

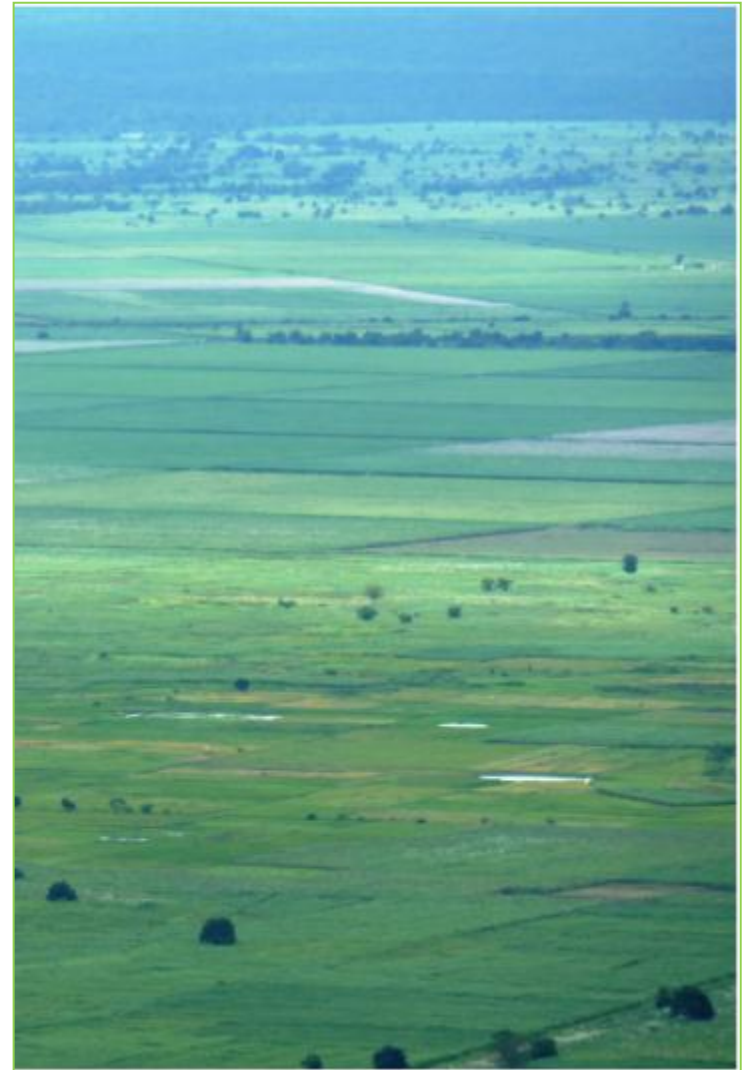


SAGCOT Investment Partnership Program

Initiatives to ensure full community
involvement and environmental
safeguards while putting underutilised
land to productive use

Presentation by Hon Minister for Lands, Housing
& Human Settlements Development
to the Tanzania Agribusiness Investment
Showcase Event

27 November 2012





We recognise that investors in agro-processing facilities typically want land for a nucleus farm

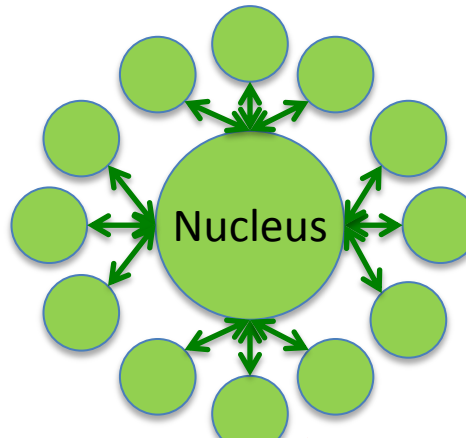
- The Government of Tanzania strongly prefers “**nucleus+outgrower**” operations as the preferred mode for agribusiness development in the Corridor:

