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Master's Thesis



SHAPING DEVELOPMENT

**THE GOVERNANCE OF FARMLAND INVESTMENTS AND ITS EFFECTS ON A
SUSTAINABLE DEVELOPMENT IN MOZAMBIQUE**



Acronyms

APP	Africa Progress Panel
BRICS	Brazil, Russia, India, China and South Africa
CAADP	The Comprehensive Africa Agriculture Development Programme
CENACARTA	Centro Nacional de Cartografia e Teledeteção (National Centre of Cartography and Teledetection)
CEO	Chief Executive Officer
CPI	Centre of Promotion of Investments
CRM	Constituição da República de Moçambique (Constitution of the Republic of Mozambique)
CSR	Corporate Social Responsibility
CTV	Centro Terra Viva
DANIDA	Danish International Development Agency
DARN	Direcção de Agronomia e Recursos Naturais (Directorate of Agronomy and Natural Resources)
DfID	British Department for International Development
DNAIA	Direcção Nacional de Avaliação do Impacto Ambiental (National Directorate of Environmental Impact Assessment)
DNTF	Direcção Nacional de Terras e Florestas (National Directorate of Land and Forests)
DPCA	Direcção Provincial de Coordenação Ambiental (Provincial Directorate for the Coordination of Environmental Affairs)
DUAT	Direito de Uso e Aproveitamento de Terra
EDR	Estratégia de Desenvolvimento Rural (Rural Development Strategy)
EIA	Environmental Impact Assessment
ESAN	Estratégia de Segurança Alimentar e Nutricional (Strategy of Food and Nutritional Security)
ESPV	Environmental Study of Pre-Viability
EU	European Union
FAO	Food and Agriculture Organization
FARN	Directorate of Food, Agriculture and Natural Resources
FONGA	Fórum de ONGs Nacionais de Gaza
GDP	Gross Domestic Product
GIZ	Gesellschaft für Internationale Zusammenarbeit (German Society for International Cooperation)
HDI	Human Development Index
IIAM	Instituto de Investigação Agrária de Moçambique (Institute of Agrarian Investigation of Mozambique)
INE	Instituto Nacional de Estatística (National Institute of Statistics)
LIMS	Land Information Management System
MAP	Ministério da Agricultura e Pescas (Ministry of Agriculture and Fishery)
MCC	Millennium Challenge Corporation
MDG	Millennium Development Goals

MICOA	Ministério para a Coordenação da Acção Ambiental (Ministry for the Coordination of Environmental Action)
MINAG	Ministério da Agricultura (Ministry of Agriculture)
MoU	Memorandum of Understanding
MPD	Ministério da Planificação e Desenvolvimento (Ministry of Planification and Development)
NEPAD	New Partnership for Africa's Development
NGO	Non-Governmental Organization
PAEI	Política Agrária e Estratégia de Implementação (Agrarian Policy and Implementation Strategy)
PAPA	Plano de Acção para a Produção de Alimentos (Action Plan for Food Production)
PARP	Plano de Acção para a Redução da Pobreza (Action Plan for Poverty Reduction)
PARPA	Plano de Acção para a Redução da Pobreza Absoluta (Action Plan for the Reduction of Absolute Poverty)
PDA	Provincial Directorate of Agriculture
PEDSA	Plano Estratégico para o Desenvolvimento do Sector Agrário – Strategic Plan for the Development of the Agrarian Sector
PES	Plano Económico e Social (Economic and Social Plan)
PROAGRI	Programa Nacional de Desenvolvimento Agrícola (Agricultural Development National Programme)
RAP	Regional Agricultural Policy
RBL	Regadio do Baixo Limpopo
RDZ	Rapid Development Zone
SADC	Southern African Development Community
SDAE	Serviço Distrital de Actividades Económicas (District Service of Economical Affairs)
SES	Simplified Environmental Study
SPGC	Serviço Provincial de Geografia e Cadastro (Provincial Service of Geography and Cadaster)
UN	United Nations
UNDP	United Nations Development Programme
US	United States
WCED	World Commission on Environment and Development

Summary of the research

In the light of the rising foreign demand for land in Africa – process that has been named land grab – Mozambique has become a target of high interest for its huge amount of cheaply accessible arable land and natural advantages for agriculture. Having its land considered underutilized by its own government and also international bodies, such as the World Bank, official rhetoric and practice have become ever more pro-investor in the country, whereas at times at society's and environment's expenses. Although the government proclaims it is promoting development and enabling possibilities for local employment by its openness to foreign investments, civil society and international academia show a clear divergence of opinion on what constitutes a desired development for the country. In addition, they also raise red flags for the legality of some official decisions in land allocation. In what concerns large-scale farmland acquisitions, this research shall use quantitative and qualitative methods, as well as interviews with more than 100 stakeholders – including businesses, communities and government officials – to assess the rhetoric, strategies, policies, legal frameworks and practices of the government, i.e. governance, and try to make a link of this governance to the effects for a sustainable development in Mozambique's agriculture.

Preface (English)

This thesis is the result of almost two years of international and sustainable development studies, including two internship periods, necessary to collect all the information I wanted to include in this work. Sustainable development in developing countries is a theme that can spark great and diverse types of interests. This thesis shows only one of these different types of subjects international development studies can offer. It concerns the potential of (in particular foreign) investments to promote a sustainable path of development in one of the most important sectors for one of the most challenged countries in the world: agriculture in Mozambique. It, however, cannot grasp all the interesting aspects of this comprehensive and extensive subject of study. This research, therefore, focuses on the role of the government in attracting investments and how – after the investments have been attracted – the relations communities-government-investments will unveil.

What is the Mozambican government doing to attract investments to the country's agricultural sector? What types of investments are being established in Mozambique? Are the communities benefitting from the incoming investments or not? And are the investors satisfied with their choice to start a project in Mozambique? How can investors, communities and government work together to promote a sustainable path of development to Mozambique's agriculture?

To answer those and other questions, a total of 69 questionnaires with businessmen were conducted and more than 100 interviews with stakeholders – including investors, government officials and communities, *inter alia* – were realized. This work hopes to show some of the challenges being faced by the government, the general Mozambican population and the investors when dealing with agribusiness and sustainable and inclusive development in Mozambique.

- Filipe Di Matteo, Utrecht, 2014

Prefácio (Português)

Esta dissertação é o resultado de quase dois anos de dedicação aos estudos de sustentabilidade e desenvolvimento internacional, incluindo dois períodos de pesquisa de campo, necessários para coletar todas as informações que considere importantes para apresentar neste trabalho. Desenvolvimento sustentável em países em desenvolvimento é um tema que gera grandes e diversos interesses de estudo. Esta dissertação apresenta apenas um dos possíveis tópicos que essa corrente de estudos pode oferecer. Ela concerne o potencial que investimentos (especialmente estrangeiros) têm para promover um caminho de desenvolvimento sustentável em um dos mais importantes setores da economia de um dos países com alguns dos maiores desafios no mundo: agricultura em Moçambique. No entanto, este trabalho não pode englobar todos os aspectos interessantes deste tópico de estudos tão compreensível e extenso. Portanto, esta pesquisa foca no papel que o governo

moçambicano tem em atrair investimentos e como – depois de atraídos – as relações entre governo, comunidades e investidores se desenvolvem.

Do que o governo moçambicano está lançando mão para atrair investimentos para o setor agrícola? Que tipos de investimentos estão se estabelecendo em Moçambique? Estarão as comunidades locais se beneficiando dos novos investimentos ou não? E estarão os investidores satisfeitos com a escolha de começar um projeto em Moçambique? Como os investimentos, as comunidades e o governo podem trabalhar juntos para promover um caminho de desenvolvimento sustentável para a agricultura do país?

Para responder estas e outras questões, 69 questionários foram conduzidos com representantes de investimentos e mais de 100 investidores, representantes do governo e de comunidades, entre outros, foram entrevistados. Espero, com este trabalho, apresentar alguns dos desafios encontrados pelo governo, pela população moçambicana e pelos investidores quando lidam com *agribusiness* e desenvolvimento sustentável e inclusivo em Moçambique.

