policy efforts hitherto made to steer them and what is missing. It takes into account the entire project cycle of LSAIs by drawing lessons from old and new investments on how to manage such investments to economically thrive while providing positive and avoiding negative impacts on rural development. By selecting several sub-sectors and investments within these sub-sectors at various stages of investment, it is able to look beyond the characteristics and fates of individual investments which very often depend on unique combinations of entrepreneurial, sub-sectorial and other contextual particularities, and can distill more general lessons than studies of individual investments.

The rest of the paper is organised as follows. In section 1, a short background on LSAIs in Tanzania is provided, in particular the renewed attempt to foster them since a couple of years. Section 2 provides the methodology for this study. Section 3 presents the major results, and Section 4 draws conclusions and implications for both the political as well as for the private management of LSAIs.

2. Background to LSAIs in Tanzania

Tanzania is a good case study for LSAI dynamics in developing countries. It is one of the top three to ten destinations of large scale land acquisitions in SSA, depending on the source of information (Anseeuw et al. 2012; Schoneveld 2014). According to many sources, the country possesses a considerable amount of arable land that is under no or under productive use (GTZ 2005, Deininger and Byerlee 2011, IFAD 2014, URT 2015) and a great potential for higher agricultural productivity, e.g. through improving irrigation infrastructure or the use of modern inputs. Nevertheless, growth in the agricultural sector (4.2% between 2003 and 2013, MAFAP 2013) is low compared to population growth (3%) and to the overall growth of the economy (7% in 2013). This lower-than-average rate of agricultural growth presents a challenge to the reduction of poverty and food insecurity particularly in rural areas dependent on agriculture (World Bank 2014). At present, approximately 68 per cent of the population still lives below USD 1.25 per day (United Nations Development Programme, 2014), and 90% of the poor live in rural areas (IFAD 2014).

Against this background, the Tanzanian government has recognised agriculture as a significant driver of growth and factor to reduce poverty and food insecurity. A significant role in this endeavor is accorded to the private sector (URT 2009, URT 2015). Many of the older government owned large farms have been privatised in the last

10 to 15 years. The Tanzania Investment Centre (TIC) was established in 1997 as a one-stop-shop for foreign (and national) investors, facilitating all procedures with government agencies including acquisition (long term lease) of land. More recently, a major instrument for LSAI support is the Southern Agricultural Growth Corridor of Tanzania (SAGCOT). SAGCOT is an innovative, large scale (1/3 of the Tanzanian territory) policy initiative to develop agricultural value chains by linking and coordinating public and private actors and activities. It has been initiated as a public-private-partnership at the *World Economic Forum (WEF) Africa summit 2010* with a strong focus on agro-industrial development. The blueprint document (SAGCOT 2011) talks about 350,000 ha to be developed under large scale farming, with smallholders linked to these as contract farmers (nucleus-outgrower model). Infrastructure and service provision are to complement these clusters. A more recent policy initiative, the Big Results Now (BRN) launched by the Tanzanian Presidency in 2013 to fast-track certain sectoral initiatives through a strong results-based management system, has taken up the focus on LSAIs as one of its three agricultural chapters and declared to implement 25 LSAIs within the next 3 years (URT 2013, President's Delivery Bureau 2016).

Whatever the efforts to promote them, implementation of LSAIs seems to be difficult. According to a report by IRIN (2013) citing Land Matrix data, out of 27 deals signed in Tanzania since 2008, 11 projects had either been abandoned or had yet to start production more than a year after contracts were signed. Just eight were operational. Cotula et al (2014) complain about the non-availability of information on implementation of agro-investments in Tanzania, and that only 1 out of 7 investments is judged fully implemented. (However, there is evidence that the term "implementation" is used quite differently by different authors, from "concluded contract" to "start of investment" or "full production", compare Deininger and Byerlee (2011), Nolte (2014), Cotula et al. (2014). Several of the investments that we found in sources such as the Land Matrix or local investment lists had not the reported status, several had not started at all or failed. Also, some older investments struggle or closed down. The interest of investors seems to fade away, making plans of the government to modernise agriculture via such investments increasingly obsolete. By the time the field research was carried out (summer 2015), not a single of the announced large new investment had been established under SAGCOT and BRN (the BRN homepage publicises two investments, but in fact only land rights have been secured by TIC). On the other hand, it seems that many smaller (though with often more than 100 ha still large in national context), often local investments take place – under the radar of observers who are concentrating on international investors.

In addition, assessments of the impacts of LSAIs still vary considerably even after several years and many cases studies. While certain show-cases of successful investments are praised or acknowledged for their positive developmental impact (SAGCOT 2011, Sserunkuma and Kimera n.d., Herrmann 2014, Herrmann et al. 2014, The Guardian 2016), there are many investments for which strongly negative developmental impacts are alleged (Tandon 2010, Land Rights Research and Resources Institute 2010, Benjaminsen and Bryceson 2012, Oakland Institute 2012, Action Aid 2015, Twomey et al. 2015, Oakland Institute et al. 2015).

There is, thus, still considerable research needed about LSAIs, in particular about decisive factors of implementation, success and failure of the investments for the investors, developmental impacts for rural areas, and about policies and other measures making investments economically viable, ensuring positive outcomes and reducing negative ones. This study tries to contribute to some of these knowledge gaps.

3. Research questions, hypotheses and conceptual framework

This section will present the study's methodology: research questions, derived hypotheses, the conceptual framework guiding the analysis, and how the research strategy has been implemented during field research.

3.1. Research questions

The overall research question guiding the study was formulated as follows:

R₁: How can Large-scale Agricultural Investments (LSAIs) in Tanzania be promoted and managed in a way that leads to a positive impact on rural development?

As there is no internationally accepted definition of LSAIs in terms of size, we defined large-scale agricultural investments as investments exceeding 200 hectares. When looking at the impacts of these investments, we mainly focused on socio-economic effects potentially leading to poverty reduction as one main dimension of rural development. Vulnerable groups were specifically taken into account.

Promotion refers to activities and policies by state authorities, international organisations and business associations that attempt to attract and facilitate agricultural investments in Tanzania. In contrast, *management* refers to regulatory legislation and monitoring activities that aim to ensure a positive impact on rural development and to mitigate negative consequences from LSAIs. For this purpose, it is indispensable both to analyse policies and formal institutions and to look at their implementation on the ground.

In order to answer this overarching research question, three sub questions were deducted:

- R_{1a}*: Which factors influence the success or failure of LSAIs in Tanzania, from the perspective of the investor?
- R_{1b}*: What are the impacts of LSAIs on rural development (for different stakeholder groups) in Tanzania and what factors influence these impacts?
- R_{1c}*: What is done and what is needed to promote development-friendly LSAIs on the policy and implementation level?

R_{1a} focuses on the performance of LSAIs from an economic point of view, as we assume that LSAIs can only be a vehicle of rural development if such investments are economically viable.

Investments are considered to be *successful* from the investor's perspective when they pass through the different stages of the investment cycle (see below) without significant delays that endanger the overall feasibility or financial viability of the business model. They are considered as *failed*, first, when they get stuck during the planning or investment phase and do not reach full operation in a timely manner and are eventually abandoned by the investor. Second, investments are also considered as failed when they become unprofitable *after* reaching full production because of false managerial decisions, market fluctuations, changes in national and international legislation or other external shocks, such as climate change and natural disasters and therefore move from the production stage to what we will call the post-investment stage.

R_{1b} focuses on the short-term and long-term social and economic effects of LSAIs from the perspective of the rural population. When looking at these effects, we need to distinguish between different stakeholders instead of treating the rural population as a homogenous entity. Depending on their sex, age, occupation and social status, people might be affected in different ways. A particular focus needs to be put on vulnerable groups, such as pastoralists or women.

