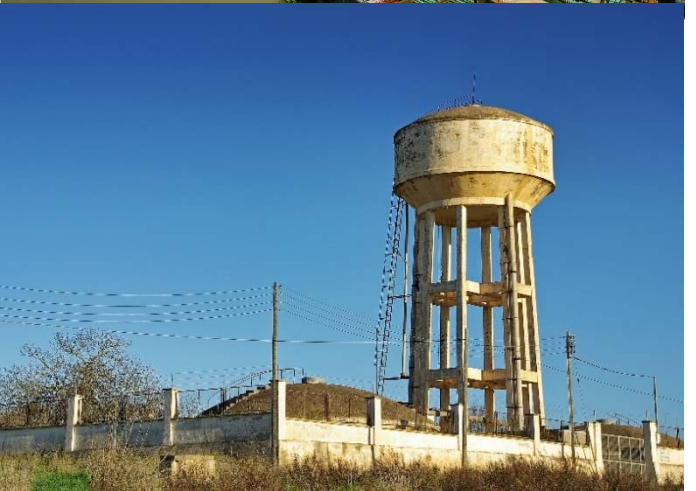




Netherlands Commission for
Environmental Assessment

MOZAMBIQUE (ORIO12/MZ/01)

Quick Scan (Review) of the ESIA for the
EcoFarm Irrigation and Organic
Sugarcane Project, Chemba District,
Sofala Province, April 2016



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Advice of the Secretariat

To Netherlands Enterprise Agency (RVO.nl)
Attn Mr Léon Weischer
CC Mr Thomas Vintges, Mr Bas Schilperoort
From The Netherlands Commission for Environmental Assessment (the NCEA)
Date 12 August 2016
Subject Quick Scan (Review) of the Environmental and Social Impact Assessment (ESIA) for the EcoFarm Irrigation and Organic Sugarcane Project
Chemba District, Sofala Province, Mozambique, April 2016

By: the Secretariat of the Netherlands Commission for Environmental Assessment - Ms Ineke Steinhauer, with expert input from Mr Bert Lof

Advice 7200

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1. Introduction

An Environmental and Social Impact Assessment (ESIA) report has been prepared for the ecofarm irrigation and organic sugarcane project in Chemba district, Sofala province, Mozambique. The project aims to establish, install, operate and maintain an irrigation infrastructure initiative designed to irrigate large-scale sugarcane plantations which will produce organic sugar for the European markets.

The project will include an irrigation scheme comprising both centre-pivot and dragline irrigation systems to serve approximately 2 800 hectares of organic sugar cane and 100 hectares of vegetables and other food crops; the progressive establishment of a herd of up to 5 000 local Nguni-type cattle, whose manure will be used as organic fertilizer for the sugarcane; and a sugar mill with capacity to process 2 000 tonnes of sugar cane a day. The sugar mill complex will include a cogeneration plant that will produce sufficient electrical power to service the mill equipment, and the electrically powered irrigation equipment.

The project will involve the following productive entities:

- a utility company that will own, operate, maintain and in some areas lease out the irrigation infrastructure;
- two agricultural cooperatives (Lambane and Chapo), comprised of smallholder farmers from the local communities;
- a third cooperative comprising about 15 well-trained agriculturally qualified and committed re-migrating youths;
- a commercial sugar cane production company, EcoFarm Moçambique Lda (EcoFarm), who will assist the cooperative farmers with technical expertise and equipment and will buy their produce. The project will be led by EcoFarm.

Since the start, the project scope has changed several times, and the project will now be implemented in two phases. That is why the number of hectares mentioned above, will now be less in this phased approach. According to the ORIO project plan of December 2015, the sub objectives relating to the project are to:

- install, operate and maintain agricultural infrastructure relating to this project;
- develop an irrigation system to irrigate 1,130 hectares of organic sugarcane, 250 ha of fodder crops and 100 hectares of food crops during phase 1;
- develop an Energy Island;
- develop the institutional and technical capacity of the 2 established co-operatives of Coco Lambane and Coco Chapo;
- deliver high quality organic sugarcane to EcoFarm Mill;
- increase small-scale farmer's income levels;
- drive continuous improvement through the Project's Environment and Social Management Programme.

