White Paper on the Bagamoyo EcoEnergy Project in Tanzania
# TABLE OF CONTENTS

1. Executive Summary 2

2. The project 4

   2.1 Capacity and commitment to run the project 8

   2.2 Company structure 10

   2.3 Financing the project 11

   2.4 Domestic sugar policy 14

   2.5 Development works and costs 15

   2.6 Right to land and resettlement 15

3. Legal, moral and economic implications 18

---

**Abbreviations:**

- (AETL) Agro EcoEnergy Tanzania Ltd
- (AFDB) African Development Bank
- (BEE) Bagamoyo EcoEnergy Ltd
- (EDE) EcoDevelopment in Europe AB
- (ESIA) Environmental and Social Impact Assessments
- (GoT) Government of Tanzania
- (IFAD) International Fund for Agricultural Development
- (ICSID) International Centre for Settlement of Investment Disputes
- (SBSA) Standard Bank of South Africa
- (Sida) Swedish International Development Cooperation Agency
- (UN) United Nations
1. Executive Summary

EcoEnergy Group* (EcoEnergy) has been forced to commence international arbitration against the United Republic of Tanzania (Tanzania) regarding a series of violations of the protections afforded to investors and their investments under the bilateral investment protection treaty between Tanzania and the Kingdom of Sweden on the Promotion and Reciprocal Protection of Investments. As a direct result of the acts and omissions of the Government of Tanzania (GoT) Bagamoyo EcoEnergy’s (BEE’s) project in the Bagamoyo district 100 km north of Dar es Salaam, was discontinued. The acts and omissions of GoT constitute violations of its international obligations under international law in relation to EcoEnergy.

In a letter dated 9 November 2016, after over ten years of works and project development and an investment of USD 52 million, EcoEnergy was informed by GoT that the title to the land where the company had developed and invested in a ready-to-go project for local production of sugar, renewable electricity and renewable fuel had been revoked and instead been registered in the name of the President of Tanzania. Despite several invitations from EcoEnergy, GoT has ignored all offers to meet for a dialogue to save the project and pay compensation. Hence, EcoEnergy has no other option but to seek legal redress through an international arbitral tribunal.

The bilateral investment protection treaty between Tanzania and Sweden calls for disputes to be settled by international arbitration. The arbitration will be conducted under the Convention on the Settlement of Investment Disputes between States and Nationals of Other States, and will be administered by the International Centre for Settlement of Investment Disputes (ICSID), which is an organ of the World Bank, based in Washington D.C.

There are several reasons for commencing arbitration:

- Overall it is imperative to stand up for the rule of law and transparency.
- Furthermore, if GoT is allowed to continue unchecked, its damaging actions towards private investors will lead to the loss of credibility for Tanzania as a destination for much needed direct investments into agriculture, as well as into other parts of the economy.

- Finally, EcoEnergy has the right to be compensated for the financial harm suffered as a result of the GoT’s acts and omissions violating the bilateral investment treaty. The requested compensation concerns investments in developing the project as well as expected losses of economic opportunities from the ready-to-go project. The intention is also to use part of any compensation obtained from the arbitration to support some communities in the Bagamoyo district in order to partly compensate them for their loss of opportunities as a consequence of the discontinued project.

The ultimate parent company of BEE, EcoDevelopment in Europe AB (EDE), is owned by 18 Swedish citizens and business leaders, representing entrepreneurial as well as industrial and financial expertise. Together with an experienced management team and partners, they have been active in Tanzania for over ten years to develop and implement the BEE project.

The project was designed to generate as much local value as possible, based on locally produced agricultural products with end products destined for the domestic market, replacing imports. It was estimated to create 20,000 jobs, positively affecting the livelihood of more than 100,000 people in the Bagamoyo district.

The integrated sugar project would have been one of the largest private agricultural investments in East Africa ever, with an overall investment of approx. USD 500m, including the outgrower programme. Furthermore, the project would have ensured a high level of inclusive growth. Both GoT and local communities would have taken part in the long term value creation generated by the project through a comprehensive outgrower programme and a “land for equity” scheme (see paragraph 18). The number of international experts, as direct employees plus engaged consultants, has over the years varied between 15 and 40 and local employees have varied between 40 and 150.