R_{1c} asks for the activities that are undertaken at the policy level to promote and manage large-scale agricultural investments in a development-friendly way. By *development-friendly* we understand investments that are socially responsible and have an overall positive impact on rural development, while always considering vulnerable groups.

3.2. Hypotheses

We derived five hypotheses whose testing is deemed to answer the questions to a major extent:

- H₁*: LSAIs can combine economic success of the investor with overall positive impacts on rural development.

Against the background that many stakeholders and many dimensions of impacts are involved (compare *H₅*), this hypothesis stems from a perspective that focuses on an *overall* assessment of investment impacts rather than prioritising *individual* losses and benefits of people affected.

- H₂*: Local support of LSAIs is closely connected to the inclusiveness of the (early) investment process.

We assume that local communities are more likely to support LSAs when they are effectively included throughout the investment (in all phases, but particularly in phases 1 and 2). *Support* is operationalised as a positive or at least neutral attitude towards the investment process with the abstention from obstruction or other forms of resistance against the investment activities. We understand investment processes to be *inclusive* when for instance transparent and meaningful consultations and impact assessments are carried out, fair compensation (as perceived by the population) and assistance in resettlement processes are offered, jobs and income is created for locals, and accessible dispute settlement mechanisms exist.

H₃: The success of LSAs is closely associated with the support of the local population.

Building on H₂, we suppose that the support of the local population is one important success factor for investments: If people oppose the investor’s activities, e.g. through denying a contract, lobbying against them or actively engaging in sabotage, this can seriously hamper the success of the business. At the same time, only successful investments at the operation stage are likely to generate positive long-term effects for communities, for instance through the creation of jobs and social infrastructure. In summary, support and success are expected to reinforce each other mutually, which is why the direction of the causality in the relation is circular.



H₄: Different stakeholder groups benefit or suffer differently from LSAs and there are particularly vulnerable groups.

It cannot be assumed that all stakeholder groups are affected by LSAs in the same way. Instead, some people may benefit from new opportunities, whereas others might be affected negatively. Younger and more educated individuals, for example, are more likely to benefit from employment opportunities. Women or pastoralists, in turn, are particularly affected from land redistributions because of their lack of rights and their strong dependency on traditional agricultural activities. In decision-making processes, such vulnerable and less powerful groups will probably be excluded and their interests not be taken into account. It is possible that the non-inclusion of *some* groups in decision-making and benefit-sharing does not affect the *overall* support for an investment by local communities as a whole (H₂) and thus the investment’s success (H₃). By testing this hypothesis, a special emphasis is put on detecting such vulnerable groups and their specific issues with regards to the impacts of LSAs. These problems become particularly critical if vulnerable groups are affected in their fundamental human rights, e.g. the human right to food. Possible ways to deal with them are explored in the study.

H₅: The promotion and management of development-friendly private agricultural investments is inhibited by several factors: diverging interests and power imbalances, incoherent policies, as well as the lack of implementation of policies.

Our fifth hypothesis stipulates that the promotion and management of LSAs in Tanzania is currently insufficient and does not assure development-friendly outcomes. One reason for this insufficiency lies in the political economy of these investments and the various interests that different actors defend. Power imbalances can result in unfavourable deals for the communities as a whole, and also endanger the overall goal of economic development. Diverging interests and power imbalances can also be reflected in incoherent policy-making. We further assume that not only the formulation, but rather the implementation of policies is a significant inhibitor of development-friendly LSAs, caused by a lack of competencies and capacities of the state at the national and sub-national level to guide, moderate, monitor and impose rules or sanctions.

3.3. Conceptual framework

In order to better structure the phenomenon of LSAs and to adequately address the research questions, we developed and applied a four-stage-model of investments (planning, investment, operation and post-investment stage). This stylised “investment life cycle” allowed us to abstract from singular “stories” of individual investments and to deduce generalised lessons from very different investments.

The discussions about large scale land acquisitions and investments are often (and often purposively) concentrating on certain aspects, obscuring the wider picture. To a certain extent this study does the same by limiting the analysis to the local effects, thus neglecting repercussions of very large investments on sectoral, water-shed, national and other issues.

However, even with this limitation, the scope of the study makes it necessary to further structure the phenomenon LSAI because one major difficulty is that implementation - if happening at all - is often very slow, regularly taking several years or even more than a decade between planning and full production. On the other hand, LSAIs which are currently in full production are often more than a decade old and often they are based on old investments established as long ago as the colonial times and then having been transferred one or several times. For these investments, lessons from early phases are hardly useful for the present political management of new investments since the entire economic, political and social (demographic) framework has changed. Yet, these are the projects most likely able to tell about long-term (future) effects and issues of present-day green field investments.

Thus, instead of asking for the impacts and evolution of *individual* investments, we developed a conceptual framework that allows interpreting presently observable LSAIs (and their recent past) as pieces of the same puzzle – a stylised LSAI life cycle. It means assuming that most investments follow a similar project life-cycle, regardless of their specific nature and particular design.

The classification of LSAIs according to four stages becomes especially useful for this research when coupled with the research question on public management of investments as well as their impacts on rural development: what determines the impacts of a LSAI and where and how can political steering come into play? It is often assumed that the main features for commercial success of an investment and its impacts in the long run can already be determined early in the planning phase through thorough due diligence planning as well as transparent, open and participatory negotiations with local communities. In addition, national policies and institutions that are part of the enabling environment and the specific local conditions for the investment usually provide the basis for planning and negotiations of investors.

However, not all issues are predictable from the beginning for all projects, even less so for politically, socially and economically complex long-term investments. Thus, later phases will have their own, unexpected or uncertain risks and challenges. Policy and macro-economic changes may induce new opportunities and risks – the typical “country-risks” in these environments are high, but also sub-sector market risks and risks linked to the investor or changing investor-rural population relations. Analysing older investments can provide lessons learned for presently emerging investments, although their experiences with early phases of investment are not always transmittable to the present as outlined above.

For our study we further elaborated the model of the investment cycle developed in “Large-scale land acquisitions: challenges, conflicts and partial solutions in a project lifecycle perspective” (Brüntrup, 2014).



Figure 1: Four-Stages-Model of the life-cycle of an investment

We classify large-scale investments in agriculture accordingly in four stages of the investment cycle: planning stage; investment stage; operation stage; and post-investment stage.

1. The process of preparing the actual investment is what we call the Planning Stage. Investors look for land, carry out feasibility studies, conduct financial planning, and engage in first negotiations with state authorities and the local population. Possibly, land is demarcated but not yet fenced; compensations are assessed and/or negotiated but not yet paid. At this point in time, the institutional and regulatory framework has an important impact on the investment

decision as such and the business model applied. This stage ideally ends with the conclusion of a contract between investor, government and/or local communities which regulates the transfer of land as well as obligations for the investor.

2. In the second stage of the investment cycle, the Investment Stage, the investors carry out their first actual activities on the ground. Third party funding, needed for most large investments, can often only be finally assured after contract signature. The first activities by the investor include but are not limited to fencing, clearing and levelling of land, setting up potential plantations, construction of infrastructure and processing facilities. Particularly with perennial crops, several years might pass between planting and first production, and it may take many years or decades before full production is reached. During this stage, the impacts of the investment actually materialise for local communities: land ownership changes and some people may have to leave their houses or their farm land. Compensation measures may therefore take place. First temporary jobs (in construction) emerge; local food prices may rise because productive land is lost while increased productivity from the investor or supply reactions from local farmers are not yet felt. In this second stage, conflicts are probable as negative impacts for the local population most likely outweigh the long-term positive impacts of an investment which cannot yet unfold because they depend on full-fledged production.
3. The investment stage leads to the third stage, the Operation Stage, in which projects actually begin operation on a full scale, i.e. production, processing, packaging and selling. In this phase, the medium- and long-term effects of the project emerge. Permanent or temporary jobs in the production process are created, new value chains can develop, and increased income can lead to broader economic development but also changes in food security and local prices. Also (negative) environmental impacts can lead to local socio-economic impacts.
4. During any of these three stages, failure of the investment is a realistic possibility. The reasons may range from bad management to external shocks such as market price fluctuations or extreme weather events, but the result is the same: a project struggles, fails or is abandoned. The time after an investment has failed is hence the fourth and last stage in the project cycle of an agricultural investment, the Post-Investment Stage. This last stage can be crucial for the overall assessment of the investment since it is unlikely that the *status quo ante* is returned to, but further restructuring and reallocation of resources, incomes and jobs will take place. Major issues here are possible re-distribution of land, and whether contracts with and promises to the local population will be fulfilled if a new investor takes over the project.