In a document called 'Excerpts from submission to ORIO' of May 2016, the numbers of hectares are slightly different again (400 ha. Sugarcane and 100 ha. food crops to the Coops and 240 ha (expandable to 500 ha) sugarcane for Ecofarm).

1.1 Approach to this Quick Scan

The project is benefitting from ORIO funding from the Government of the Netherlands. The RVO, who manages the ORIO fund, has requested that the Netherlands Commission for Environmental Assessment (NCEA) review the final ESIA report, with the aim to provide observations and comments on the quality of the report, before June 25, 2016. This input would subsequently be used to inform the ACORIO meeting planned for July 8, 2016.

As the available time for review of the voluminous ESIA (and related documents) was rather limited, the review has been prepared based on a desk review only, and therefore does not constitute an in-depth technical review of the ESIA report contents based on a verification 'on the ground' in Mozambique. To remedy this handicap, it was decided to engage external expertise (an expert that recently performed a mid term review of another sugarcane project in Mozambique, focusing mainly on socio-economic impacts), to complete the knowledge available at NCEA's secretariat. Due to late arrival of the final ESIA however, the external expert was no longer available at short notice. It was therefore agreed with RVO that this ESIA review would be done in 2 stages:

- a 'quick scan' done by the NCEA secretariat, leading to some main observations/pointers to be used in the ACORIO meeting¹. Due to a number of reasons, RVO decided not to submit the project in the ACORIO meeting of July 8, but to postpone it to a later moment;
- a more detailed review performed by the external expert at a later stage in July/August, focusing on socio-economic aspects.

Aside from informing RVO decision-making, both ESIA review advisory reports can also be used in decision-making by the local authorities.

The NCEA does not express an opinion on the project itself, but focuses on the quality and completeness of the ESIA. Usually, the NCEA reviews an ESIA report as a stand-alone document, meaning that all information necessary for decision making should be contained in the ESIA report, without requiring the reader to consult other documentation to complement gaps in information in the ESIA itself. However, in this case, the information consisted of other information in addition to the Volume 2 ESIA report of April 2016, namely:

Volume 3: Specialist Reports (more than 500 pages)

Volume 4: Environmental and Social Management Program, ESMP, April 2016 (about 80 pages)

Volume 5: Resettlement Plan (Livelihood Restoration and Improvement Plan, LRIP), July 2014 (about 100 pages)

Report on Public Participation carried out as part of the ESIA (around 25 pages) of February 2016.

Given the limited time available, the NCEA Quick Scan of June 24, 2016 has focused on the 2016 ESIA, ESMP and Public Participation report only. The specialist reports (too bulky) and LRIP (outdated) have not been considered.

The current advisory report, drafted based on the input of the external expert, has specifically focused on the socio-economic aspects of the proposed project and has concentrated on the ESIA Chapters 9 and 11, Volume 3, Chapter 5 Social Impact Assessment, Volume 4 and Volume 5 LRIP.

¹ This NCEA Quick Scan (Review) of the ESIA for the EcoFarm Irrigation and Organic Sugarcane Project, Chemba District, Sofala Province was sent to RVO on June 24, 2016.

2. Key observations

The NCEA reiterates its observations made in the Quick Scan of June 24, that the available documentation requires an up-date, to enhance consistency and to eliminate all kind of overlap in information. The legal framework, project description, principles of assessment, stakeholder engagement, context etc. have been described many times in different documents, which hampers accessibility of the information to the reader and decision makers.

As for the socio-economic aspects, the NCEA has the following main observations:

- social and economic impacts have been described, but insufficiently assessed when it comes to the implications of a transformation from subsistence farming to a cash based economy;
- the LRIP is much more focused on restoration than on improvement, which poses doubts on the benefits that the project claims to expect for the members of the cooperatives;
- the description of the Training Awareness and Capacity Building components is rather weak, not well assessed and inconsistent;
- there is mention of a multitude of programmes and plans (also mentioned in the Agri-IQ Technical Review report of Nov. 2015), however, these are not always consistent and well coordinated. Some of these are merely mentioned but not further elaborated yet.