The Bagamoyo sugar project was designed to serve as a role model for sustainable private sector agricultural development with high standards on both environmental and social aspects. The project was considered as a national flagship project by GoT and strongly supported by the African Development Bank (AfDB), the International Fund for Agriculture Development (IFAD) and the Swedish International Development Cooperation Agency (Sida). GoT, AfDB, IFAD and Sida have through strict due diligence processes repeatedly confirmed that the environmental and social aspects for the nucleus estate and the outgrower programme were in line with international best practice.

* EcoDevelopment in Europe AB, EcoEnergy Africa AB, Agro EcoEnergy Tanzania Ltd, Bagamoyo EcoEnergy Ltd (BEE)
2. The project

1. Despite excellent climatic conditions for domestic production of sugarcane and in contrast to most of its neighboring countries, Tanzania is currently importing more than 50 percent of sugar consumed. A few local business groups have over the years benefited from sugar imports, actively holding back the development of local production initiatives. If domestic production is not allowed to be developed, the volume of sugar to be imported will further increase in the coming decades due to strong population growth. Tanzanian population is, according to the UN, projected to increase from 55 million people in 2016 to 137 million in 2050.

2. The Bagamoyo sugar project was planned to be the first new integrated sugar investment in the country in over 40 years, reducing current sugar imports by half. At full capacity, the Bagamoyo project would have annually produced 150,000 tonnes of sugar, plus 12,000 m³ ethanol and delivered 90,000 MWh surplus renewable electricity to the national grid. This would have been one of the largest agricultural investments in East Africa ever, with an overall investment of approx. USD 500m, including the outgrower programme.

3. The project was estimated to create approx. 20,000 jobs in Bagamoyo - in the processing facility, the estate, logistics, the outgrower programme and through indirect employment. At full capacity, the operations were expected to inject about USD 40m annually into the local economy through the purchase of sugarcane from outgrowers, salaries to employees and the purchase of local goods and services. This was expected to generate long term wealth creation into the area and improve the livelihood for approx. 100,000 people. The Tanzanian economy would through replacement of imports have improved the trade balance by an estimated USD 100m per year. The investment would have served well as a complement to the Swedish annual development assistance to Tanzania that is also in the magnitude of USD 100m per year.

4. One of the unique qualities of the Bagamoyo project was its design as a long term win-win project. Besides the investors of capital in BEE, both the GoT, local communities and the local outgrowers would have taken part in the long term value creation generated by the project. In May 2013, GoT granted BEE a certificate of occupancy of land, with a 99 year lease period, in the Bagamoyo district 100 km north of Dar es Salaam. The land was since the early 1990s an abandoned cattle ranch. In exchange for obtaining the right to develop the land that belonged to the Government, GoT and local communities were to be given a 10 percent equity share in the company, which was set to rise to 25 percent after 18 years of operation.

5. The equity share to GoT and to the local communities were non dilutable and did not require any capital injection - except for providing the land free of encumbrance. When land had been delivered without any encumbrance, BEE would also have paid GoT approx. USD 30,000 in rent per year. Additionally, GoT and local authorities would have received significant tax revenues from the project while in operation. Until now, before starting operations, the BEE project has already paid USD 4.5 m in taxes to GoT.

6. For the local communities and their outgrowers, the project was designed to offer an opportunity for wealth creation through commercial farming and local employment. The local farmers were to organize themselves in small commercial companies (similar to cooperatives). These companies would have engaged approx. 1,500-2,000 farmers and their families, working on their own land. They were guaranteed a long term market where they would be allowed to deliver about one third of total sugar cane processed at the processing facility. Furthermore, the aim and design of the outgrower project was that the local farmers would have achieved the same yield and income per hectare on cultivation as the BEE estate was designed for. The outgrower programme had a financial commitment from AfDB and IFAD of approximately USD 100m. BEE would annually have bought sugar cane from outgrowers for approx. USD 10m once in operation, increasing to approx. USD 25m after 4-5 years of operations.
7. ESIA have been carried out and approved both for the estate and the outgrower programme. An environmental certificate was issued in 2009 by GoT and updated in 2011/2012. The ESIA for the outgrower programme was approved in August 2015. Both GoT and AfDB have confirmed that the ESIA for the nucleus estate and outgrower programme are in line with national and international environmental and social standards.