100% company-owned “Estate” model



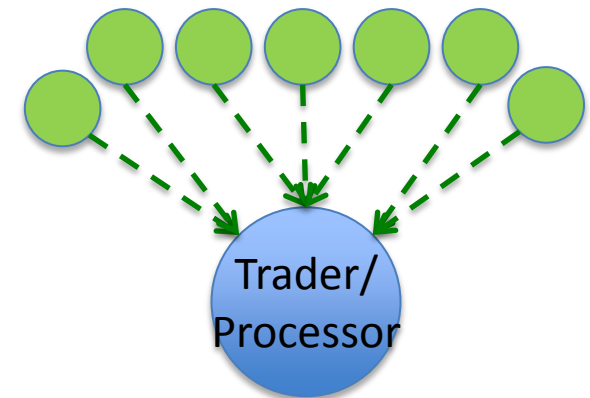
- Limited community impact
- No accumulation of capital/entrepreneurial skills
- Low productivity/motivation

Nucleus+Outgrower model



- Nucleus ensures minimum capacity utilisation; provides test/demo facility; builds rapport
- Outgrowers benefit from, training, inputs; build equity and skills; exhibit higher productivity/motivation

Pure Trader/Processor model



- No demonstration effect; limited training/technical assistance
- Limited understanding/help with managing local climate/pests, etc
- No “skin in the game” – just a middle man



There seem to be two completely contradictory myths about the land-leasing process in Tanzania

1. It is a lengthy and almost impossible process for investors to secure a reliable lease on land in Tanzania

2. The Government of Tanzania is “giving away” vast tracts of land to investors without any due process, consideration of environmental and social impact or due compensation to local communities

Neither is True!