- Filipe Di Matteo, Utrecht, 2014

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FIRST PART: The Research

Shaping Development: The Governance of Farmland Investments and its Effects on a Sustainable Development in Mozambique

1. Introduction

1.1. Background and rationale

Mozambique (Map 1) is a Southeastern African country with an area of about 800,000km² and a population moving towards the 26 million people (MINAG 2011a; World Bank 2013a; GeoHive 2013). During its colonial times under Portuguese ruling, historical processes managed to accommodate all Mozambican population with at least a small piece of land. Indeed, following the politically aggressive logic of divide and dominate, there have been no recorded landless people in the country (Hanlon 1984). Not surprisingly, almost forty years after its independence in 1975, Mozambique has nowadays a population intimately connected to its land, which, being used for agricultural finalities, responds for the subsistence means of roughly two thirds of the total population (MINAG 2011a; World Bank 2013b). This land-population interrelation was in due time safeguarded by legal frameworks often mentioned as favorable for local communities in international debates about land governance (Kaarhus and Martins 2012; Salomão and Zommers 2013). However, recent national economic development and the ever-increasing interest of international investors for cheap African land are leading to widespread disrespect to local communities' rights, challenging existing legislation and threatening Mozambican environment (Nhantumbo and Salomão 2010; Maptoe 2013).



Map 1: Mozambique displayed in Southeast Africa.
Source: Google Maps

This situation is happening in the light of land grab, or ‘foreignisation of space’, which is growing in importance as a key topic for development studies (Zoomers 2010, 1). Innumerable research projects have been conducted worldwide inquiring on the effects of such trend for local populations, environment and countries in general. Schoneveld (2013), nevertheless, points out that there is an academic gap concerning the specific national contexts that allow the phenomenon in Africa. Similarly, thorough desk research on literature indicates that, although the reasons for the rise of global interest on land are well

documented in academic literature, very few works are concerned with the impact the rush on land has in Southern Africa and in particular in Mozambique – even though the country has become a top attractor of foreign investments on large-scale (farm)land (see Nhantumbo and Salomão 2010; and Salomão and Zoomers 2013, for some of the few academic works on this topic in Mozambique). In this sense, we have, within the land grab debate, two different yet related topics about which few researches were conducted: the specific national drivers of land grab and the national impacts of the same in Southern Africa countries. This research identified in Mozambique’s context the opportunity to fill some of the existing gaps in literature by addressing both topics, as presented in the sequence.

Whereas African governments – Mozambican included – lack capacity and capital to meet their agricultural output potential, they tend to see in the rising foreign interest for land a chance to finally further develop agriculture and, at the same time, bring macro-level benefits to the country (Cotula *et al* 2009; McMichael 2012; Schoneveld 2013). Under promises of an investment-driven economic development, most African countries adopt this strategy wholeheartedly. In this same fashion, Mozambique has entered the club of countries opening themselves to foreign investors and although in various cases, the processes that lead to land enclosure are not illegal at all, in Mozambique it is ever clearer that foreign investors helped by government officials are constantly challenging the existing legal framework and by-passing some of the legally required steps to start land-related projects (Salomão and Zoomers 2013). This may work well as an attractive for foreign investors, but has severe impacts for the local society and the country’s image. Concomitantly, Mozambique’s government also often seems to be forgetting to pursue a *sustainable* rather than a merely economic development.

Society and environment – two important pillars for a country’s sustainable development – suffer from cases of governmental and foreign investors’ disregard to their customary and legal rights, which are many times not yet formalized or purposively ignored (Salomão and Zoomers 2013). Socially-wise, illegal displacements and disrespect for agreements are some of the challenges posed by investors and government to the legal framework (Lemos and Ossemame 2012; Salomão and Zoomers 2013). Environmentally-wise, land degradation, illegal loggings and by-passing of environment impact assessments are only some examples of the signs of disrespect for the environment that can be several times – albeit sporadically – found in Mozambican newspapers (Beúla 2012; Notícias 2013; Tamele 2013; Zambeze 2013) and publications about the country (EIA 2013).

In so noticing, academy and civil society in Mozambique have started to rise red flags on the issue (See for example: Lemos and Ossemame 2012 and Salomão and Zoomers 2013). Salomão and Zoomers (2013, 2) even suggest that “land grabbing in Mozambique is, in some way, a manifestation of a (state) shift away from protecting the rural poor to protecting business interests”. Indeed, this research will draw heavily from the argument

that the interest of foreign investors in Africa does not necessarily mean overall positive impacts to the host countries, as proffered and expected by most governments. And that governments can and will shape the way foreign investments will affect their countries. However, since great part of the objectives of both investors and host countries lies on improving economic growth, it is not uncommon to see society and environment being oftentimes neglected or even hindered in the process (Cotula *et al.* 2009; Deininger 2011; German *et al.* 2013). In other words, the promised development comes at the expenses of communities and environment and only actually observes enhancements from a macro-level perspective. That triggers no development that is sustainable, at all (as defined in section 2.3).

Mozambique's case, therefore, deals with a country where the recent land seeking is causing serious controversies in the country. As argued before, land is socially-wise truly important in Mozambique, as is agriculture, stated by the Constitution as the base of national development (CRM 2004, Art. 103, 1). Additionally, land is seen as means of production – rather than a good – tangible to all Mozambican people. This whole logic is exemplified by the Land Law of 1997, which carved on stone that land belongs to the Mozambican state for the use of all the Mozambican people (República de Moçambique 1997a) and which is one of the mentioned legal mechanisms meant to safeguard local communities' rights to land. The same applies for the Environmental Law (República de Moçambique 1997b) and its subsequent legal framework, which conditions the start of most types of projects to the submission of an environmental impact assessment (Art.15). However, for foreign investor's rejoicing, rather than only having land, water and a long coastal line connecting the country and neighbors with the main ports of the world (MINAG 2011a), Mozambique also has a government willing to open the country to large-scale foreign investments, seemingly at any (or few) costs regardless of legal frameworks directives.

To help grasping Mozambique's attractiveness to foreign investors, it is worth mentioning that in its approximately 800,000 km² there can be arguably found from 30 to 36 million hectares (ha) of arable land (Arndt *et al.* 2008; MINAG 2011a), an area comparable to Norway in size. Whilst population is accommodated throughout the country, it is far from overcrowding arable spaces. In fact, population is mainly constituted by smallholders, scattered in communities and localities in the eleven provinces of the country, summing up for 14% of the arable land occupation (MINAG 2011a)¹. In a country of a coastline of Mozambique's dimension and of regions rich in water resources, it becomes an investor's paradise at first glance. It is not by chance that this general picture forms one of the main discourses of the government to attract foreign agro-investments, as interviews

¹ This argument is, however, criticized by civil society and academia, who alerts for the fact that although discourses point out unutilized virgin land, the land is actually traditionally used by the scattered population (Ekman 2012; Interviews Internship 2013).

with entrepreneurs during the months of February to May of 2013 have showed. Not surprisingly recent years trends show a growing number of overall investors flocking from all continents to start the most varied projects in Mozambique. Figure 1, for instance, shows an increase of almost 76% in the number of foreign projects approved from 2008 to 2012 at the Mozambican body of promotion of investments, the CPI (Centre of Investment Promotion).

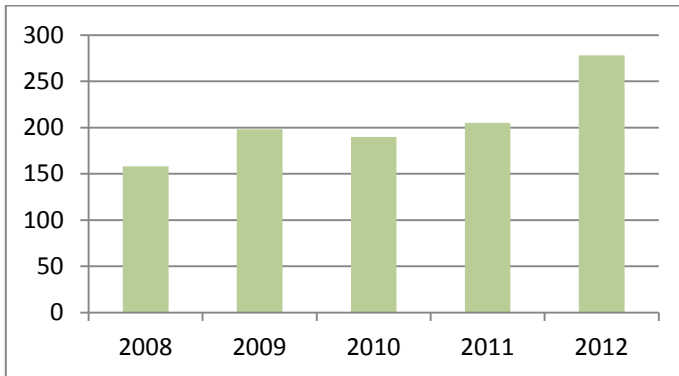


Figure 1: Foreign projects approved by year at the CPI.
 Source: Data collected in February 2013, at CPI.