8. BEE had also taken adequate measures to safeguard the environment and water availability in the Wami River. Sugar cane plantations may develop into monocultures; therefore the project had a developed strategy for biodiversity conservation. It was also designed for two forestation programs: one for protection of the river bank and one for demonstration of sustainable commercial forestry within the project area. Overall the BEE project would have minimized greenhouse gas emissions, mitigated climate change challenges, maximized production of renewable energy and promoted positive social impacts.

9. Taking socioeconomic aspects into considerations, BEE had decided that instead of building a camp within the estate, 90 percent of the approximate 2300 direct employees at the nucleus estate would be living in or near surrounding communities in order to strengthen these communities rather than developing “an island of wealth surrounded by an ocean of poverty”. Both women and men would have been employed in order to create a better local gender balance compared to other similar projects. Additionally, all employees were to be served a nutritious meal six days a week.

10. During 2011-2015 farmers in nearby villages received training in how to become commercial farmers through learning how to cooperate in larger groups and using irrigation. This was planned to be a foundation for creating wealth in the district through offering genuine local business opportunities and foster local entrepreneurship. With the high productivity that the outgrower project was designed to achieve, local farmers, through their outgrower companies, were to earn much higher incomes than what comparable sugarcane farmers currently are paid in Tanzania and East Africa.
2.1 Capacity and commitment to run the project

11. Together with its partners, BEE has proven industrial capacity and know-how. The management and owners of the EcoEnergy Group with its selected partners have extensive relevant entrepreneurial and industrial experience to build and run the project.

12. To ensure that the project had access to the right expertise, BEE had signed agreements with strategic partners. Uttam brought the latest global technical know-how for sugar processing and factory operations into the project. Uttam operates four sugar plants in India, with 70,000 out growers, and has successfully built over 100 sugar related processing projects around the world, including projects in Africa. BEE factory operators were scheduled to be trained at Uttam sugar factories in India while the BEE processing factory was being constructed. Agricane from South Africa, who has designed and planted over 60,000 hectare of sugar cane all over Africa, has been actively involved in the project since 2008 and was to be engaged on a 10-year operational contract for the agricultural part. Agricane had also designed and prepared the master plan for the agricultural area to take accelerated climate change into serious consideration in its design.

13. The engagement of AfDB, IFAD and Sida also assured access to a vast pool of know-how on social development with financial partners that sincerely shared the development values of BEE.

14. EDE’s conviction was that corporate Sweden in conjunction with partners from South Africa, India and Mauritius etc, with a proven track record from the sugar industry, could contribute to a positive development in Tanzania and Africa. This was well in line with statements made by both previous and present Swedish governments.

Apart from the excellent climatic conditions and explicit desire of GoT to develop the sugar cane based industry, one further reason for BEE choosing Tanzania for this investment, was the extraordinary and long term relationship between Sweden and Tanzania.

“Within ten years Africa will have more inhabitants than China, around 1.5 billion people and a large portion of young people, under 25 years”... “These countries have an extremely high potential, companies are growing, exports are increasing and Europe must work with Africa as we worked with China and other Asian countries.”

Anders Borg, Minister of Finance in Sweden, 2006-2014
Svenska Dagbladet June 3 2012

“The concept international development cooperation is a more fair-minded concept than international aid, since the activities we are conducting is about creating opportunities for development in cooperation with countries, institutions and the civil society, rather than transferring money from Sweden to a passive receiver.”