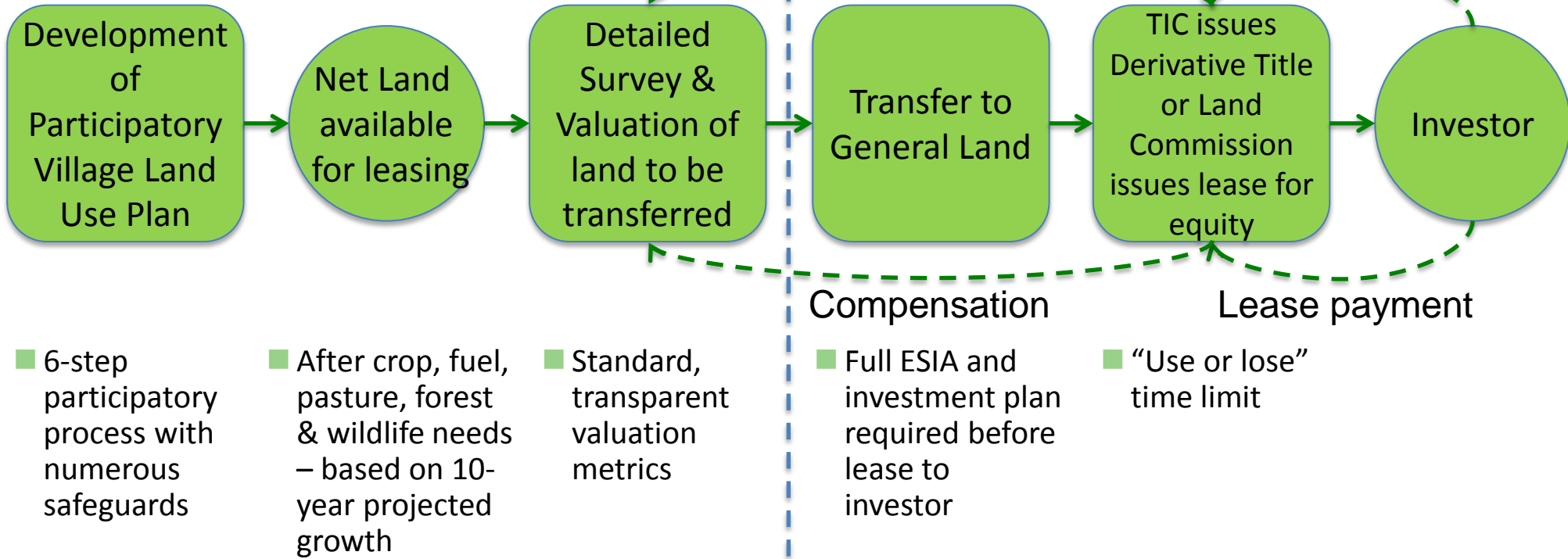


Tanzania has a clear process for leasing land that protects communities, within a reasonable timetable for investors

Simplified Schematic of Leasing process for Village Land

Village/District Level

National Level



For investors who follow the correct procedure, all steps can be completed in 6-12 months



Problems and delays tend to arise for three reasons

Errors in following process

- Even well-intentioned investors make mistakes in following all the required procedures (sometimes misled by intermediaries who may want to help, but end up cutting corners)
- Some investors get stuck and give up; others discover after the fact that they do not have the lease they thought

Unqualified investors

- Other less scrupulous investors (often with the help of intermediaries) find ways to short-circuit the process
- They ostensibly secure rights to the land – but then they do not have the means to implement
- The promised investment does not materialise, and the community is disappointed

No ongoing compensation

- Even when a lease is secured, compensation is only paid to once-off to those villagers directly impacted
- Benefits are not shared by all villagers and there is no ongoing stream of benefits
- As a result, villagers question the value received and become hostile to the investor

In each case, both communities and investors lose out, due to frustrated expectations



The Ministry of Land is therefore working with other agencies to implement 3 key improvements to the process

Publication & Distribution of Process Guidelines

- With our partners, the Ministry for Land is working to prepare and distribute a full set of instruction materials (brochures, posters, online guidelines, training programmes, etc.)
- These will clearly lay out all procedural requirements, the role of intermediaries, standard fees to be paid, and so on