Despite the fact that the largest investments in terms of capital allocation are currently being made in the oil & gas and mining sectors, a considerable part of foreign attention is still dedicated to agriculture (Figure 2). Agriculture has always been seen as – and will continue to be, according to Mozambican president, Armando Guebuza – a main driver of economy and progress (Domingo Newspaper 2013). In fact, current investments are bringing new hopes of development to a country where poverty is a very pressing issue and where the government uses it as discourse to legitimate the openness towards foreign investors (Salomão and Zoomers 2013). Mozambique, however, seems to find it difficult to translate all the benefits of foreign investments into benefits to society (Castel-Branco 2003; 2006; Hanlon and Smart 2008). According to UNDP’s Human Development Index (HDI)², Mozambique is still worryingly little developed, ranking 185th out of 187 assessed countries in 2013 (UNDP 2013). Despite impressive advances in extreme poverty reduction from 1990 to 2003, Mozambique has come to a halt in recent years, with figures pointing out that thenceforth no significantly relative change was noticed and absolute extreme poverty has actually increased due to population growth (MPD 2010), whilst investments are on the rise on the other hand (See Figure 2, for example, which shows a doubling of the amount invested in dollars from 2008 to 2012, despite the bumpy road). This fact raises questions on whether Mozambique is then missing the opportunities of the current momentum of foreign investments and reinforces Salomão and Zoomer’s (2013, 10) view on a government’s shift from a position of “guardian of citizens rights and interests” to “state-entrepreneur”.

² In a broad sense, HDI evaluates the performance of countries worldwide in terms of improvements in income, health and education conditions.

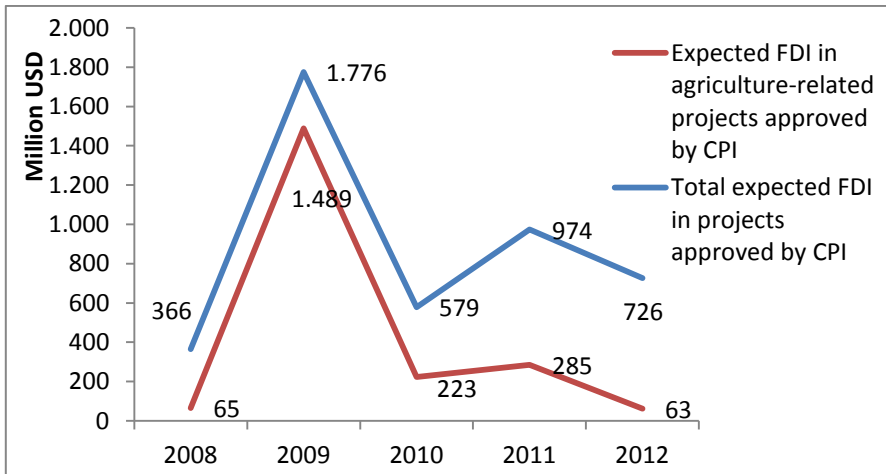


Figure 2: Graphic comparing expected foreign investments.
 In blue, general investments in Mozambique and in red, investments in agriculture and forestry.
 Source: Data collected from CPI, February 2013.

Encapsulating the issues here presented, there might be in course a situation of prioritization of economy over society and environment in one of the most relevant sectors for Mozambique’s economy and society’s wellbeing: agriculture. Since it is also pointed out by academy that main focus countries of, and most vulnerable to, land grab are those, which lack ‘sufficient mechanisms to protect local rights and take account of local interests, livelihoods and welfare’ (Houtart 2010, 17), this research assessed how Mozambican government’s rhetoric, policies, strategies and practices, i.e. governance, may be distorting a good legal framework to detriment of society and environment, and shaping a much more economic biased development. Those concerns are directly related to the current international rush for land, as land is the base for agriculture. This research also concerned the academic gaps mentioned in the beginning of this section, for it connected the drivers with the impacts of the land rush in Mozambique.

1.2. Research question and sub-questions

In order to meet the objectives proposed by this research a set of questions was designed. The leading overarching question is: *How can Mozambique shape a more sustainable development by improving its governance in large-scale farmland investments?*

This question led the research so that it would concern governance and sustainability and correlate both. Throughout this research, by sustainability we should look beyond economic perspectives and also comprise environmental and societal concerns. Governance, in its turn, was considered here as the mechanisms and institutions the government counts on, as well as the rhetoric and practices observed during fieldwork, to promote development through large-scale farmland investments (see next section for theoretical framework and further definitions).

Sub-questions supported the research in answering the above-presented overarching question. Those are:

(1) *What is the current context of large-scale farmland investments in Mozambique?* – this question formed the basis for the research. In order to answer this question, the patterns of investment and local scenario for (farm)land investments were investigated. Also, in a separate section, legal frameworks, policies and strategies for farmland investments were compiled, presented and assessed. In sum, an overview of large-scale farmland investments was unraveled, helping to contextualize the rest of the research and to find out main drivers of the process.

(2) *What are the differences between government's discourse and practices concerning farmland investments and the resulting effects for society and environment?* – this section counted with a few case studies to analyze the extent to which government's practices and discourse differ from legally instituted mechanisms for dealing with farmland investments. In so doing, this question paved the way to assess how national and to a lesser extent local governances swing from theory to practice and how it shapes Mozambique's development, whether in a sustainable character (concerning society, economy and environment) or not.

(3) *How can Mozambique improve its governance concerning large-scale farmland investments and therefore avoid undesirable effects for society and environment?* – this section discussed the results presented in the two previous sections while attempting to correlate examples to a few recommendations in the literature on the topic. It also used examples of projects that trigger pro-communities and pro-environment benefits.

Summarizing, whereas sub-question (1) contextualizes the research, sub-questions (2) and (3) interrelate to present what can be learnt from the current governance of large-scale farmland investments in Mozambique. Sub-question (2) presents how the government shapes its development and assesses whether it is sustainable. Sub-question (3) further discusses the effects of this governance while attempting to recommend how to improve large-scale farmland investments' governance and avoid undesirable aspects of it for society and environment. In so doing, those three questions contributed to answer the leading question of this research.

1.3. Literature review and theoretical framework

As observed so far, the research purpose was to understand the existing relation between Mozambique's large-scale farmland governance and the impacts it generates for society and environment. In order to address this issue, this research drew heavily from two main concepts. The first one was *sustainable development*, a term that has been trivialized, used in many varied ways and situations, and that therefore needed a definition in this research. The second was *governance*, which, being a term that engulfs a complex array of topics, needed to have its usage clarified for this research as well. However, before defining the

uses of both *sustainable development* and *governance*, the outlining of some background literature will enlighten the reasons for choosing a theoretical framework that intertwines both.

Understanding land grab should be the first step in this direction, for it is the very base of this research. By land grab it is generally meant international, large-scale land deals or transactions in the form of leases, purchases or concessions (acquisitions) of land for diverse purposes. This phenomenon of international land acquisition was also named ‘foreignisation of space’, due to its inherent capacity to displace local owners to install international ones, and therewith cause changes in the ownership of land (Zoomers 2010). Notwithstanding, national elites may also take their share in the land grab process and sometimes be the main actors in land grab, thus not necessarily meaning purely *foreignisation* of space (Cotula *et al.* 2009; Fairbairn 2013; Salomão and Zoomers 2013). There are several reasons for this rising interest in land, though. They range from personal purposes, such as the acquisition of land in a paradisiacal country’s remote beach for leisure (van Noorloos 2011; 2013), to general governmental and corporate objectives. Zoomers (2010) observes seven processes leading to land grab while alerting for the fact that addressing only one in specific might not offer the big picture of the process. Following this logic and considering this research’s objectives of addressing Mozambique’s farmland acquisitions, there are some main drivers of land grab that should be presented.

At global level, a first essential driver is the confluence of crises named ‘neoliberal corporate accumulation crisis’, which refers to three interrelating current crises (McMichael 2012, 682). Firstly, due to a recent change in the food regime – i.e. the production, distribution and consumption of agricultural commodities – the world faces a food price crisis. Although the exact reasons for this price crisis is still in debate, it is possible to argue that it is a result of a myriad of interconnected factors such as global depletion of stocks, national export bans in traditional exporting countries such as Argentina, Thailand and Ethiopia and the diversion of food-crops for land speculation as well as biofuel and biomass production (Kaufman 2010; Zoomers 2010; Ekman 2012; McMichael 2012; Schoneveld 2013). In this sense, the rising price of agricultural commodities stems from the global concern on guaranteeing food availability in the light of food distribution uncertainties, and from the increasing interest of land purchase for other reasons than food production. Secondly, dialoguing with the previous crisis, there is the fuel price crisis, which results from a stagnating global supply of fuel commodities, such as oil (Hamilton 2009). The rising price of fuel triggered changes in the energy policies of different regions of the world. The European Union (EU) and the United States (US), for instance, advanced policies and directives incentivizing biofuels use in substitution to non-renewable fuel sources (See Renewable Energy Directive for the EU and Renewable Fuel Standard for the US), spurring worldwide investments in biofuel production for exportation and indirectly

causing a competition with agriculture for land. The third crisis refers to the financial crisis of 2008, which lasts until the present moment. In the light of this crisis, investors suddenly started to see land as a safe investment. Particularly because the global pressure on land rises every year as a result of an unprecedented farmland demand (World Bank 2011; Deininger 2011; Answeeuw *et al.* 2012), cheap land – especially in Africa, but also in other continents – began to receive much attention from international investors, who have purely speculation objectives, sometimes even diverting land from agricultural production (McMichael 2012). In sum, we have three crises that are part of a same dynamics and resulting in the so-called neoliberal accumulation crisis. Schoneveld (2013) goes a step further and suggests that an environmental crisis should be added to the equation, since it triggers policies of environmental character (such as the biofuel ones) with direct effects to land dispute.