Isabella Lövin, Minister for International Development Cooperation in Sweden, 2014-
Dagens Nyheter 25 May 2016
2.2 Company structure

15. The company structure is a structure commonly used for project financing. BEE was incorporated by EcoDevelopment in Europe AB (EDE), through EcoEnergy Africa AB (EEA) and Agro EcoEnergy Tanzania Ltd (AETL). BEE was activated in February 2014 upon the initiation of the bridge loan facility provided by Standard Bank of South Africa (SBSA) based on a Sida loan guarantee.

16. EDE is owned by 18 Swedish citizens and business leaders, representing entrepreneurial as well as industrial and financial expertise. Together with an experienced management team and expert groups from South Africa and Mauritius, they have been active in Tanzania for over ten years to fulfill the purpose of developing and implementing the BEE project.

2.3 Financing the project

17. As commonly used for project funding, financing of the project was to be a combination of equity and debt. The main equity was agreed to be provided by EcoEnergy and Uttam. EcoEnergy and Uttam were each earmarked to end up with a 45 percent equity share in BEE, once Uttam had contributed with strategic know-how and USD 45m in cash.

18. Land for equity

GoT and local communities were agreed to receive 10 percent of the shares, non-dilutable, for providing land free of encumbrance. This share was to be increased to 25 percent non-dilutable shareholding after 18 years of operations. This agreement was to serve as a role model for a new GoT policy for large land related investments called “land for equity”.

19. African Development Bank (AfDB)

AfDB overarching objective is to spur sustainable economic development and social progress in Africa.

In a board resolution from April 2014, AfDB approved USD 100m for the project and was to take the lead on the syndication of the balance of the debt financing, contingent on certain pending issues being resolved by GoT. Furthermore, AfDB had indicated that they were ready to provide development funding of approximately USD 30m for implementing the infrastructure for the outgrower programme.

20. AfDB cancelled the loan commitment in December 2016 when GoT informed EcoEnergy and AfDB that the government had revoked the company’s right to use the land and that the government was no longer interested in the BEE project as they had “different plans for utilizing the land”.

21. International Fund for Agricultural Development (IFAD)

IFAD is a specialized UN agency dedicated to eradicating rural poverty in developing countries.

IFAD was committed together with AfDB to provide funding for the outgrower programme. In December 2015, IFAD’s executive board approved USD 66m in financial support to the surrounding communities and to smallholder farmers who were to develop their own farms and supply sugar cane to the BEE processing facility.
As this funding is earmarked for the BEE project and to Tanzania as a country, GoT has to come up with another similar project to be approved by IFAD before the end of 2017 - otherwise the IFAD committed funds will be cancelled. GoT has informed IFAD that they do not want the BEE project. However, they are keen to get access to the USD 66m that IFAD has allocated to the project.

22. **Swedish International Development Cooperation Agency (Sida)**  
*Sida is a government agency with the objective to create opportunities for people living in poverty in developing countries to improve their living conditions.*

Since 2012, AETL and AfDB had discussed a loan guarantee with Sida for enhancing the financial structure of the project. In principle Sida had agreed with AfDB and AETL to approve a contingent finance guarantee of USD 94m for funding potential cost overruns and/or shortfalls of early revenues because of potential delays. Sida made separate comprehensive due diligences, both on the social and environmental aspects of the project, before they reported they were willing to support it with a loan guarantee. This commitment was conditional upon AfDB financially standing by the project. Sida repeatedly conveyed the message that if the planned development design were maintained and the financial aspects were approved by AfDB, then Sida’s intention was to support the project through the agreed loan guarantee.

23. The project was almost ready in 2013 but was still held back due to lack of some deliverables from the GoT, (such as providing the land free of encumbrances and introducing a new sugar industry regulation), causing additional delays, uncertainty and extra cost. In July 2013, AETL requested that part of the Sida loan guarantee be used as risk sharing through a bridge loan. A loan of USD 18m was requested to be provided by SBSA, to be used for final development and early project works, until GoT had delivered on the outstanding deliverables and all the project and financing agreements had been signed and the required conditions contained in them had been met (financial closure).