Proactive Site Preparation

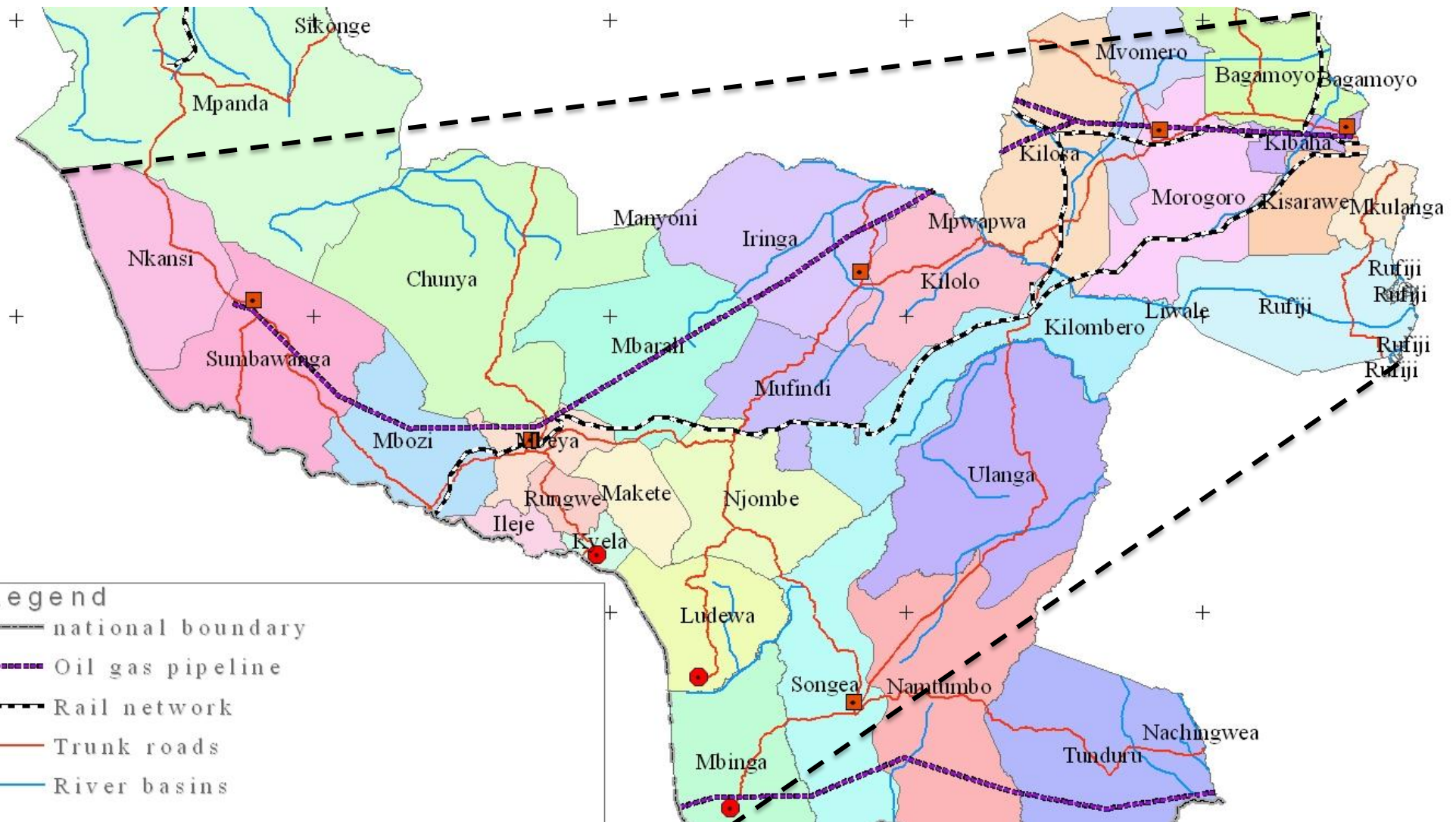
- The Ministry is working with the PMO, TIC, Regional & District leaders, Ministries of Agriculture and Livestock and others to proactively identify target investment areas
- In these areas, we are completing the LUP and ESIA process, so agreed sites can then be promoted & tendered
- This process saves investors time and ensures that the most qualified investors secure leases

Equity Shares as basis for Lease

- Details are still being defined, but the Ministry is working on new guidelines whereby local government and communities will be compensated for the land they lease to investors through an equity stake in the venture (rising to 25%, after debt repayment)
- This will allow an ongoing stream of benefits for the whole community and give the community a stake in the success of the venture