This investment cycle represents an idealised process of an agricultural investment. Actual investments may, in fact, to a certain extent deviate from this model. They may start producing on a smaller scale, grow unpredictably, might be partially or temporarily abandoned or transferred to a new owner at any stage in the process. Furthermore, in reality, lines between stages are blurry, certain defining features of a stage might be missing, in particular if new investments are based on older ones (“brown field” investments).

In order to further operationalise the research and focus on the relevant issues to be investigated (mostly through stakeholder interviews), for each stage we detected through literature review the major issues which are needed to be known to answer the research questions and hypotheses: (i) the political and legal framework which governs (ii) the activities by the investor and other actors. These activities lead, (iii) to various impacts on rural development, the respective local population and the national economy as a whole. These three dimensions, together with the four-stages-model, result in a four by three cell matrix that depicts the institutional framework, activities by the investor, and impacts on rural development during each of the four investment stages (Table 1).

	Planning (up to contract and land acquisition)	Investment (up to commercial production)	Operation (towards full capacity)	Post-Investment (failure or transfer)
Institutional Framework: Policies Regulations Politics	<ul style="list-style-type: none"> Land/water/ energy legislation Agricultural policies and initiatives Investment regulations (incl. taxes and fees) International standards&law Local (social and political) dynamics 	<ul style="list-style-type: none"> Land and water legislation International standards and law Taxes and fees Legal provisions on social protection and labour Local (social and political) dynamics 	<ul style="list-style-type: none"> Land and water legislation International standards and law Taxes and fees Legal Provisions on Social Protection and Labour Trade Policy Local (social and political) dynamics 	<ul style="list-style-type: none"> Land and water legislation → land redistribution Provisions for contractual transfer of land Political dynamics contributing to the end/failure External shocks
Activities	<ul style="list-style-type: none"> Feasibility studies Valuation of land Social and environmental impact assessments Information and consultations Negotiations about compensation Dispute resolution in planning Financial planning Negotiations with ministries, donors 	<ul style="list-style-type: none"> Expropriation, eviction, resettlement Disbursement of compensation Clearing of land Construction of infrastructure Dispute resolution Resistance, sabotage Monitoring 	<ul style="list-style-type: none"> Production and processing Job creation and training Subcontracting Provision of inputs, credit and technology Construction of infrastructure Corporate Social Responsibility activities Resistance, sabotage Monitoring Dispute resolution, renegotiations 	<ul style="list-style-type: none"> Redistribution of land Transfer of land to new investor Termination or continuation of contracts with local populations Dispute resolution
Impacts	<ul style="list-style-type: none"> Potential violation of human rights principles Potential insecurity in local communities Potential of conflicts Creation of expectations (various actors) Risk of corruption and bribery Social capital formation, alliances Rising land prices 	<p>Social Effects:</p> <ul style="list-style-type: none"> Potential human rights violations Potential loss of social and economic safety nets Potential changes in local agricultural (food) markets Potential changes in food security Potential of conflicts Migration Inequalities, social dynamics <p>Economic effects:</p> <ul style="list-style-type: none"> Potential changes of access to water and land, migration corridors (pastoralists) Short-term employment effects (in e.g. construction, clearing) <p>Environmental effects:</p> <ul style="list-style-type: none"> Changes in availability/quality of water Potential loss of (agro-)biodiversity Deforestation, erosion, etc. 	<p>Social Effects:</p> <ul style="list-style-type: none"> Change in living standards Change in access to health and education Changes in food security Migration Potential of conflicts <p>Economic Effects:</p> <ul style="list-style-type: none"> Potential rise in employment and income of different stakeholders Potential value chain development Potential cluster effects, spill-overs Potential local economic growth Changes in local agricultural (food) markets <p>Environmental effects:</p> <ul style="list-style-type: none"> Changes in availability/quality of water Potential loss of (agro-)biodiversity Deforestation, erosion, etc. 	<ul style="list-style-type: none"> Varying social, economic and environmental effects depending on the post-investment provisions and procedures

Table I: Four-stages investment model with ex-ante assumed major framework conditions, activities and impacts

3.4. Implementing the research strategy

The methodology comprised the selection of nine LSAIs, all including both land acquisition and outgrower schemes (nucleus-outgrower model), in three different sub-sectors – sugarcane, tea and rice. Basing our research on different crops was an important requirement for drawing both sector-specific conclusions as well as for giving more general recommendations which apply to any sector. Different crops have different requirements for e.g. cultivation, storage and processing, and therefore potentially different implications for the choice of the business model and success factors. Also, political support and interference strongly vary from one sector to another.

In addition, cases studies were required that were in different phases of realisation: planning, establishment, full production and (close to) failure. It is important to note that for the selection of these cases we merged the first and second stage of our guiding stage model, as in reality the planning and investment stages of the cases we were able to identify strongly overlapped and were difficult to differentiate clearly. Also, regarding the post-investment stage, it proved difficult to investigate actually failed (or abandoned) investments, because the responsible investors were difficult to approach. Instead, cases have been chosen that can rather be defined as struggling, and observations from some additional cases were collected.

Eventually, for each crop sub-sector we therefore aimed to look at (i) a new, emerging investment (or one still in the planning or investment phase); (ii) a mature, well-established project in the operation phase; and (iii) an investment experiencing major difficulties. The initially identified nine investment sites have been complemented by a tenth case which we included during our field research in Tanzania because of its interesting business model. The table below shows the ten investments which have been analysed:¹

	Rice	Sugarcane	Tea
New/emerging (Planning and Investment stages)	Mamboleo Farms / Raphael Group	EcoEnergy	Rift Valley Tea (Ikanga factory)
Mature/producing (Operation stage)	Kilombero Plantations Ltd. (KPL)	Kilombero Sugar	Wakulima Tea Company (WTC)
Failed/struggling (Post-investment stage)	Kapunga Rice Project	Mtibwa Sugar	Kisigo Tea

Table II: Overview of analysed cases

The investments analysed vary regarding the extent to which they include surrounding farmers: in the sugar sector, all three investments (Kilombero Sugar, Mtibwa and EcoEnergy) actively and considerably work with outgrowers (or plan to do so). The same applies for Rift Valley Tea (Ikanga) and Wakulima in the tea sector who strongly rely on outgrowers' inputs, and whose business models are explicitly based on this cooperation. Kisigo Tea is different in that they also possess a considerable own estate (nucleus-outgrower scheme). In the rice sector, the picture is more diverse: Mamboleo Farms is not (yet) cooperating with outgrowers and relies exclusively on its own plantation. KPL works a lot with smallholder farmers (through the System of Rice Intensification-training programme) but does not purchase considerable amounts from them, which is why it cannot be termed a nucleus-outgrower model. Their extensive services to outgrowers are financed largely by development partners and were part of the conditions set by the government when they acquired the former state farm. Raphael Group has only a small own production and considers itself as processor and purchaser; they therefore work closely together with different smallholders. Kapunga provides a very particular business model: on parts of the land, they propose a full-fledged outgrower scheme with input provision and contractually fixed quantities of produce to be delivered; while other parts of the

land can be leased for a fixed sum by interested farmers who then operate independently but can, for example, rent machinery from the investor.