A second driver at the global level goes beyond Northern investors' interest in land and its potential products and reaches the Global South. The growing appetite for land overseas of emerging Southern countries, such as the BRICS (Brazil, Russia, India, China and South Africa) and some Gulf States are also an important reason for the global land rush (Schoneveld 2011; Carmody 2013; Margulis & Porter 2013; Schoneveld 2013). Those countries are extending their influence abroad in search of direct control over means of production. They seek land for, amongst other reasons, speculation and agricultural vertical integration – i.e. the production of national supplies of food abroad, avoiding conventional imports. At the extent that they expand their influence abroad, they defy the traditional food regime, adding new variables to it and, therewith, they increase the pressure on global “available” land (McMichael 2012; Schoneveld 2013).

These presented drivers are accompanied of a rising pro-investment rhetoric (Asiedu 2004; Moss *et al.* 2004; Dupasquier and Osakwe 2005; Daniel 2011; McMichael 2012), in particular backed up by countries with insufficient supplies of natural resources, but with sufficient capital to invest in its production and exploration elsewhere. In this sense, the burdens of the land rush also end up falling elsewhere – on developing countries' shoulders – under promises of an investment-driven sustainable development. The situation is exacerbated by the dearth of capacity of developing countries to promote natural resources exploration and agricultural outputs enhancement, which leads several countries to look at the foreign investment offers as a solution able to supply them with the experience and capital they lack (Schoneveld 2013). As a matter of fact, in Africa with its huge amount of allegedly underutilized tracts of land (Steven Chu quoted at ECT 2010; McMichael 2012), there can be found some of the main targets of foreign investments on land (Mullin 2011; German *et al.* 2013), such as Mozambique.

However, regardless of all wishes of host countries and of the pro-investment rhetoric, sustainable development does not come with simple macro-level benefits, such as economy growth, technology transfer and creation of employment. Sustainable

development has a deeper meaning that brings us to our first definition, as promised in the beginning of this section. As an essential milestone of sustainable development, *Our Common Future* (WCED 1987) was published formulating the areas and topics of governmental conduct that should get attention for preventing an early deterioration of life conditions on Earth. A global change in political agendas was needed, as appointed by the same report. This was the first significant step towards an integration of development – thence seen as merely economic growth – and environment and society. It is also from this report that stems the most reproduced definition of sustainable development, i.e. the ‘development that meets the needs of the present without compromising the ability of future generations to meet their own needs’ (WCED 1987, 43). By alerting for the risks of compromising the ability of future generations to meet their own needs, the Brundtland report – as *Our Common Future* is frequently cited – precisely defines *sustainable*, i.e. enduring, that lasts.

With time, contributions were made to the concept and nowadays the integration of (economic) development and society and environment – as once defended by the Brundtland report – are represented by the *three pillars of sustainability*. Recent contributions, however, point out the necessity of an addition of other pillars. One of which is very constructive for this research: institutional pillar, or governance (Waas *et al.* 2011). Schoneveld (2013, 8-9) discusses governance as a thoroughly conceptualized subject, but with hardly any ‘empirically-grounded answers’ for issues encountered in host countries. In this sense, there are a range of topics that demand examination in order to create a complete picture of host countries’ governance abilities and deficiencies. Those include, for instance:

‘legal and policy frameworks, institutional structures, implementation and enforcement, (traditional) hierarchies, local capacities to claim legal rights, patterns of interaction between stakeholders, diversities of interests, and local social, economic, and environmental impacts’. – Schoneveld 2013, 9.

As perceived, countries hosting foreign farmland investments have their own variety of governance subjects, whose regulation effectiveness must be studied. In the contrary, in case of absence of such effective regulation, foreign investments may actually bring negative impacts to the countries’ own sustainable development. A tendency in developing countries – including Mozambique – is of opening their economies to large-scale farmland investments, upon promises of development. Those countries are, nevertheless, mainly considering development as economic growth. Potential benefits for overall sustainable development can be lost in this process, supposing the host countries will not prioritize pro-society and pro-environment (farmland) investments. In the absence of an imposition of strict conditions to a foreign project approval, potential benefits can even be outweighed by negative externalities, turning the project undesirable for the country, in general, but for political elites (Cotula *et al.* 2009, German *et al.* 2013).

Those are, therefore, the definitions this research will use when referring to sustainable development and governance. It will intertwine the four pillars suggested by Waas *et al.* (2011), i.e. economy, society, environment and institutions (governance), whilst focusing rather on the impacts the limitations of the fourth pillar might generate for society and environment. Moreover, it will draw heavily from Schoneveld's (2013) concerns of understanding the overall picture of shortcomings and practices of host countries on farmland investments.

1.4. Methodology of the research

In order to enable a comprehensive conduction of the research, the selected methodology included desk and field research. While desk research was very present throughout the whole time planning (21,5 weeks), field work took place during 12 weeks from the beginning of 2014 to April of the same year. Field research aimed to permit stakeholder interviews, which included, civil society, local academia, affected communities, entrepreneurs and government officials of research relevant departments, such as the Ministry of Agriculture (MINAG), the Ministry for Environmental Coordination (MICOA) the National Directorate of Land and Forests (DNTF) and related bodies. Similarly, desk research aimed to provide the necessary literature for consultation and a proper framing and contextualization of the research. In this sense, the methodology for assessing the characteristics of the context enabling large-scale land acquisition consisted of a content analysis of key policies, governmental strategies and legislation governing land rights, tenure and land acquisition, investment promotion, and environmental protection in Mozambique.

On the other hand, the methodology for assessing the actual practices taking place in Mozambique was based on field investigation and interviews with entrepreneurs, communities and governmental officials. A total of 69 companies and around 20 communities were interviewed. Selection of companies was random, since not always companies were willing to partake in the research project. However, based on a study conducted in 2009 by the Mozambican Institute of Statistics (INE), the sample represents a considerable amount of the existing companies in the country's agribusiness. According to INE (2012), by 2009 there were 321 companies in the agricultural and fishing sectors. Estimating that the number has increased since then, 69 interviewees can still be considered a considerable sample. Selection of communities were conditioned to being involved in one of the interviewed companies' projects.

In addition, an internship at Centro Terra Viva (CTV) – a Mozambican NGO for environmental and land rights advocacy – was carried out, as to help the research with logistical support, knowledge and contacts. Time allocation was divided between field trips and work from the CTV headquarters in Maputo, Mozambique's capital.

Finally, the research tried to make use of both a qualitative and quantitative approach and, inspired in Mozambican definitions (MINAG 2011b), considered large-scale land acquisitions as the tracts of land larger than 100 ha (1km²) acquired (in Mozambique's case, leased) by foreign entrepreneurs and national elites. Data collected in the field (governmental practices) was analyzed in comparison with legal frameworks (what was to be legally expected) in order to answer the research question on whether the development pursued by Mozambique's government is indeed sustainable as defined in the previous section.

1.5. Hypothesis, final considerations and outline of research

Building on the experience acquired during the internship period (from February to May 2013) and on desk research, the original hypothesis was that this research would indeed point out that current governance in Mozambique is shaping an economic development rather than a sustainable one. With the selected case studies, we would then be able to observe if this hypothesis would be confirmed.

Some considerations must be presented before the results, though. There were some limitations in data collection in the field. Internal armed political clashes have burst recently and albeit those clashes are mainly located in the central provinces, they were taken in consideration upon selection of case studies. Another issue was the political unwillingness of sharing data, in particular data the government considers sensitive, such as large-scale farmland acquisitions. Nevertheless, to count with the support of CTV proved to be very helpful to open contact channels within the governmental bodies and civil society representatives.