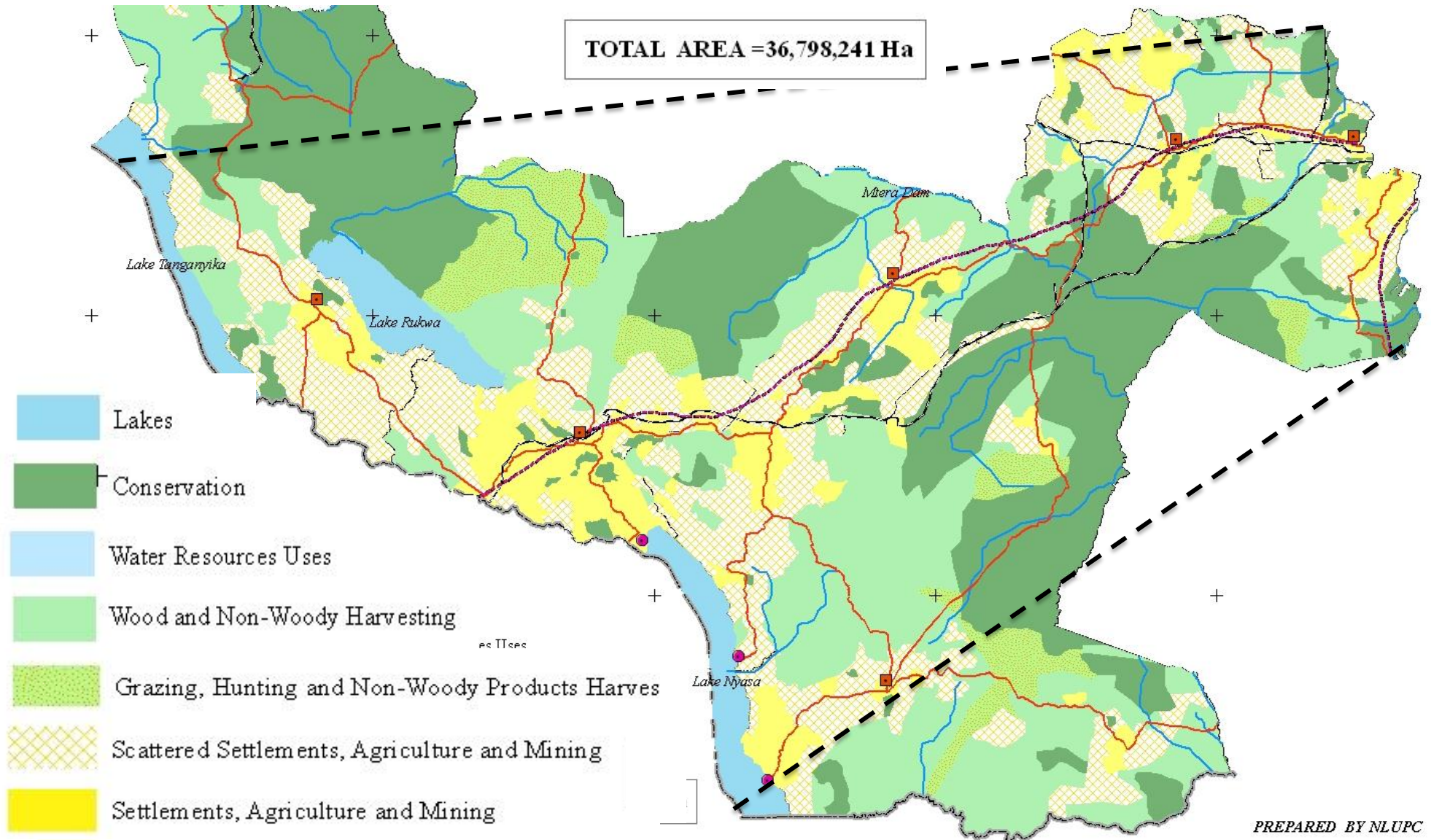
The Ministry has begun proactive Land-use planning and site identification in the 30 districts covering SAGCOT



So far, we have completed LUPs covering more than 20% of this area, 6.2 million hectares



Approximately 60% of the land in the SAGCOT area is village land, 2% is general land, the rest conservation and water areas





The Ministry is undertaking a number of initiatives to speed up the process

- Trained 25 district Participatory Land Use Management teams in SAGCOT areas
- Completed 391 Village Land Use Plans in SAGCOT districts – so far more than 900,000 hectares of potential land for investment have been identified
- Plans underway to prepare 700 village land use plans in 44 districts, including all districts within the SAGCOT corridor
- As each Land Use Plan is completed, all unutilized land within each village is recorded to the land bank
- Fast-tracking scrutiny of land use reports prepared by stakeholders e.g. district councils, NGOs



The process has already identified more than 900,000 ha of land that could be offered for investment in SAGCOT