24. In September 2013, Sida committed to contribute with a guarantee for a bridge loan until financial closure. The total guarantee amounted to USD 16.2m, which represented 90 percent of the loan of USD 18m from SBSA. Due to technical and regulatory challenges for Sida, the actual agreement was not signed until February 2014.

25. The Sida engagement came shortly thereafter under scrutiny by the Swedish National Audit Office (Riksrevisionen, RRV). An interim report 2014 both questioned Sida’s authority to participate with loan guarantees for project development and their classification of the payments made. RRV’s conclusion was that Sida had conducted a technical failure in the accounting, when the amount was booked as non-refundable aid (grant), instead of a deposition (an asset).

26. An amount of SEK 54m was paid out by Sida during 2014 as a 90 percent loan guarantee for SBSA to an escrow account in Svenska Handelsbanken (SHB).

27. In the direct aftermath of RRV’s findings, Sida changed their management team for the BEE project as well as the conditions for further payment. In December 2014 Sida’s new project team required that BEE should ensure that GoT put a new sugar policy in place within a few months with the aim of curbing illegal sugar import, that a strategic investor had taken a board decision to be involved in the project as an equity partner and that AfDB confirmed that financial closure would be reached. The new conditions were dependent on GoT deliverables and were thus outside of BEE’s control.

28. In March 2015, the agreement for further payments was changed again by Sida. According to Sida the conditions set for payments had not been achieved by BEE.

29. In a letter to GoT in March 2015, Sida declared its diminishing willingness to continue supporting the project unless there was swift and tangible progress by GoT on outstanding issues.
The end result was that no more payments from Sida were executed after December 2014. Finally, in April 2015 Sida communicated via media that their intention was to terminate their engagement in the bridge loan facility. As a consequence SBSA terminated the loan in May 2015 and requested repayment. Shortly after SBSA’s withdrawal, Sida officially communicated that the guarantee had been terminated and that further payments had been stopped. In July 2015 SBSA recalled the loan and asked for the deposit of SEK 54m at SHB to be paid out.

However, in February 2016, following up on the agreement with Uttam as a new industrial and equity partner and recognizing that a new sugar policy was in place, Sida again endorsed the project in a letter to GoT.

The intention of BEE is that the money owed to SBSA/Sida will be repaid when BEE receives compensation for the financial harm suffered as a result of GoT’s actions.

One of the major requests from BEE, AfDB and Sida, was that GoT had to introduce a new sugar policy. Already in 2013, BEE and AfDB requested new regulations regarding the importation of sugar to Tanzania. In April 2014, AfDB reiterated the request for a new sugar policy from GoT. To assess the commercial risks in the project, stronger import regulations for sugar was deemed necessary by all involved. An adequate sugar import policy, like in almost all other sugar producing countries, would enable the viability of developing domestic production to replace sugar imports that would otherwise continue to flood the market unchecked.

Since the entire domestic sugar industry, including AfDB and BEE, renewed their requests for a new sugar policy, the Government finally adopted an addendum to the Sugar Act in May 2015 and began to put in place mechanisms to control and monitor sugar imports. New import tariffs on sugar have been in place since July 2015, with an increase from 200 to 460 USD per ton (though exemptions have since been applied by GoT).

The number of international experts, as direct employees plus engaged consultants, has over the years varied between 15 and 40 and local employees have varied between 40 and 150.

The Accounting firm EY (being the accounting firm for all companies in the EcoEnergy Group) has in a report from 2015 verified the development costs of the Bagamoyo EcoEnergy Project for the period up to 30 June 2015. The costs are specified for different cost categories.

Expenditure verification of the development costs of approx. USD 30m for the period from start-up of the BEE project from 1 November 2005 to 31 December 2012, done by the accounting firm Deloitte for the lenders group in 2013, has been included in the EY report. Total development costs for the period from November 2005 to 30 June 2015 amounted to approx. USD 48m.

To March 2017 the total development costs in nominal terms since November 2005 is approx. USD 52m.