3. Detailed observations

3.1 Description of the socio-economic environment (Chapter 9 of ESIA)

Some observations on the description of the socio-economic environment are provided below (also the Specialist Report Vol 3 Chapter 5 does not provide the information):

- it is not clear whether farm households make use of riverbeds for dry-season cropping;
- the food security situation is not sufficiently addressed as no food availability calendar is being presented. Moreover, the nutritional status is not addressed nor a food consumption calendar for different periods of the year is described;
- in terms of health, there is no information included about the prevalence of malaria and other relevant non-communicable diseases.

- The NCEA advises to add this information, for instance through a Food Security and Nutritional Assessment Study and information on prevalent diseases.

The outgrowers schemes are expected to be managed by two cooperatives and one area with young returning farmers. The cooperatives have about 150–200 members each. No further description is being provided of the organisational status, structure and internal management of the cooperatives, which is an essential element of the project. It is mentioned that the cooperatives have been established only in October 2012 through the promotion of the local government. The challenges of the functioning of the Cooperatives and their sustainability, including conflict management and equal benefit sharing have not been identified as one of the main impact issues which need to be addressed. No cost-benefit calculation has been included of the potential income that farm household may earn from their sugar cane

production. Nor the financial risks involved as a result of changing market prices or input prices.

Secondly, the description provided lacks an analysis of the conditions of the young returning farmers who are supposed to become “commercial” farmers managing about 33 hectares of sugar cane each. Interest nor selection criteria are being addressed.

- The NCEA recommends to provide this information as this is essential to assess the possible impacts of a transformation from subsistence farming to a cash based economy.

3.2 Assessment of impacts (Chapter 11 of ESIA on social and economic impacts and LRIP)

Overall, the mitigation of the five main social and economic impacts is mainly addressed in the Livelihood Restoration and Improvement Plan (of July 2014) which stipulates the mitigation and enhancement measures as proposed in the ESIA.

The LRIP responds to the legal requirements to produce a Resettlement Plan. The LRIP correctly addresses the issue of economic displacement such as reduced access to productive natural resources including land, ecosystem services and sacred sites. Good care has been undertaken to avoid as much as possible productive displacement. Appropriate attention is given to the compensation, the entitlement framework, a Grievance Mechanism and to Monitoring and Evaluation. The accompanied budget appears to be partial and not complete as it only addresses the compensation costs (and not training costs etc.).

However, the Livelihood Improvement Measures as proposed in Chapter 6 of the LRIP do not provide enough detail on what type of improvement services will be delivered, at what cost and under what conditions. The following observations are made with regard to the proposed Livelihood Improvements Measures:

- The farmer training programme(s) are not specified nor is it clear who exactly the target groups are and what they intend to achieve. In the LRIP several training programmes are mentioned: EcoFarm’s Outgrower Capacity Building Project, the Sugarcane Occupational Skills Training Project, a Human Resource Development Programme, etc.. Ch 14.2.5 even mentions more of these plans such as a Community Development Plan, Conservation Agricultural Training and Support Programme, etc.
- The NCEA recommends to include a consistent Training and Capacity building approach based on an appropriate needs assessment.
- The costs of the farmer training and capacity building are not included.
- The NCEA recommends that 8% of investment costs (in this case of the irrigation infrastructure for the two cooperatives) is budgeted for to implement the capacity building over at least 3 years and preferably longer to allow the cooperatives to mature.
- The type of improvement services (TA) that will be delivered and how these will be delivered is not specified.