Around each investment, about 20-30 qualitative interviews and focus group discussions were conducted, in addition about 30 interviews with key informants at national level on policy issues, in total 276 interviews with more than 320 persons, 81 of them were women. The selection of interviewees followed a systematic part (always included were: investor or management, lead technical staff, on-site workers, surrounding farmers, local and regional administration, local key informants, and purposive search for vulnerable and negatively impacted people in particular affected by loss of (access to) land) as well as a random component (farmers were chosen based on recommendation by authorities, but also by farmer associations or randomly). Interviews were transcribed or summary protocols were established and analyzed with the help of a qualitative text analysis programme, Atlas.ti. Results from two quantitative studies on show-case investments, already presented at earlier land and poverty conferences (Herrmann et al. 2014), are also used to support some arguments on impacts.

4. Main results

4.1. Sub-sector structures and policies are different and matter for LSAIs

The structure and the policies for the different crops and sub-sectors analysed differs a lot and matters for each individual LSAI.

Rice is one of the most important crops in Tanzanian agriculture both in terms of production and consumption. The crop is consumed in rural areas and among urban households alike, with the latter experiencing particularly dynamic consumption growth. Approximately 18 % of farming households engage in rice production and the rice sector contributes to 2.66 % of the national GDP. In 2010, Tanzanian self-sufficiency was at about 91.8 % (CGIAR 2015). About 90 % of the rice is produced by small-scale farmers at a rather low productivity due to low-yielding varieties, drought, low soil fertility, or very low fertilisation level (2012). The rest is grown in larger farms, some very large (two of our sample investments cultivate more than 3,000 ha, several others being medium size producers but can be considered LSAIs in the sense of this study (more than 200 ha). Considering that paddy can easily be stored and processed at a later time makes rice growers less dependent on smooth commercialisation and first processing, which also means less dependent on and prone to contractual arrangements. However, adequate storage facilities and infrastructure are still underdeveloped. Major agricultural policies, including the national rice development strategy from 2009, have declared self-sufficiency in rice production a national objective (EUCORD 2013, URT 2015). Rice also features prominently as a priority MAFAP crop in SAGCOT and BRN. Together with sugar, the rice sector has been declared as the first “priority area of investment” by TIC. Considering that local producers are hardly competitive on the international market due to high production and transport costs but also strong and volatile market interventions in competing exporting countries, they are dependent on and have been assured strong political support and the protection of the domestic rice market through high import tariffs at the level of the East African Community (EAC). However, the sector has been characterised by weak supply chain interest organisation in the past, it is only in 2014 that a national rice association was formed.

Sugar contributes about 1% of the country's GDP. It emerged in the 1920s and 30s, when smallholders started producing cane for subsistence in the Kilombero and Mtibwa valleys. After independence, commercial production by private enterprises was promoted by the government. As in other countries, sugar is processed in large units for which a highly sophisticated supply system for the cane is required. High investment costs for factories, large supply needs and logistic challenges make it a typical plantation and factory product. After the economic liberalisation reforms in the 1980s and 1990s, the four parastatal sugar estates were privatised between 1998 and 2001. Today, these four companies still form the Tanzanian sugar industry. The government retains 25% share in two of them, and in a third case the shares were first promised to farmers but then sold to the investor. Three companies rely on

outgrower models, one merely relies on an estate plantation model. Smallholders in total contribute up to 50% of the cane. In the current agricultural initiatives (see above), sugar plays a central role: 16 out of 25 potential farmlands for large-scale investments under the BRN initiative are earmarked for sugar production to satisfy the present and expected demand, the emergent investment in our study being the first and most prominent of them. There is an oversight body of the sugar industry, engaging in regulatory and promotional activities. It also oversees trade activities and issues import permits. As only about half of the consumed sugar is produced nationally, the gap is filled by imports that are to be strictly monitored by the government. However, the regulation of imports is challenging and local companies suffered significantly from an unmanaged, excessive influx of sugar imports in some of the past years.

Tea is a well-established agricultural crop and sub-sector in Tanzania. German settlers introduced tea in 1902. Large commercial production began in 1926 and increased considerably after World War II, when the British took over the tea plantations. Smallholders were only legally allowed to produce tea after independence in 1961. By then, their participation in the tea sector was actively promoted by the government, following the Arusha Declaration of 1967. Currently, tea production involves both smallholders and large-scale plantations with about equal shares, but most tea processing factories are owned by large companies, a few smaller ones by cooperatives. As tea processing requires complex and expensive machinery, producers are dependent to be close to these factories, particularly because green leaves can only be stored for a maximum of around six hours before they have to be processed. This leads to the need for strong vertical integration of production and processing, and favours contract farming for independent producers. Tea in Tanzania is mainly an export crop. Therefore, Tanzania is a price taker dependent on the variability of the world market prices. Recent price depressions on the world market had a strong negative impact on the Tanzanian tea industry. Compared to competitors in the region, productivity in the Tanzanian tea sector is relatively low, especially under smallholder production, which only reaches about 50% of the yield levels of estate plantations on average. Yet, under the SAGCOT initiative, the sector is envisaged to grow significantly. The tea sector is characterised by a relatively strong regulatory framework and several well-organised sub-sector associations. This organisational setup ensures a strong interest articulation of the subsector but also causes inefficiencies due to the overlap of institutional mandates and difficult decision-making processes.

4.2. Planning Stage

The following section presents the results of our study regarding the institutional framework, the activities carried out and the impacts observed at the first of the conceptualised four stages, the planning stage.

Institutional Framework

The overall evaluation of Tanzania's policies and initiatives in the agricultural sector shows many points of criticism with regards to the analysed LSAs. However, many interviewees emphasise that the policies are actually not bad but that the real problem is their implementation, enforcement and coordination. Insufficient government resources are recurrently named as a main problem. Especially because many different initiatives coexist, they do not have sufficient funding to be successful. As a consequence, promises made at the national level often cannot be fulfilled at the local level. Several investors perceived policies as unstable, confusing and inconsistent and said that it was difficult to operate in this policy environment. Another recurring criticism was that policies are made in top-down processes and that there is a lack of local ownership, knowledge and competencies.

As mentioned above, several policy initiatives, such as SAGCOT or the Big Results Now (BRN) initiative focus on stimulating agricultural growth through attracting LSAs. Some interviewees, particularly from the NGO community, criticised this focus and claimed that the current policies are not necessarily benefiting smallholder farmers who should be at the centre of the ongoing agricultural reform. Opponents of SAGCOT also claimed that attracting foreign investors and introducing mechanised agriculture would harm local farmers. The accusation of land grabbing underlies most of this criticism and was strongly communicated by the NGO community.

As in many other African countries, issues of land ownership and acquisition in the context of LSAIs are very contentious in Tanzania. Ownership of land is most often regulated through tradition and customary law. Most interviewees do not have official titles for the land they inhabit or cultivate. Due to this lack of formal land titles, people are at risk of losing their land and livelihood. At the same time, this legal insecurity also presents a challenge to investors: Land acquisition processes are lengthy, sometimes taking several years. The lack of a formalised land registration system makes it difficult to identify land available for investment and inhibits the progress of initiatives like SAGCOT. Moreover, investors have reported situations where they officially and rightfully acquired land that was said to be unused but was actually cultivated or populated by local communities. In these cases, conflicts with surrounding communities were almost inevitable.

The Tanzanian government has recognised the need for a formalisation of land ownership to protect the rights of local communities and to identify land available for investment. However, according to interviewees, only about ten per cent of the land has been surveyed so far. At the time of the investigation, the land bank of the Tanzania Investment Centre (TIC), which is supposed to offer available plots to potential investors, was almost non-existent and very few plots have been registered and secured by TIC so far. In general, the evaluation of TIC's mandate and performance to improve the overall business climate is mixed. The idea to set up a one-stop shop for investors to deal with all aspects ranging from land acquisition processes to financing, taxation and access to infrastructure is seen positively. In practice, however, the business environment remains challenging for investors. Bureaucratic processes are described as inefficient, lengthy and sometimes costly. Alongside, still deficient transport infrastructure and unreliable or lacking access to electricity are further hindrances for both investors and smallholder farmers. Despite this overall negativism, local and international respondents alike laud the stability of the political regime and the good security situation.