In 2013 a certificate of occupancy for 99 years was provided by GoT for 20,400 hectares free of encumbrance for the western portion of the abandoned Razaba ranch. An environmental and social assessment certificate was approved in 2009, and was then updated and approved again in 2011/2012. Furthermore, a water permit and a performance contract were provided by GoT for the BEE project in 2013. In exchange for land GoT and local communities would get a non-dilutable equity share in the company at financial closure, (a GoT requirement in line with the new “land for equity” policy). When land had been delivered without any encumbrance, BEE would also pay GoT approx. 30,000 USD in rent per year.
40. The Razaba ranch in the Bagamoyo district was almost uninhabited when BEE initiated the project. However, when news of the planned investment became known, a number of people moved in and declared that they were settled on the land. With alleged financial support from a sugar importer, they initiated a court case against GoT and BEE in 2011, claiming that an essential part of the ranch belonged to them. On 13 November 2015 the Land Division of the High Court of Tanzania ruled in favor of GoT and BEE, as there was no evidence that the claimants had the right to occupy the ranch as they obviously had moved in recently. The court furthermore concluded that the land had been granted to BEE lawfully and properly.

41. International standards (World Bank/IFC) require that all persons subjected to involuntary resettlement, shall have their livelihoods restored or replaced with some improvement. Hence, BEE in conjunction with GoT, prepared a comprehensive Resettlement Action Plan for the estate site and all the people that were affected, including those that recently had moved in and were physically there when the estate was officially proclaimed as a project area in November 2011. According to this method, about 500 households were affected. It should be noted that some GoT officials were of the view that no persons were eligible for compensation as it was government land and most of them were regarded as trespassers in the High Court ruling.

42. A lot of the persons identified as eligible for compensation (according to World Bank/IFC standards) received training by BEE for new job opportunities from 2012, and would have been offered a choice between compensation in cash or in kind, such as a new house and replaced farmland, when they were to be resettled. The level of compensation was clearly above GoT guidelines. These costs were originally to be taken by GoT in order to provide land free of encumbrance in exchange for equity but later it was agreed that the payment for the resettlement would be facilitated by the project.

43. In late October 2015 the new President, John P Magufuli, was elected for a five year term as the new President of Tanzania. He was sworn in and took office on November 5, 2015.

44. In November 2015, just when the agreement with Uttam had been reached, the ruling of the high court had declared this was “project land” belonging to BEE, and “in between the two Presidencies”, some GoT officials started to write letters to BEE putting BEE under pressure to give back the project land. The claims were refuted by the company. The purpose of the letters was obviously to coerce BEE to leave the project, allowing other preferred investors to take over or just to block the project in order not to threaten import of sugar.

45. However, early in 2016, BEE received totally opposite signals from persons within GoT. In March 2016, the Minister of Agriculture also sent a letter “on behalf of the Government of Tanzania” stating that GoT appreciated the efforts taken with the project, and that it was now time “to make our utmost to bring the project to its successful implementation”.

46. During April through October 2016, GoT and several of its institutions acted as if the implementation of the project was still highly prioritized. The informal message from several sources was that the last stumbling blocks should now be removed.

47. During the same period it became obvious that the new President was pushing for a policy with a much more active role for GoT and its institutions in the development of business operations, with China as a good example.

48. On 9 November 2016 GoT sent a letter to BEE informing that the land title had been revoked and that GoT was no longer interested in the project. It later transpired that GoT had already on 15 April 2016 made a revocation of the land title from BEE. However, GoT had since March continued a process with BEE acting as if the project was still highly prioritized.

49. According to different sources GoT has offered the land to other preferred investors that are involved in sugar imports and the President has also given an order to the largest GoT controlled pension fund to develop a new large sugar project.
3. Legal, moral and economic implications

50. When BEE was informed about the revocation of the land title BEE wrote a letter to the President of Tanzania informing him about the readiness to develop the project, as some sources claimed he must have been misinformed. However, when it was obvious that GoT had no intention to allow BEE to continue the project, BEE tried to take a constructive approach and offered to facilitate and support any other investor assigned by GoT to implement the project. As the primary aim was to see the project up and running BEE expressed its willingness to transfer all plans, designs and know-how, provided that BEE received compensation for its expenses.