Finally, having collected the necessary data, the research outline remained as in the proposal. First, a chapter will draw from sub-question (1) to contextualize farmland acquisitions in Mozambique and the general overview of Mozambican agro-investments conditions (legal frameworks shaping investments) and opportunities. Chapter 3 focuses on addressing agro-investments as they are in reality, on field. Study cases thus show some of the gaps between theory and practice. Chapter 4 further discusses the results presented in Chapter 3 and attempts to give recommendations so that undesirable effects of large-scale farmland investments can be avoided, using examples of 'pro-sustainable development'-agricultural projects when possible. Finally, a conclusion summarizes results and recommendations, briefly recapitulating the main points of the research that answer the overarching research question presented in section 2.2.



SECOND PART: Findings and Results

2. Drivers and patterns of investment in Mozambique

The present chapter offers an overview of the different drivers of agricultural investments in Mozambique, starting by a policy analysis of underlying land issues followed by the general official incentives given to investors. Sequentially, investments patterns and the overall investor's perception about the Mozambican agricultural context, constraints and opportunities will be presented.

For the policy analysis, German *et al.*'s (2013) framework will be heavily used, although modified in some aspects to create a flow that better suits this research's purpose. The information used for the policy analysis as well as for the incentives topic was acquired by literature review, field observations and official documents assessment. As for the investment patterns and overall perception topics, data comes from first-hand information collection in the field, from official sources and interviews with investors. A total of 121 companies and 74 members of civil society, institutes, foundations, organizations, foreign representations and Mozambican official bodies were visited – some more than once – and had their opinions heeded in this chapter.

2.1. Drivers of agricultural investments

2.1.1. Policy Analysis

In a recent publication about contemporary processes of land acquisition, German *et al.* (2013) designed a framework for policy analysis and contrasted four African countries using the developed tool. In their framework they selected seven topics for a review, including (1) *provisions to protect customary rights*, (2) *types and duration of land rights afforded to investors*, (3) *government programs and actions for promoting and/or guiding land allocation*, (4) *envisioned process for consulting customary land users about investment and land allocation*, which is further subdivided in three other topics, (5) *impact mitigation requirements*, (6) *monitoring* and (7) *dispute resolution*. In this present research, the policy analysis was inspired in German *et al.*'s framework, but modified in some aspects and accrued of some personally-added topics, which contribute to Mozambique's land allocation policy analysis.

In this research, the topics used to delineate a policy analysis were: (a) Agricultural strategies; (b) Provisions to protect customary rights; (c) Types and duration of land rights; (d) Promotion and guidance of land allocation; (e) Community consultations; (f) Mechanisms for socio-environmental impact mitigation; and (g) Capacity of enforcement.

Therefore, the present framework diverges from German *et al.*'s original one by adding an approach towards agricultural strategies – deemed important to create an understanding of the underlying governmental responses regarding agriculture – and also by adding the *capacity enforcement* category, drawing heavily from the seventh topic of the

original framework. In addition, when addressing *types and duration of land rights*, this research opted for broadening the category to – besides regarding types and duration of land titles afforded to investors – encompass customary aspects of the subject. Moreover, despite simplifying the categorization of topics, most of the original framework is still present in this research. Finally, German *et al.*'s fourth topic was not divided here, but treated as a single comprehensive category.

(a) Agricultural strategies

According to a former director in the Ministry of Agriculture in Mozambique, political strategies for enhancing agriculture output and trigger socio-economic benefits are a crucial aspect of some African governments.

In June 2002 for example, African ministers of agriculture met at FAO's headquarters in Rome for reviewing a document designed to tackle Africa's agriculture difficulties in yielding more outputs and, therefore, to revitalize the sector in the continent. The document thence reviewed was the draft of the *Comprehensive Africa Agriculture Development Programme (CAADP)* of the New Partnership for Africa's Development (NEPAD), whose final version set four main focuses of actions able to make early difference to Africa's agricultural situation: guarantee better land and water management and control systems; improve infrastructure in the whole continent, in particular those regarding market access; tackle the hunger problem and increase food supply; and, finally, enable an environment of technology research, dissemination and adoption. Those are the so-called four pillars of the CAADP (NEPAD 2003).

Besides aiming at curbing the bottlenecks of African agricultural sector productivity, the program also intended to remain open to continued improvement. National interpretations were therefore encouraged as a necessary step in better encompassing the continent's diversity. In this sense, each country would be able to advance its own set of strategies in correspondence with the country's own characteristics, difficulties and advantages. One country in which national strategies actually spawned was the rural Mozambique, where agriculture plays an essential role.

Representing roughly one fourth of the country's GDP and involving an average of two in every three people in the country, agriculture is essential in Mozambique (MINAG 2011; PEDSA 2011; World Bank 2014). Nevertheless, similarly to and worse than several other countries in the region, the country has low agricultural outputs, in particular if compared with high income countries (NEPAD 2003; FAO 2014). In addition, undernourishment reaches 36.8% of the population and absolute numbers keep rising (FAO 2013), being children one of the most affected cohorts (PARPA II 2006). Furthermore, bad infrastructure conditions, in particular those regarding market access for rural products, reduce the possibilities of rural families to market their produce in urban areas and underlie

the necessity of upgrading roads, warehouses and other transport and distribution infrastructure.

Those aspects of Mozambican current rural and agricultural situation stress the national similarities to the picture drawn by the CAADP for African agriculture. This also highlights the fact that most, if not all, of the points presented by CAADP need to be constantly reviewed and subsequently addressed in the country. Not surprisingly therefore, in Mozambique there are some clear references to NEPAD's CAADP in national (agricultural) strategies such as the *Action Plan for Poverty Reduction II* (PARPA II), the latest Five-Year Plan (2010-2014) and the *Strategic Plan for the Development of the Agrarian Sector* (PEDSA). Moreover, Mozambican agricultural strategies are also in consonance with global strategies, such as the Millennium Development Goals (MDG) and other regional strategies like SADC's Regional Agriculture Policy (RAP), both of which also focusing on food security and enhancement of agricultural productivity among other priorities (FARN 2011; 2013; see UN 2013 for a report on the MDG and current progress).

In fact, there are currently seven governmental documents directly aimed to strategies and policies for agriculture and rural areas in Mozambique, and at least another three general strategy documents that underpin agricultural policies within their texts³. All of them find it relevant to mention rural and agricultural development as crucial for the country's overall development, and to promote agricultural productivity and rural development as means of reducing (absolute) poverty. The private sector involvement and investments in rural-urban-connecting and market-linking infrastructures are found essential to the success of the governmental strategies and action plans and, therefore, urged in the official documents (MINAG 2007; 2008a; 2008b; 2011b; República de Moçambique 2006; 2010a; 2010b; 2011).

Of the seven official documents directly concerning agriculture and rural development, one can say there is inevitably overlaps amidst most of them, since they are all products of the Mozambican government – in particular of the Ministry of Agriculture (MINAG). This fact, however, does not mean they are contradictory or mutually excluding (FARN 2011). They in reality reinforce the government's perception of importance towards designate priority areas of intervention. The *Agrarian Policy and Implementation Strategy* (PAEI), for instance, was a policy advanced in 1996 and which textually demonstrated support to the access to land titles one year before the setting of the Land Law, besides supporting the familiar agriculture and drawing attention to food security, development of the private sector, reduction of absolute poverty and development of infrastructures matters

³ The identified documents for agriculture are PAEI, Strategy for the Green Revolution in Mozambique, PAPA, EDR, ESAN II, Multi-sector Action Plan for Reduction of Chronic Malnutrition in Mozambique and PEDSA. And Five-Year Plan, PES and the sequential Action Plans for (Absolute) Poverty Reduction (former PARPA I, PARPA II and current PARP), for general documents that also touch agriculture and rural areas development.

(MINAG 2011b). The program gave then place to PROAGRI, launched in 1998 and with substantial contributions from the former policy. PROAGRI is perceived as a leader policy that led to important institutional changes in the Mozambican agricultural sector. It was mainly designed to reform and modernize the state machinery and to improve coordination of interventions and resource management efficiency (FARN 2011). Drawing from PROAGRI, but adding their own emphasis in regard to priorities and areas of intervention, other general strategies were set. The *Five-Year Plans* and *Action Plans of Poverty Reduction* (PARPA II and PARP) are examples of such. All of them, moreover, having as central argument the need to fight absolute poverty, inclusive (and in particular) through the development of rural areas and of the agricultural sector (República de Moçambique 2006; 2010a; 2011).