Activities

During the planning stage, the first activities carried out around future investments are environmental and social impact assessments (ESIAs) as well as information and consultation processes with local communities. National legislation on ESIA's has become more comprehensive and rigorous over the last decade: all large-scale investors have to carry out impact assessments, even in retrospect if in the past no assessments had been carried out. However interviewees admitted that, currently, assessments focus more on environmental and only to a lesser degree on social implications.

According to the Village Land Act of 1999, local communities have a right to be informed and consulted about the investment and its potential impacts on their lives (Isaksson and Sigte 2010, USAID n.d.). The study shows that all investors had at some point arranged village meetings to present their plans. Local authorities seemed to play an important role in disseminating information as well. However, at almost all investment sites, some individuals could be identified who did not receive this information. In individual cases, even households that were to be resettled had not been informed in prior and thus their right to information had been violated.

Yet, in those cases where land was bought directly from community members, the affected smallholder farmers and communities all agreed that information had not only been given but that all title deed holders had been consulted as well. Consultations revealed nevertheless to some extent a problematic issue: while the process of distributing information caused little to no problems, according to most interviewees, actual consultation processes rarely took place. When asked about being able to express their opinions, members of local communities tended to express their discontent about not having had the opportunity to do so. Thus the international standard (CFS 2012) of free prior and informed consultation (not to talk about consent) in practice is not (sufficiently) observed in Tanzania.

Impacts

Generally, at the planning stage of the investment process, impacts on the local level are very small. Nevertheless, insecurity within the community can arise from the information processes when people are unsure how the plans of the investor will affect their daily life. As local communities have only limited means of defending their own

interests and determining the conditions of land acquisitions, there is a potential for conflict between investors and communities during the planning stage (but also at later stages).

In general though, local communities tend to have positive attitude towards future investors and express high expectations for social and economic development. Our study shows that often expectations of smallholders exceeded the promises made by investors. The management of expectations and promises on the one hand and fear and scepticism on the other hand thus represent a major challenge for all investors.

4.3. Investment Stage

Institutional Framework

At the investment stage, issues concerning the institutional framework largely equal those at the planning stage. Several investors stressed that a stable and predictable institutional framework is crucial for them, as with the first investments they are actually committing to a certain site.

Activities

Three activities turned out to be particularly important when the first investment processes start on the ground: resettlement activities, compensations, and setting up dispute resolution mechanisms.

We learned about official resettlement activities in only two of our case studies. Both were investments on formerly idle state land, where families had over time informally settled and started cultivating the land. Interestingly, due to resettlements under the socialist regime of Nyerere after independence, many interviewees did not claim to be emotionally attached to the land and thus did not reject resettlement per se. Nevertheless, repeatedly dissatisfaction with resettlement activities was related to disapproval with the compensations received (e.g. land was too far away from the communities or not as fertile).

Problems regarding resettlement-related compensation resemble more general struggles concerning compensation around many investments. Firstly, while only few interviewees affected by investments claimed not to have been compensated at all, tensions repeatedly arose over the form and amount of compensation, as well as the negotiation process thereof. Many complained about the lack of consultation on compensation and intransparent compensation modalities, not knowing for what they received how much money. Rather than being compensated with one-off cash payments, as was the case in all investments investigated, some (though, explicitly not all) wished to be compensated in kind, e.g. with fertile land elsewhere. Secondly, many interviewees expected a form of compensation in terms of future employment, provision of social infrastructure or enhanced processing capacities. This hints to the need to manage expectations of the population.

From the moment the investments' impacts materialised on the ground, and particularly in the context of resettlement and compensation procedures, the potential for conflicts proved high. At all investment sites considered in this study, some form of conflict – even though to different degrees - was mentioned by (parts of) the local population in the investment or later stages: over land, delayed payment of wages, working conditions, lack of information from the investor etc. In contrast, these conflicts were not always perceived by the respective investors. This points to the need of dispute mitigation or resolution mechanisms. In one case, where a complaints committee on resettlement and compensation processes was set up, this was judged positively by the surrounding communities. In contrast, where local political authorities served as mediators, this was often not considered efficient, by both investors and locals, as they were blamed to favour one or the other side. Other actors, such as labour unions and outgrower organisations, often helped to mediate some very issue-specific conflicts (e.g. lack of trust between the two sides), but could not mediate on more general conflicts (e.g. land issues).

Impacts

The study confirmed that impacts materialising at the investment stage were predominantly negative for the local population, particularly with a view to impacts resulting from land redistribution and labour migration. These by large outweighed the positive impact of short-term employment, that was established in some cases due to clearing or planting activities. These findings confirmed the expectations pointed out in the description of the theoretical framework that many of the positive impacts (jobs, roads, markets, trainings, etc.) need some time to materialise, namely the operation stage.

Three particular impacts could be discerned with regard to land redistribution. Firstly, negative impacts from land redistribution especially occurred where families were left with no or less fertile land. This was either due to a lack of compensation or due to the fact that they simply did not (i.e. higher preference for other “goods” instead of land investments) or could not (e.g. no land available, or too expensive) purchase fertile land elsewhere. In some cases, this situation involved claims regarding direct detrimental impacts on food security. Secondly, some interviewees criticised reduced access to social infrastructure, e.g. where schools had to be destroyed and were rebuilt further away, or where travel increased due to the need to circumnavigate big connected plots of land by the investor. A third detrimental effect claimed relates to uncertainty about the future. Explicitly mentioned was e.g. the fear that more land might be taken in the future, especially where a clear flow of information from the investor was lacking and trust in the investor was low.

Investment-related labour migration starting in the investment stage took place in most cases. Especially for medium and high-level positions, investors stressed the need for more skilled and experienced staff than could be found locally. In contrast, labour migration was often regarded sceptically by the local communities, as they complained about regional discrimination and favouritism, and sometimes blamed labour migrants for a higher incidence of diseases such as HIV/AIDS.

Overall, many of the negative impacts and conflict potential mentioned above are not necessarily inevitable and could considerably be mitigated. This would require e.g. transparent and inclusive compensation and resettlement procedures (e.g. land for land compensation), transparent provision of information through the investor, as well as standing dispute resolution mechanisms.

4.4. Operation Stage

At this point in the project cycle medium- and long-term effects of LSAIs unfold.

Institutional Framework

In addition to the institutional and regulatory framework laid out in the previous stages, our research shows two particular issues becoming relevant on the national level at the operation stage: trade policies and prices, as well as taxation and fees. Many interviewees complained about unstable import and export tariffs and arbitrarily declared restrictions, such as export bans. Furthermore, the Tanzanian taxation system was claimed to be highly complex, non-transparent and corrupt, featuring a high number of different taxes, levies and fees to be paid to different entities. Nevertheless, a consensus existed that several agricultural sub-sectors in Tanzania in fact still need protection from international markets, as local producers are not able to compete with low international prices.

Activities

Main activities at this stage relate to production, processing and marketing of produce, as well as Corporate Social Responsibility (CSR)-measures by the investor.

Concerning processing and marketing, our study confirms that large-scale investors often provide valuable processing and marketing opportunities to smallholder farmers. This is especially the case in agricultural sectors, where processing and value chains are highly technical and expensive. In some cases it might even be the only

access of smallholder farmers to markets and therefore a real improvement of the economic situation. Nevertheless, many farmers have stressed that processing themselves would often be more profitable than selling the raw material.