51. As an act of assistance to Tanzania, BEE kept the seed cane and demonstration farm running after the revocation. In March 2017, BEE handed over the farm to GoT free of charge. This farm of 200 ha with drip irrigation has since 2007 been used for producing seed cane which was necessary for initiating the large commercial project as well as verifying different varieties of irrigated cane best suitable for the Bagamoyo area. If the seed cane farm had been closed down, it would have delayed the start up for any other potential developer assigned by GoT with at least two years.

52. Since GoT has not shown any interest in such initiatives, international arbitration is the only remaining option. GoT has not provided any plausible explanation for the revocation of the land title, except that the government “has different plans for utilizing the land”.

53. The GoT’s acts and omissions, which have prevented the BEE project from being implemented, violate Tanzania’s obligations under the bilateral investment treaty. Among other things, GoT has failed to ensure fair and equitable treatment, taken unreasonable and discriminatory measures against EcoEnergy, failed to observe its obligations, expropriated EcoEnergy’s investment (including the right of occupancy to the land) and has failed to afford the investments made by EcoEnergy full protection and security. EcoEnergy has therefore submitted a request for arbitration to ICSID, an organ of the World Bank based in Washington D.C.

54. This is not only about an obligation to stand up for the rule of law and transparency and ensuring that compensation is obtained for the violations by GoT of the bilateral investment treaty and international law. It is also about a lost opportunity to create approx. 20,000 new rural jobs affecting more than 100,000 people in the Bagamoyo district. Production of sugar is one of the sectors that generate the most positive economic multiplier effects in rural areas.

55. After having strongly endorsed increased local production of sugar, including the BEE project, GoT acts and omissions have led to the obstruction and disintegration of a project that was considered by the Government’s own institutions to be a national flagship project for modernizing the agriculture sector and was strongly endorsed and supported by AfDB, IFAD and Sida. GoT is now in a position where its actions benefit the interest of business groups that strive to maintain the status quo of relying on sugar imports.

56. The most serious long term damaging effect is the loss of credibility for Tanzania as a country for much needed direct investments into agriculture. If the current GoT attitude towards private investments and the rule of law is not altered, the ability to attract investments for modernizing and industrializing the Tanzanian economy risks being seriously undermined.
On 9 November 2016 the Government of Tanzania (GoT), sent a letter to EcoEnergy Group (EcoEnergy) informing that the title to the land where the company was to establish local production of sugar, renewable electricity and renewable fuel, had been revoked. The revocation was made after over ten years of works and project development in combination with USD 52 million in investments.

Since GoT, despite several invitations, has refused to meet for a dialogue to save the project and pay compensation, EcoEnergy has no other choice but to seek international arbitration. The arbitration will be administered by the International Centre for Settlement of Investment Disputes, an organ part of the World Bank.

The project was estimated to create 20 000 jobs, positively affecting the economy of more than 100 000 people in the Bagamoyo District. Furthermore, the project should have ensured a high level of inclusive growth, where both the GoT, local communities and local farmers would have taken part in the long term value creation generated by the project. Except for the commercial side, the project was designed to serve as a role model for both environmental and social rural development.

GoT’s actions have prevented the project from being implemented as the commitments to EcoEnergy were not fulfilled and the land title lawfully given to EcoEnergy was revoked. With the revocation of the land this has led to the discontinuance of a project which was considered by GoT institutions to be a national flagship project for modernizing the agricultural sector, as well as being endorsed and supported by strong industrial and financial partners such as the African Development Bank, the International Fund for Agriculture Development, the Swedish International Development Cooperation Agency and the Uttam Group from India.

This is now a lost opportunity for wealth creation in Tanzania and for the people in the Bagamoyo district. Furthermore, if GoT’s attitude towards private sector investments is allowed to continue unchecked the most serious long term damaging effect of GoT’s actions will be the loss of credibility for Tanzania as a country for much needed direct investments into agriculture and other parts of the economy. To remain as a relevant location for private investments GoT has to demonstrate a credible commitment to treat all investors transparently and fairly and in accordance with legal rules and regulations.