In a similar fashion, the *Strategy for Rural Development* (EDR), the *Strategy of Food and Nutritional Security II* (ESAN II) and the *Multi-sector Action Plan for the Reduction of Chronic Malnutrition in Mozambique 2011-2014* approach the challenges to be overcome in order to develop the rural zones and tackle the worrying undernourishment rates problem throughout the country. Yet again, these three strategies and plans of action re-stress the essential role of a strong developed agriculture to achieve the objectives (MINAG 2007; 2011b).

Closing the list of action plans and strategies of the Mozambican government, we have the *Strategy of Green Revolution in Mozambique*, which is referred by most of the other agricultural plans as a means of structurally transforming agriculture of subsistence into a prosperous, competitive and sustainable one, and therefore contributing for GNP growth. The *Action Plan for Food Production 2008-2011* (PAPA) being the instrument to operationalize the Green Revolution in Mozambique has set provincial and district goals for food production, extension services expansion and specific crops formulations for production programs (MINAG 2008).

In sum, it is possible to assert that in Mozambique the government at least observes all the characteristics of the CAADP's four pillars that need to be tackled in order to create a more prosperous, competitive and sustainable agricultural sector in Africa. Agriculture is widely recognized as the base of Mozambique's economy development (CRM 2004; República de Moçambique 2010a; Domingo Newspaper 2013) and, therefore, governmental strategies are a logical approach to start coordinated efforts in tackling the country's agricultural deficits and problems. Finally, as observed, it is not rare to see the private sector being mentioned as a means for achieving goals of the agricultural sector and rural zones development. Strategies for enhancing agricultural productivity alone are, nevertheless, not enough to promote a sustainable development based on equality and protection to people's rights. It is also necessary an enforceable legal framework safeguarding not only new and old investors' rights to land, but also recognizing customary rights in order to concomitantly safeguard people's share in the benefits coming from the

aimed more prosperous agricultural sector. Mozambique's legal framework to protect customary rights to land is, in this sense, a widely recognized well developed framework regarding people's customary and new rights to land.

(b) Provisions to protect customary rights to land

Whilst in some African countries, land legislation has shortcomings and ends up serving to legitimize "the theft of customary lands", few other countries have structured legal frameworks that "act as an obstacle to peasant dispossession". Mozambique is one of those few countries (Fairbairn 2013, 339). Indeed, some of Mozambique's most remarkable laws were made within a framework to protect rural areas from land dispossession. The Land Law of 1997 – drawing from the intentions delineated in the National Land Policy of 1996 – made a huge leap towards safeguarding everyone's rights to land, both customary and requested rights.

The *Lei de Terras* (Land Law in Portuguese) appeared upon the need of organizing the challenges regarding land allocation and clear tenure to Mozambican peasants and international and national investors. The country was, thence, facing changes introduced by the advance of the new political, economic and social conjunctures pushed by the introduction of neoliberalist policies and advanced by international (donors) organizations – led by the World Bank. It intended to coordinate the land acquisition and tenure procedures in order to create incentives to the use and benefit of the land, contributing to the country's development, without disregarding existing land uses (República de Moçambique 1997a).

Maybe the most remarkable and most commonly reproduced line of the law, the general principle of the *Lei de Terras* is presented by the statement that "land is a property of the State" and that "it cannot be sold or by any means alienated or pledged" (República de Moçambique 1997a, Article 3, 2)⁴. It is this very principle that underpins following regulations and shapes the legislation. It is also by this principle that the law establishes the terms in which land rights to use and benefit from the land (DUAT: *Direito de Uso e Aproveitamento da Terra – Right to Use and Profit from the Land*⁵) will be constituted, exercised, modified, transmitted or extinguished. In this sense, although land belongs to the state and cannot be sold, alienated or pledged, the law does not prevent land rights transmissions and actually foresees three methods of transmitting them in a very similar fashion to direct land purchase (Fairbairn 2013), creating a sort of land market (Negrão et al. 2004). This can represent shortcomings or even loopholes in the legislation, inasmuch as breaches can be used to strip people from their rights to opine about land concessions. This topic will, however, be approached through an example in the following chapter (3.3).

⁴ Author's free translation.

⁵ Author's free translation.

Additionally, the law also sets the terms of partial and full protection zones, regarding areas of conservation or nature preservation, as well as State security matters. It also determinates the terms for customary, good faith and formally documented land tenure. Being the milestone of the present land legislation, the Land Law was followed by its regulations (in 1998) and a technical annex (in 2000) in order to respectively coordinate the land tenure procedures, and provide further guidelines to recognition of customary and good faith uses of land (MAP 2000; República de Moçambique 1998). The technical annex also details the guidelines for the necessary phases of land *delimitation* and *demarcation* in the context of DUATs emissions, which are the processes that geographically ensure land rights recognition.

Those are the main legal provisions to protect customary (and other) uses of land. Nonetheless, some other initiatives give further support in this same line. The *Iniciativa para Terras Comunitárias* (iTC), for instance, is a delimitation/demarcation facilitator funded by an amalgam of donors (British Department for International Development – DfID – the Dutch and Danish Embassies and the cooperation agencies from Sweden, Switzerland and Ireland). The project, based in community demand, was set to promote the land tenure security for Mozambican communities and conceived to reduce costs, enhance services and create a competitive market for private sector and NGOs to create opportunities for the development of partnerships between private sector and local communities (KPMG 2010). It involves great part of Mozambique’s provinces, but in the few ones where the initiative has not arrived, other institutions of the civil society carry similar programs, as is the case of *Centro Terra Viva* (CTV) with the project *Pro-Terras Comunitárias* in Inhambane province. Other members of the civil society also work in complement or in cooperation with iTC throughout the country.

(c) Types and duration of land rights

As observed, in Mozambique land belongs to the state. The rights to use and benefit from it, however, can belong to anyone. The legislation divides the proponents for land rights into two different groups: the “national subjects”, including singular, collective or communitarian legal persons, and the “international subjects”, comprising international singular or collective proponents (República de Moçambique 1997a, Article 10 and 11). For those belonging to the international subjects group, other conditions apply prior to have a DUAT conferred. For singular persons, for instance, it is necessary to be living in Mozambique for at least five years, and, in case of collective proponents, the legislation demands the registration as Mozambican branch or to be created as a company in the country.

Despite the different procedures, there is no differentiation of rights regarding the benefits of land tenure. Single persons, private entity or a local community can obtain their right to use and benefit from the land and the result of any of the procedures is identical:

national and international proponents may have access to land provided that they abide to the assigned conditions presented by the existing legal framework.

Three are the different types of land tenure recognition. Rights can be obtained by authorization of request (resulting in a DUAT emission), by former long-term occupation of land or by customary rights recognition, i.e. the Land Law of 1997 provides that a person or community can have land rights formally or non-formally recognized by a DUAT emission, provided that the three following conditions are observed: a) the “occupation according to norms and customary practices do not contradict the constitution”, conferring land rights by customary use of land even if not documented by a DUAT emission; b) the singular national person has used the specific land for at least ten straight years, which enables land rights recognition to national singular persons for their former long occupation of the land in a good-faith term; c) or if an authorization of a request was presented in accordance to the guidelines specified by law, i.e. by application and emission of a DUAT title (República de Moçambique 1997a, Article 12).

Following this logic, although foreigners can only obtain land rights through the formal procedure of a DUAT emission, communities and singular national persons can either formalize their right to land through the emission of DUATs or simply rely on their customary/good faith land use. In case of disputes, despite the DUAT being a sure proof of one’s land rights, the land user can alternatively appeal to local communities’ testimony of its customary or good faith use – as described by the same Land Law of 1997. This is also a reason for which the legislation demands community consultations to be held. Official technical say also serves as means of proof to land rights recognition, although its procedure and meaning are not further elaborated by the Land Law or subsequent legislation.

Regarding DUATs titles, there are two types of legal status implying different terms for its duration. A provisional DUAT is the first step in acquiring formally documented land rights. It lasts no more than two years for international applicants and five for Mozambican applicants. After actual use of land is verified by the competent bodies, a definitive DUAT is issued. The holder of such a DUAT has land access granted for 50 renewable years. In both cases, if applicants do not accomplish the development plan presented in the (investment) proposal, the government reserves the right to revoke any emitted right to use land and benefit from it. Conversely, land occupied by communities, land used for inhabitation and land used by nationals for familiar activities are not subject of deadlines (República de Moçambique 1997a).