Regarding production of farmers, one major finding of this study is that the presence and diverse activities of an investor usually lead to considerable increases in productivity, yields and thereby income of smallholders. Currently, the production of most smallholder farmers is limited by a lack of inputs, knowledge and capital. Support from the investor tackle these major challenges: financial services, provision of inputs, technology transfer, and training and education. In-kind loans such as inputs, equipment or seedlings are provided most commonly and are sometimes coupled with training activities. These loans must be paid back either directly with produce or outstanding loans are deducted from payments to farmers. Investors also can be observed bridging the finance gap between smallholders and financial institutions by providing cash loans themselves through appendix institutions or by linking farmers to bigger financial institutions while serving as guarantor. Technology transfers also occur and happen mainly through one of two models: (i) renting/provision of large machinery, (ii) provision (through loans or grants) of small technological innovations. While modalities of support have sometimes been criticised by farmers, this support from investors fills a crucial gap, where state authorities for reasons of will or capacity have, up to today, failed to deliver.

CSR-measures and the construction of infrastructure are other activities by investors that can impact on rural development. Almost all investors contributed in some way to social infrastructure for the benefit of the local population, such as construction of schools, dispensaries and hospitals. Sometimes these were explicitly part of compensation schemes. Additionally, investors often found themselves forced to build some physical infrastructure, where state authorities failed to do so, in order to be fully operational. Most investors became active in construction and maintenance of roads while only few also engaged in the production of electricity and the feed-in into local grids. Local population usually benefitted from these infrastructures.

Impacts

Employment creation and benefits resulting from services or infrastructure provided by the investor represent the most substantial positive impacts of LSAIs on local communities. In almost all cases, investors' activities were closely related to improved job opportunities and ultimately increased income for (at least parts of) the surrounding communities, sometimes facilitating higher savings and spending on e.g. education and health care. Concerning local food security, our findings suggest that investments do not necessarily have a negative impact but can rather be beneficial where purchasing power increases.² The observations from the tea sector indicate that direct competition between several investors enhances the positive income effect. Around the LSAIs observed, local business activity, money circulation, trade and the availability of new products increased, thus leading to secondary employment and overall economic effects.

Despite these positive impacts, however, farmers and employees sometimes voiced criticism regarding problematic contract conditions and negotiations, including particularly the (often non-transparent and delayed) payment of salaries or the rare transition from temporary to permanent contracts. In addition, overall benefits from the investment were often perceived as insufficient and inputs provided by the investor as in-kind loans were considered, in most cases, as too expensive. As for business models, investors tend to prefer relying on their own production rather than solely depending on outgrowers. All the same, investors continue to work with small farmers due to a lack of capital for an own large-scale plantation or due to local conditions such as availability of land.

Despite not being an explicit focus of this study, environmental impacts of LSAIs, which can occur particularly around water (irrigation), did not seem to have a severe influence on the population's overall perception of the investments. An exception were (small) dams (observed for irrigation in tea) if access to the water bodies (e.g. on plantations) was restricted. This finding, and perception of stakeholders, may change if accumulative effects of

² This seems to be due to the fact that most farmers continued with subsistence agriculture alongside the planting of cash crops.

many investments are considered, i.e. if more investment along the same rivers change availability and seasonality of water. In the tea sector, there is regulation to produce wood from local (re)forestation, which contributes to local biodiversity (but not likely to social well-being unless watershed effects exist). For some international labels, environmental principles such as river border protection must be observed in large and smallholder production. Related training is sometimes provided by investors but it seems that it must be accompanied by (label induced) price premia to be sustainably implemented. Generally, there is lack of knowledge about the environmental effects of large agro-investments, but also it is often difficult to judge which counterfactual is applicable (smallholder farming, forests...) and which are their environmental status.

The results of this study suggest that different groups amongst the affected communities benefit very differently from investments. For example, while hard work on plantations such as sugar harvest is largely reserved to (younger) men, women often have good/better access to some jobs such as tea picking or processing. Women, due to culturally framed gender-specific roles in agriculture, cautioned that increased mechanisation around investments might increase the dominance of men, and some reported cases of sexual abuse by supervisors on the investment site. There were sometimes contradictory assessments by farmers, stakeholders and experts about the specific role of women's income for the family's food security. Some of the (poorest) smallest scale farmers were not eligible for training and other support programmes by investors, for instance in the tea sector where different investors apply different lower batch limits for tea delivery. In these cases, small producers had to organise themselves in groups to commercialise their tea, an obstacle to market access. They also may have more difficulties to access producer organisations. Pastoralists, finally, lack proper interest organisation and are usually not consulted during planning of an investment. However, not everywhere pastoralists were affected (due to agro-ecological conditions in the tea sector, locational situation in some sugar and rice sites). More generally, differentiation of impacts by sub-groups also depends the socio-economic environment such as access to education, and existence of saving, alternative investment and income-generating options.

4.5. Post-investment Stage

As indicated above, none of the investigated cases in this study completely fulfilled the post-investment criteria defined in the conceptual framework. Findings regarding this final phase of the investment cycle are therefore scarce. However, interviews on the national policy level and the analysis of struggling investments still provided some valuable insights regarding the institutional framework, activities and impacts at the post-investment stage.

Institutional Framework

Regulatory frameworks on post-investment processes are either lacking or insufficiently communicated – especially regarding land redistribution and commitments of previous investors. Even on higher government levels, interviewees could not provide precise information on standardised post-investment processes concerning future land use or corresponding contractual conditions.

Despite this nebulous institutional setting, two land-related regulations were repeatedly mentioned: (i) Investors can sell their land to other investors who then take over existing conditions; and (ii) land automatically falls back under the governmental administration if an investor abandons the investment site. In the latter case, the irreversible transformation of village land into government land through the TIC becomes particularly critical as villages ceding land to an investor lose all influence on further use of this land in case the initial investor pulls out. The land can only be redistributed to villages if the national government voluntarily decides to do so – a situation likely to hinder local development.

Activities

Activities in the post-investment stage are highly context-dependent; they are determined by the course of the investment's antecedent stages as well as local dynamics. In cases where land has been properly transferred and a new investor inherits existing contractual conditions, the scope of considerable changes should be limited. However, if the land in question has been abandoned, the government or the TIC will – as legal owner of the right of

occupancy – need to attract new investors. In this case, activities are expected to resemble considerably those undertaken at the planning stage.

Impacts

Although none of the investigated cases could be fully situated in the post-investment stage, they allowed partial insights into impacts arising during this phase: (temporary) close-downs of investments due to maintenance purposes or disputes between stakeholders revealed the high dependency of local communities on the respective investments, particularly regarding income generation and market access. Moreover, land redistribution and readjustment issues have, in at least one case, triggered still ongoing conflicts.

5. Discussion and conclusions

This study qualitatively investigated a sample of ten LSAIs in three sub-sectors and in three stages of project life cycle to understand how such investments can be promoted and managed in a way that leads to an overall positive impact on rural development in Tanzania. For some of the individual investments more detailed and comprehensive case studies may be available (in particular for the various types of impacts from social to economic and ecological). Nevertheless, we believe that for the overarching question of how LSAIs can be promoted and managed in a way that leads to positive impacts on rural development, this is one of the most comprehensive studies undertaken so far in Tanzania. For a discussion of our results in the light of other research finding, we group them into two clusters responding to the first two research questions. The last question is answered in the following recommendations.

The first cluster concerns the factors of success and failure of LSAIs from the point of view of the investor, assuming that no positive developmental impact in the long run can be expected from an LSAI without being economically viable. The very low rate of successful implementation stated in the literature, not only of literally all biofuel projects, and the hitherto unsuccessful attempts of the Tanzanian Government to attract new investments in the course of the recent BRN and SAGCOT initiatives hint to serious problems of establishing new LSAIs. Our own investigations exhibit several major factors.