- The NCEA recommends to explain whether this does include irrigation services, including the electricity, seed cane for planting, agricultural tools, hauling of the cane after harvesting, etc.?
- Neither is it clear whether farmers will have to pay for these services. For instance in 6.2.3 of the LRIP it is stated that “part of the investment costs will be provided through grants”.
- The NCEA recommends to specify what the investment costs are and how much will have to be reimbursed and under what conditions.
- The proposed Technical Working Group – or committee– does not include the “chefes de localidade” (sub–district authorities) who are closest to the local communities.
- The NCEA recommends that the TWG includes a district or provincial health officer as well for proper planning of health facilities and eventually a district educational officer (schools).
- It has been stipulated that about 750 permanent jobs will be created. The corresponding documentation (EcoFarm Chapter 7 Manpower and staff requirements) speaks of about 2,493 staff to be employed (page VII–1) and provides details for about 630. Given the fact that the total population of the project area is estimated at 9,400 inhabitants of which only around 37–40% are adults, the project will have a major impact on the labour force in the project area. It is not expected that all 750 permanent positions will be filled by the local communities. This implies that there will be major influx (permanent and temporary) to the area, changing the rural villages and small town of Chemba into an estate type of society with differential access to income and wealth. The statement “Most of the tasks can be performed by local labour, which means that expatriate professionals or migrant labour do not have to be used to a great extent” (ESIA page 138) is therefore not correct and not sufficiently underpinned.
- The NCEA advises that the potential social, cultural and economic changes be better addressed as these are expected to be wider than impact 27.4 (community conflict) impact 27.5 (conflicts between local labour and expatriates), and impact 27.7 (influx of temporary labourers). There will be a huge influx of temporary and permanent staff to the area creating significant wealth differences and potential conflict.
- The potential benefit of ‘small business improvement’ (impact 27.3) is overestimated as the project area is not expected to be able to deliver the required services.
- The NCEA recommends to correct this, as this is already an issue in well–established sugarcane areas such as Maragra and Xinavane in Maputo Province.
- Given the high demand for local labour there will be a significant impact on the available household labour farming (impact 27.6). As the irrigated food crop production will also demand labour it will be necessary to address the productivity of household labour.

- The NCEA recommends that concrete mitigation measures (currently lacking) be proposed for these issues.
- The possible financial risks of the community households to participate in the project are not addressed. These may vary substantially according to the world market price of refined sugar. The share of benefits (SOB) between the farmers selling their sugarcane to the factory and EcoFarm as responsible entity for the processing and marketing of the organic sugar has not been determined either, nor the process how farmers will be able to negotiate with EcoFarm (farmers' representation).
- The NCEA recommends that additional information be provided on potential financial risks as well as benefit sharing mechanisms.
- It is expected that the project may have a substantial impact on food security, food consumption and nutrition status as there will be substantial changes in labour allocation – both for men and women – as well as the monetarization of the local economy as more cash will become available. The project affected communities are expected to enhance their food security through the production of irrigated crops. On average it is expected that each household will be allocated about 0,1 ha. This is on the low side to provide each household with sufficient food supply.
- The NCEA recommends to increase the irrigated area to about 0,2 ha per household as originally proposed (figures of irrigated food crops are not consistent; they differ from 50 ha to 100 ha).
- Given the fact that irrigation comes with a cost it will be necessary to produce for the market as well. In addition, given the influx of permanent and temporary labour the demand for food will increase and have an impact on availability and price.
- The NCEA recommends to assess the need for market infrastructure, transport, good access roads and market information.
- Irrigation infrastructure may create a source of malaria infection as vectors may survive throughout the year. This health issue is not sufficiently addressed in the mitigation plan. In addition, increased immigration will have an impact on the available health services required in the area. Pressure on existing social infrastructure is mentioned (chapter 13.3.2) but not addressed in the LRIP.
- The NCEA advises that health issues and services be addressed right from the beginning.

Final Note: it is observed that Agri-IQ provides both the Training programme (Vol 5 LRIP chapter 6 page 55) as has made the Technical Review Report (Draft of November 2015) assessing the EcoFarm project documentation (Environmental and Social Impact Assessment and Special Studies by prepared by CES). It is not made clear whether these two different roles are compatible.