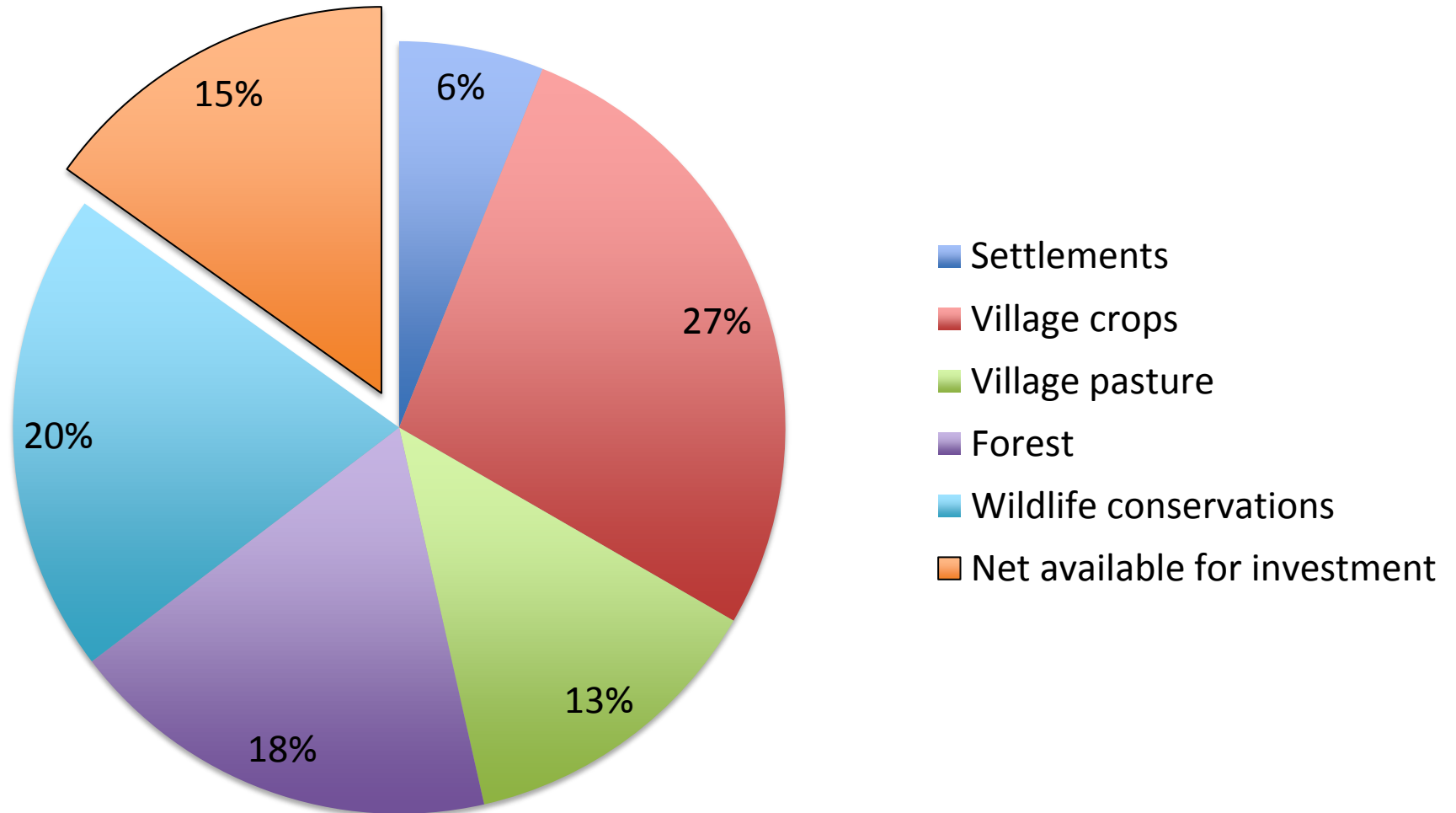
Potential Land for Investment by District in SAGCOT Area