(d) Promotion and guidance of land allocation

In their framework, German *et al.* (2013, 4) explain *promotion and guidance of land allocation* as governmental “initiatives for identifying suitable and/or available land for

particular types of uses; mechanisms for identifying land available for large-scale investments” heeding customary areas; and also “sector-specific initiatives for promoting land-based investment”. By these definitions, Mozambique is fairly equipped to help international (and national) investors in their land allocation decisions/procedures, although the government is not always able to heed customary areas delimitations with existing tools, such as low definition maps (Sitoe 2009) and inaccurate measuring equipment. Nevertheless, a set of institutions and on-going programs and initiatives are at place to constitute an informative governmental database to apprise of, support and promote land allocation, despite the current existing complications and flaws in the system.

As for institutions to promote investments, the *Centre for Promotion of Agriculture* (CEPAGRI) and the *Centre for Investment Promotion* (CPI) are the main governmental ones. While CPI is a necessary registering stopping point for all foreign investors and for national ones who wish to export capital, CEPAGRI was on the other hand instituted to be an agriculture promotion agency for investors. It is, therefore, not an obligatory step in agricultural investments, but is surely a helpful institution, which can also endorse fiscal benefits for the potential projects.

Created in 2006, CEPAGRI has since then supported the promotion of agriculture in Mozambique by assessing agricultural projects proposals and guiding the respective investors. According to an interview held in February of 2013 in the office of the institution in Maputo, CEPAGRI is an intermediary in the process of agricultural investments proposals – which facilitates and sometimes is the only path for an investor to have the project accepted for a land lease. Additionally, the institute is the CPI’s arm in agriculture and also serves as a connection between the projects and other governmental sectors.

The process of acquiring land for investments in Mozambique is essentially multi-phased and can be complicated without technical support. It involves several departments, agencies and levels of the government (as can be seen in Figure 3 below), such as MINAG, MINAG’s Land and Forest directorate – *DNTF* –, provincial and local governments, provincial directorates of agriculture – PDAs – and the Economic and Ministers Council. CPI and CEPAGRI are, therefore, respectively an essential and a supportive institution in the process.



Mozambique: Project Application and Land Acquisition Processes

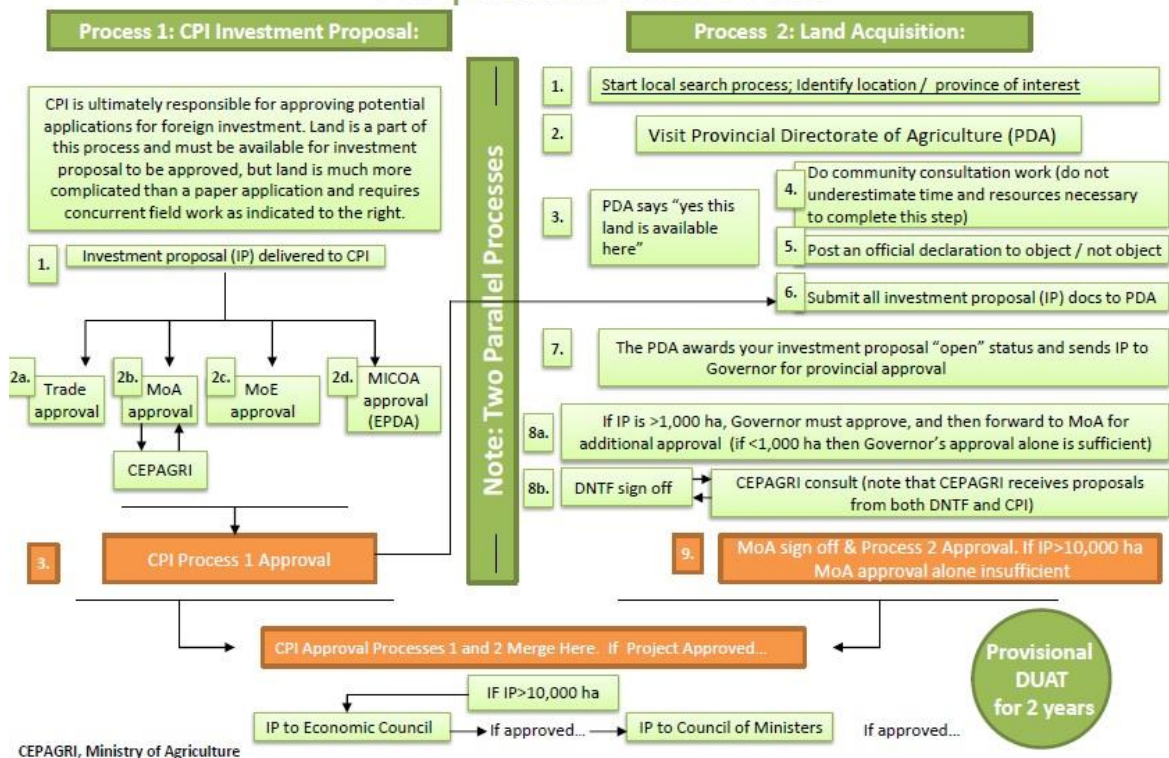


Figure 3: Project and Land application processes.
 The figure depicts the concomitant project application and land acquisition processes in Mozambique.
 Source: CEPAGRI, February 2013.

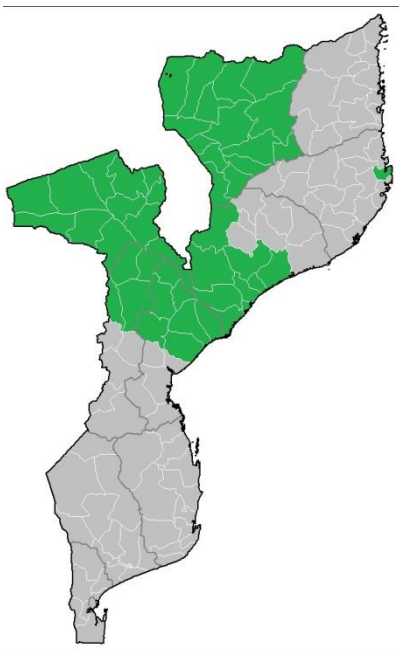
The several administrative political unities involved in the process are meant to signalize available land in the province and to help investors decide on areas for the investment. It is a whole – normally long – process that involves locally attributed authorities and all levels of government – depending on the scale of the investment i.e. central, provincial and local governments need to heed customary users of land, often represented by community leaders. Additionally, District Services of Economic Activities (SDAE) and Provincial Services of Geography and Registering (SPGC) support investors seeking land by providing services for the first steps of land acquisition, organizing community information and consultations and presenting technical maps of land cover. Eventually, PDAs, MINAG and the Ministers Council decide on land allocation, according to the table below.

Range of land area	Final decision attributed to:
<1 000 ha	Provincial Directorates of Agriculture
More than 1 000ha, but less than 10 000	Ministry of Agriculture
>10 000ha	Ministers Council

Table 1: Land allocation responsibility by level of government.
 The table attributes final land decisions to different governmental levels, according to the size of the requested land.

As for technical support and upfront information on land use and soil suitability, DNTF's CENACARTA offers a wide range of Mozambican maps, including but not limiting itself to, maps on land use and land cover from 1997 up to a 1:250,000 scale. It also employs satellite-based maps upon request. In addition, the *Institute of Agrarian Investigation of Mozambique* (IIAM in Portuguese) has a directorate currently working on updating and up-scaling maps of crop suitability. The *Directorate of Agronomy and Natural Resources* (DARN in Portuguese) concluded the first zoning exercise of scale 1:1,000,000 in 2008 and had the goal of finalizing the scale 1:250,000 in 2012 (German *et al.* 2013). By January 2014, however, works were still in progress and previsions had been postponed to February/March of the same year. DARN also offers maps of the ten agro-ecological zones of the country.

Additionally, Mozambique has developed schemes to attract investments to special designated zones of excellent land for agriculture. Through the Code of Fiscal Benefits (República de Moçambique 2009), the government granted the status of Rapid Development Zones (RDZs) to the Zambeze Valley (which includes Tete Province and districts of other three provinces), the Province of Niassa, the district of Nacala and the Islands of Ibo and of Mozambique. This measure gave special incentives for agro-industrial economic activities to 50 of the thence 128 districts⁶ of the country until 2015 (Map 2). Besides the RDZs, there are three defined agricultural corridors. Limpopo, Beira and Nacala Corridors are zones of prime agricultural land linked to the well connected ports of Maputo, Beira and Nacala, respectively.



Map 2: Rapid Development Zones.

Marked in green, it is possible to observe the districts designated as Rapid Development Zones (RDZ). They fully comprise the Provinces of Niassa and Tete and some of the districts of Zambézia, Sofala and Manica. The islands of Ibo (in Cabo Delgado) and of Mozambique (in Nampula) make part of the RDZ as well.