An important hindrance to LSAIs in Tanzania from the point of view of investors is an unfavourable business environment, in particular in rural areas. General problems revealed referred to abusive bureaucracy, taxation, communication with central authorities etc. Often it is the lengthiness of the processes and negotiations which are blamed, since it is not only costly and increases the risk to the investor but also creates deceptions for local farmers. The TIC does not seem to be sufficiently able to play its role as a one-stop-shop for fast conclusion of LSAI deals. After establishment, unpredictable price movements are a major problem of all LSAIs, both for the investors, for outgrowers, and for their relations. Our findings are at least partially confirming and deepening findings by the general (not limited to agro-investments) “Ease of Doing Business” report (World Bank 2015) which finds a rank 139 (out of 189) for Tanzania’s overall performance but very low rank for tax paying (150) an extremely low rank (180) for cross-border trade (compare Michael and Aikaeli 2015). The negative experiences of projects are observed by other investors and deteriorate the reputation of Tanzania as a good place for LSAIs. With regards to specific regulation of LSAIs, investors complained that some of the requirements for investments were too demanding and might reduce the attractiveness of Tanzania as an investment site. This is particularly the case when the government imposes certain crops or business models, such as the nucleus-outgrower model promoted by SAGCOT, or specific ownership structures, such as minimum shares for local farmer associations or the government as envisaged by the land for equity model (see above), on investors.

Land availability is the single most important problem for LSAIs. The narrative of availability of plenty of unproductive land, as is being declared by many Tanzanian politicians and organisations abroad and supported by reports of donors and land use analysts (GIZ 2005, Deininger and Byerlee 2011, IFAD 2014, URT 2015), has

certainly attracted many investors and triggered a first wave of investments. But at second view and more intensive investigation, this reveals to be a myth. There is always some use of a given plot of land, though intensity of use may be very low. This is generally true for village land, as many critics of large land acquisitions have highlighted for years (Tandon 2010, Land Rights Research and Resources Institute 2010, Exner et al. 2015), and is even true for government-owned land (state farms) which in many cases is used by local people and/or is claimed on historic grounds (Twomey et al. 2015, Action Aid 2015). Unclear, partially contradicting formal and informal land and user rules as well as human rights concerns (see next paragraphs) exacerbate uncertainty around access for land. This means that land-related LSAIs always involves negotiations with various stakeholders. The literature does hardly reflect the fact that much of the so-called village land is owned by individuals and families, with more or less strong informal and (semi) formal ownership rights, over which authorities and village assemblies have less saying though can exert strong social pressure. Pedersen (2016) comes to the same conclusion.

However, not only such negotiations are complex and difficult, land transactions are generally problematic in Tanzania. This is also found by other authors, for instance Vermeulen and Cotula (2010, based on the empirical work by Sulle and Nelson (2009) for Tanzania) who argue that “in Tanzania and Mozambique, which have arguably among the most progressive legislation in Africa regarding community consent to land transfer, relevant procedures are implemented partially rather than fully.” However, they see this to be done in disadvantage of communities only. Our findings show that at least after the first wave of LSAIs (in particular *Jatropha* biofuel projects which altogether failed, see Sulle and Nelson 2013, Mwansasu, and Westerberg 2014) but also many other projects, Exner et al. 2015) and a (claimed) change in government attitude (see Aurora et al. 2013) there is now a clear problem for investors to find and acquire suitable large tracks of (good) land, an observation in line with the finding of Neville and Dauvergne (2012) that “the politics of such land acquisitions, ..., would seem to be better understood in terms of cycles of contentious politics, as an ongoing process in which movements and counter-movements vie for control through the strategic use of images, maps, and discourse.” While mostly smaller contiguous plots of land can be found and bought or leased on village land, such deals are typically not formalised through TIC, and they are preferred by local investors. In contrast, very large deals, usually sought for by foreign investors, hardly work in this way anymore (an exception may be forestry deals, see Locher and Müller-Böker 2014, Katun et al. 2015). As a matter of fact, for years no single large land deal that was prepared by the TIC has been signed by the presidency, despite strong and credible political commitments at highest level for LSAIs, and TIC is now concentrating on marketing state land. This may be seen as a state weakness but can also be interpreted as a sign of a scrupulous government that does not bully people out of land or intervenes in running court cases (compare Pedersen 2016).

In any case, LSAIs are possible only because not only central government and most local authorities are positive towards investments but also the concerned communities and private land owners. The generally positive attitude of communities was not only revealed in many of our interviews but is also as attested in other pieces of the literature (e.g. Sulle et al. 2013, Sunderlin et al. 2014, Locher and Müller-Böker 2014). There is also qualitative and quantitative research confirming that Tanzanian communities are able to exclude unwanted outsiders in many cases (Sunderlin et al. 2014, Pedersen 2016).

The support of the local communities and people leads to the second cluster of discussion and the most challenging and challenged question around LSAIs - that of their impacts and perceptions thereof. Our research gave an overall positive impression of impacts in all cases, though with clear differences as to the degree and the level of inclusion of all villagers and affected people (see more below). Though thorough, quantitative, empirical socio-economic impact assessments are rare, there are some such studies which generally support this finding: Herrmann et al. (2015) found a very strong positive per capita income (+140%) and negative poverty difference (-40%) between outgrowers and matching non-growers of sugarcane (our Kilombero case) and 93% more per capita income and 37 percentage points less poverty for agricultural workers in two mature investments (our Kilombero sugar and KPL rice cases). Van Eijck et al. (2014) found higher incomes in the early (investment) stage of a (now defunct) *Jatropha* investment for both outgrowers and workers. Herrmann (2016) also provides some review of the scarce literature on

empirical quantitative beyond Tanzania which supports the finding that large existing LSAI can be found that have overall positive effects on local communities and larger groups of the population. On the other hand, Osabuohien et al. (2015a) and Osabuohien et al. (2015b) highlight that the outcomes are different for different investments and different groups of society (youth, women).

Specific Corporate Social Responsibility (CSR) projects which support the whole community (water, schools, health centres) are highly appreciated and often form part of or go in parallel of leasing contracts, given the government's weakness to provide them (in quality). Their role, as well as impacts of infrastructure investment in roads, is rarely assessed systematically in the literature.

These generally positive findings contrast with many other studies which claim strong negative impacts (for a non-exhaustive list see introduction, there are many more in the grey literature). All such studies for Tanzania which were known to us are based on qualitative methods and an unknown and unrevealed sample. In many cases, we had investments commented elsewhere in our sample and could only state a more or less strong contrast to our own overall assessment, though not for individual cases of hardship, injustice, damage and discrimination. This is, thus, not to say that these negative impacts do not occur, but it is unclear to what extent they occur as long as rigorous sampling procedures are not followed in studies. It is clearly a merit of the human rights approach to highlight such cases, in particular if occurring to the weakest parts of the communities. The infringements must be identified, mitigated and/or compensated, regardless of whether the communities as a whole accept the projects or not (the latter must be their right). A general observation is the risk of a higher social and economic inequality of the rural population, in those who are able to use and benefit from the new opportunities (jobs, income, second round options) for diversification, investments, education of children, etc., and those who are not. Again, this is not necessarily an argument against them but needs to be considered.

One clearly critical situation for individual groups and entire communities around a LSAI, not well reflected in the literature, is its failure, abandon or transfer. One of the few, van Eijck et al. (2014), state that "perhaps the greatest risk for social wellbeing emanating from the projects arises from the risk of project failure" (compare Carrington 2011). This and many other studies (e.g. Sulle and Nelson 2009, Romijn and Caniels 2011, Habib-Mintz 2012, Sulle and Nelson 2013) who comment on the failure of (mainly) biofuel (*Jatropha*) investments as well as anecdotal evidence in interviews about LSAIs mention the loss of incomes and job opportunities. However, usually these studies were conducted during the investment phase and cannot quantify neither full implementation impacts nor consequences of their failure. Even if failure happens in an early phase of the investment, the damage includes (possibly definite) loss of land according to Tanzania land law (see above), loss of temporary jobs, and a general rejection of LSAIs stemming from such a "disillusion". The larger the investment, the longer its establishment in the rural area takes and the stronger its position in the local market, the higher the dependence of surrounding farmers and possible collective damage in case of failure. It is also unclear how CSR and other obligations for the investor of the original land lease are transferred to a new investor, often they seem not to be transferred or renegotiated. We noticed that also ownership structures which include farmers as shareholders - a recommendation often made recently - did not protect against such risks, but our sample is too small to generalise this finding.