| Region | District | No. of villages with LUPs | Total Area of Villages (Ha) | Potential land for Investment (Ha) | % |
|----------|--------------|---------------------------|-----------------------------|------------------------------------|------------|
| Pwani | Bagamoyo | 22 | 527,573 | 93,108 | 18% |
| | Mkuranga | 12 | 116,893 | 29,347 | 25% |
| | Kisarawe | 24 | 340,698 | 25,101 | 7% |
| | Rufiji | 32 | 566,972 | 65,758 | 12% |
| | Mafia | 9 | 17,181 | 721 | 4% |
| Morogoro | Morogoro (V) | 31 | 610,951 | 51,867 | 8% |
| | Mvomero | 1 | 3,569 | - | 0% |
| | Kilosa | 8 | 67,124 | 2,156 | 3% |
| | Kilombero | 70 | 653,505 | 182,198 | 28% |
| | Ulanga | 24 | 305,975 | 23,570 | 8% |
| Iringa | Iringa (V) | 9 | 80,450 | 13,125 | 16% |
| | Kilolo | 3 | 51,185 | 12,321 | 24% |
| | Mufindi | 4 | 94,751 | 16,850 | 18% |
| Njombe | Njombe | 2 | 34,665 | 1,335 | 4% |
| | Ludewa | 3 | 26,985 | 1,683 | 6% |
| | Makete | 2 | 5,104 | - | 0% |
| Mbeya | Mbeya (V) | 4 | 65,889 | 5,610 | 9% |
| | Chunya | 18 | 882,736 | 101,393 | 11% |
| | Ileje | 3 | 38,256 | - | 0% |
| | Mbarali | 14 | 100,160 | 8,544 | 9% |
| | Mbozi | 1 | 3,481 | - | 0% |
| Ruvuma | Songea (V) | 7 | 364,269 | 75,100 | 21% |
| | Namtumbo | 24 | 832,852 | 171,922 | 21% |
| | Mbinga | 6 | 145,806 | 12,472 | 9% |
| | Tunduru | 9 | 86,716 | 4,330 | 5% |
| Rukwa | Nkasi | 2 | 21,448 | - | 0% |
| Katavi | Mpanda | 15 | 86,578 | 13,734 | 16% |
| | Total | 359 | 6,131,771 | 912,245 | 15% |



In the villages where plans have been completed, on average 85% is reserved for village use, forest and wildlife, before any investment

Average land use mix in 391 villages with completed Land Use Plans





Next steps for prospective investors are clear

For investors interested in Rice, Sugar and Livestock Opportunities

- A series of priority sites are being proactively prepared with full community consultation and environmental and social impact assessments
 - Investors will obtain full and clear leases, with no risk of questions after that fact
 - Sites will be awarded competitively through the National Land Allocation Committee over the next 6 months
 - Scoring criteria will be published before allocation: evaluation will be based primarily on investor's proposed social/environmental impact – i.e. extent of outgrower support, value-addition, community integration, protection of water resources, wildlife, etc.
- Government will retain 10% rising to 25% stake in venture as compensation for land
 - Majority of this equity and future dividends will be assigned to the local village and district, and an independent trust fund will be set up to manage the proceeds

For investors interested in other sectors

- Please proceed with your search for suitable investment sites with TIC and relevant Ministries
- When you have identified a preferred site, submit proposal to TIC; TIC will then request Ministry of Lands to complete village LUP and ESIA process, if it does not exist yet
- Pay very careful attention to the details of the land process, involve local communities and NGOs in the process, and be wary of intermediaries who promise overly-fast results
- Structure the proposed compensation (lease terms), as an equity stake or a share of profit or revenues



My Ministry is always ready to answer questions about the land leasing process

Please contact:

| Ministry for Lands, Housing & Human Settlement | |
|---|---|
| <p>Permanent Secretary</p> <p>P.O. Box 9132, Dar es Salaam, Tanzania</p> <p>Tel: +255 22 211 3165 Email: ps@ardhi.go.tz; km@ardhi.go.tz</p> |  |

We look forward to working with you