It is, however, very evident from most reports on LSLA (see introduction), and our findings confirm this, that certain groups of people are more vulnerable to be negatively affected by LSAIs than others. These are pastoralists (note that they are not found everywhere), those who lose land or other livelihood components without sufficient compensation, those who do not wisely use their compensation, women, socially weaker and politically (ethnically) disconnected people. This is the group of people many human rights oriented studies are presumably concentrating on.

Summarising our generalised findings with regards to the 5 specific hypotheses, the following is concluded:

Firstly, LSAIs can indeed combine economic success of the investor and positive outcomes on rural development (H1). This is not an automatism; the investigated LSAIs may be exceptions (and indeed their assessed degrees of economic success and contribution to development varied widely), and there may be more LSAIs which do not exhibit this combination. However, it is more likely that in particular older investments still exist (and are observable) precisely because they show that combination, and that other investments have closed and are no longer observable.

This is because, secondly, we conclude that the success of LSAIs is closely associated with the support of the local population (H3), and that, thirdly, the support of the local population proves to be closely connected to the inclusiveness of the investment process (H2) in terms of overall effective consultation, participation and benefit-sharing. All investors as well as many other stakeholders confirmed that investments could under no circumstances be carried out successfully without the respective local communities' support. On the contrary, lacking support of the local population results in conflicts with the investor, can considerably disturb an investment's implementation, or may influence the national and particularly the international discourse surrounding the (international) investment and consequently lead to the retreat of financial contributors. Accordingly, cases which lack inclusive features such as consultations and compensations or which are perceived less beneficial by local communities are more conflictive and prone to failure.

Forthly, it is confirmed that various stakeholder groups benefit or suffer differently from LSAIs (H4). Particularly vulnerable groups are pastoralists, women and possibly youth. But differentiation can go beyond these simple lines, and may change in the course of the LSAI life cycle. Community consent (H3) can be affected by such differentiations, but weaker groups and people may not be able to make their concerns heard (enough). Fifthly, also the fact that incoherent policies and lack of implementation of policies hinder promotion and management of development-friendly LSAIs (H5) has been confirmed and the deficiencies described.

6. Recommendations

Based on the findings, this study suggests twelve recommendations clustered around four main areas: (i) land issues; (ii) policies and initiatives in the agricultural sector; (iii) investment regulation and investment climate; and (iv) integration of local communities.

Land issues

The fact that land stands out as the most critical issue for large-scale agricultural investments from the point of view of both investors and local communities substantiates its stand-alone treatment.

1. Assure transparency, funding and capacities for inclusive processes of land transfers

More efficient, transparent and participatory land formalisation procedures and land use planning processes are needed in Tanzania. Legislative and institutional clarity need to be improved

2. Enhance regulation with regards to consultation, compensation and resettlements

In the context of land transactions, the Government of Tanzania should do more to align national with international standards regarding free prior and informed consultation/consent, compensation and resettlement – especially regarding particularly vulnerable groups. Compensations need to be negotiated by and provided to those ceding their land in an adequate and timely manner.

Ideally, land should be compensated with land. A fund could be established through investor compulsory contributions to collect funding for state compensation through TIC. Moreover, development partners involved

in initiatives like SAGCOT might consider co-funding compensations in order to prevent negative development impacts.

3. *Clarify post-investment procedures and reconsider irreversible land transformation*

The Government of Tanzania needs to clarify and transparently communicate post-investment procedures, in particular regarding land redistribution as well as renegotiations of commitments made by a previous investor towards local communities. The definite loss of land by communities should be revised.

Policies and initiatives in the agricultural sector

The study shows that, in the Tanzanian context, policies and initiatives affecting agriculture are insufficiently implemented and followed-up; they lack funding, coherence, coordination and local ownership. The following four recommendations particularly draw on these findings:

4. *Improve communication and knowledge about policies and initiatives at lower government levels and local communities*

Intensified communication of relevant policies and initiatives could fill existing knowledge gaps and increase local ownership

5. *Increase participation of local communities, authorities, CSOs, and investors in the formulation of policies*

In order to further increase policy ownership and represent all stakeholders' interests, the Government of Tanzania should widen the spectrum of parties involved in the policy-making process and intensity of participation. Necessary top-down approaches should be sufficiently equilibrated by bottom-up practices.

6. *Improve monitoring and evaluation of policies and initiatives*

Enhanced monitoring and evaluation of policies and initiatives should provide a basis for future policy-making. Systematic integration of lessons learned could improve coherence and accountability.

7. *Improve coordination among Tanzanian institutions and between Tanzanian institutions and international actors to avoid parallel structures and working processes*

The multitude of Tanzanian institutions involved in land issues should be better coordinated: Communication between government levels needs to be improved; the roles of the different institutions involved in the land identification and transfer process (e.g. TIC, RUBADA and SAGCOT) should be clarified in order to attribute clear and sufficient mandates and avoid overlapping; moreover, double structures between Tanzanian institutions and international actors need to be avoided.

Investment regulation and investment climate

Tanzania still has to find a balance between political regulation to ensure positive developmental impacts of LSAs on the one hand and overregulation that discourages investments on the other. In this context, two recommendations stand out:

8. *Do not interfere too strongly in business models and ownership structures of investments*

In all investigated crop sub-sectors, a variety of business models is currently applied – each of which showing specific (potential) benefits and disadvantages regarding rural development. Impacts rather depend on the actual implementation than the business model alone. More flexibility in terms of business models and ownership structures could allow for more innovative approaches increasing also benefits for the local population.

9. *Further simplify the processes for investors to obtain permits and to pay levies and taxes*

Simplifying processes for investors concerning permits and levies or taxes might help to attract more investors. Amongst others, TIC's role as one-stop-shop and its legal mandate need to be strengthened. Furthermore, a simplification of the taxation system is required in order to improve the general investment climate.

Integration of local communities

Interviewed stakeholders agreed that support and integration of local communities in the context of an investment are substantial: not only regarding direct benefits for the communities themselves, but also with respect to the investments' economic success. Therefore, investors should consider a number of activities:

10. Undertake measures to support local communities beyond the legal obligations

Investors should ensure the systematic integration of outgrowers in the business model of investments, including adequate support in the transfer and provision of technology, knowledge and inputs. Furthermore, by implementing comprehensive CSR strategies (e.g. provision of social and physical infrastructure), potentially arising conflicts between investors and communities could be mitigated.

11. Set up permanent dispute resolution mechanisms regarding investment-related conflicts

Investors should aim at preventing or settling conflicts with the communities by means of predetermined and clear conflict mitigation mechanisms (e.g. regular meetings, appointment of ombudspersons). The establishment of such mechanisms should be supported by the civil society and the government as well. The latter should, in addition, ensure the accessibility of the judicial system in case of investment-related dispute settlements.

12. Provide regular information about markets and price development and ensure that contract conditions are well-understood

Conflicts between local communities and investors are likely to arise if procedures (e.g. related to investment processes, market mechanisms, contract conditions) are not sufficiently clear to outgrowers. In fact, continuous reporting on investment progress and further planning seems to be a relatively easy way to avoid or appease quarrels at an early stage.

Due to the highly contested nature of LSAIs, their large and concentrated impacts, the many facets and strong politisation it is recommended to accompany larger investments by independent research, well embedded in state and private monitoring efforts which in any case are needed as well.

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