Source: Author's map out of information from the Fiscal Benefits Code of 2009

⁶ Changes in the districts configurations in December 2013 (República de Moçambique 2013), including creation of new districts, raised the number of total districts. There is, so far, no official reference to modification of the RDZs area as a result of the recent changes. Hence the option of maintaining the old quantity of districts to refer to RDZs.

Institutes for crop-specific orientation and coordination are also part of MINAG's frames. They promote investments and organize the annual campaigns of production, coordinating investors with smallholder producers. In this sense, a visit to one of the institutes shows itself very useful for an investor planning to start a project relating to those crops that count with a crop-specific institutional support, such as cotton, cashew and cereals.

Finally, according to an interview held in the Dutch Embassy in Maputo, the Millennium Challenge Corporation (MCC) with support of the Dutch and Swedish embassies is working in cooperation with DNTF for the implementation of the *Land Information Management System* (LIMS). Once concluded, LIMS will enable the online publication of a database of land awarded in Mozambique. So far, the provinces hold the information on land more in more organized manner than the central level in Maputo. There will be, therefore, a migration of the hardcopy documentation of land leases from the provinces to LIMS, which will then hold the information in electronic versions. By December 2013, the Central and Southern provinces of Mozambique had already finalized their adjustments to the design and testing phases of the LIMS database. The stage of migration of data is currently in progress and difficulties now are of shifting public sector habits of using paper to use of electronic versions of the same land data collected. Furthermore, however promising the system appears to be, it is not certain to which extent the government will disclose information at LIMS. It is at government discretion to decide the content of the information to be published and there is a dearth of coordination at DNTF or the central level, in particular communication regarding data available at provincial level. Information, if existent, is not organized and upon request, discourses are often of sensitivity of the matter. Besides, it is expected that the whole process of transmission of data and launching of the complete system will not be ready before 2016.

(e) Community consultations

According to the Land Law, the process of emission of land titles in Mozambique must include the opinion statement of local official authorities, preceded of community consultations, so that there can be a proof that the land requested is indeed free of occupants (República de Moçambique 1997a). As virtually all land tracts in Mozambique are subject of use of any given community and might as well be in the process of being explored by that community, all new applicants for land titles must go through the process of verifying the absence of occupants for the desired piece of land. This process is incorporated by the community consultations.

In this sense, as pointed out by Tanner (2011, 86) "(...)land inside a delimited community... is available to investors and other from outside the community, subject to a community consultation being carried out and the District Administrator then determining whether or not the land requested should go ahead". But not only land within delimited community areas is subject of such consultations. Because only a few communities have

their land delimited and demarked – i.e. have their land right officially expressed by the emission of a DUAT – the legislation was well structured to heed customary occupations of land, as seen in previous topics. For making up for the lack of official proofs of land use, one legal provision was advanced (the Decree n. 43/2010 in dialogue with the Ministerial Diploma n. 158/2010 of 20th October and of 15th June) to amend the article 27 of the Land Law and establish two phases of community consultations for any case of investments comprising larger areas than 100 ha – which are considered large-scale investments by Mozambican standards, according to the PEDSA (República de Moçambique 2010c; MINAG 2011b).

The first consultation happens after the topographic demarcation of the area. This first consultation consists of a public meeting aiming to inform the local community about the DUAT request and the delimitation of the requested area. The second consultation should take place no longer than 30 days after the first and has as objective to hear the answer of the local community about the availability of the area for the proposed investment. The result is signed down by the members of the consultation board of the community, who also declare the advantages and disadvantages of the project's authorization (República de Moçambique 2010c). However, it is not clear if the community eventually holds a copy of the signed minutes and the terms of the agreement between the community and the investment.

The responsibility to realize the process of public consultation in conformity with the existing norms falls on the proponent (e.g. investor). DNAIA and DPCA (National Directorate of Environmental Impacts Assessment and Provincial Directorate for the Coordination of Environmental Affairs, respectively) must guarantee that the public consultations are realized by the proponents of the project and divulged 15 days prior to its realization. Public participation is obligatory for activities considered of categories of higher environmental impact potential, or any other activity that will necessarily result on resettlements and/or on loss of properties or restrictions for the common use of natural resources. Every interested or affected party has the right to be present in the consultations (República de Moçambique 2004). Notwithstanding, there is no legal provision for the participation of *all affected individuals* (Kaarhus and Martins 2012; German *et al.* 2013), exemplified by the fact that community leaders will probably have their opinion heeded, but seldom all members of the community will have the same opportunity. If the subject is of great importance and dimensions, a committee of each community's sub-region can also be present in the consultations.

There are also efforts coming from the civil society to promote legal literacy prior to projects implementation (German *et al.* 2013). The few efforts can be illustrated by the already mentioned (2.1.1b) initiatives for land demarcation and delimitation of iTC and other members of civil society and by the training of paralegals that inform communities about existing legislation. In fact, Hanlon (2011, 21) summarizes a widespread perception

when he writes that “many studies and reports show that consultations are done badly, in the most cursory way (...) and do not take communities seriously”, as we will approach in the following chapter.

(f) Socio-environmental impact mitigation

Mozambique has a strong recognized legislation conditioning to the emission of an environmental license any other licenses for a project to operate (República de Moçambique 1997a; 1997b). In other words, provided that the nature of the project demands the emission of an environmental license, no project should in theory start activities otherwise. The Environmental Law and the document with the regulations for the process of an Environmental Impact Assessment (EIA) well convey these legal obligations and further establish the conditions and guidelines for an environmental and social impacts assessment, which come conjugated and, for the projects of potential large impacts, in two complementary documents.

Under the umbrella of the Environmental Law, the regulations for the EIA process include the instructions for the realization of impact assessments (República de Moçambique 2004). The document of 2004 also instructs on the four potential official documents to be submitted for approval of the central and local levels of environmental authorities. It further divides (investment) activities into three categories, implying different scales of socio-environmental impacts and thus differently dialoguing with the four potential documents presented in Table 2 below.

Type of document	Categories demanding document	Description of document
Terms of Reference	Categories A and B	Guiding document preceding the elaboration of EIA and SES
Environmental Study of Pre-viability (ESPV)	Category A	Determinates the scope of the EIA and defines the most relevant aspects concerning the implementation of the activity
Environmental Impact Assessment (EIA)	Category A	Result of a more elaborated study of the aspects and impacts of the activity’s implementation
Simplified Environmental Study (SES)	Category B	Document envisioned for determining the environmental impacts of less intensive activities.

Table 2: Components of an environmental license process in Mozambique.
The categories of environmental impact relevance imply the submission of different documents for the conclusion of the process of realization of the Environmental Impact Assessment.

As noticeable, only activities of category C do not demand the submission of documents for the approval of their socio-environmental components of the project. According to the regulations, category C activities only need to observe the norms and directives of a “good environmental management”, since their impacts are supposedly less significant (República de Moçambique 2004, Art. 3c).

Additionally, for beyond the governmental responsibility over the protection of the Mozambican social and environmental milieu, the legislation also shares the responsibility with the general population and the project applicants. Environmental audits, for instance, are also suggested by the Environmental Law, which sets all the costs of potential environmental reparation to the entrepreneurs, and the same law gives the public – or anybody that fears their environmental rights are being disrespected – the provision of declaring an embargo to the activities – although the legislation do not elaborate on the manner to do so. Public consultations are also expected to happen for cases of projects necessarily leading to displacement and resettlement of populations or their properties, as well as for the cases in which restrictions to the access to natural resources will be hampered (República de Moçambique 2004).

Finally, as food for thought, the establishment of the environmental license as a preceding license for the approval of any other activity-related license sparked discussions amongst the Mozambican civil society in what concern the emission of DUATs. It is not clear if the DUAT is considered a license and, therefore, whether or not its emission is conditioned to the emission of the environmental license. By beginning of 2014, civil society was still waiting for a governmental pronouncement on the matter, since it can be of significant implications for investors seeking land rights in the country and, in particular, for populations that will need to be resettled as part of an investment development plan.

(g) Capacity of enforcement

As reproduced many times, the Mozambican legislation concerning land and environmental rights and duties is very well structured. Indeed, it was so carefully tailor-made that observers throughout diverse categories of Mozambican society – including former governmental staff – independently note that its enforcement is more often idealized than feasible. Several challenges to law enforcement persist, despite existing provisions for the legal “settlement of conflicts” and controversies “in Mozambican courts” (República de Moçambique 1997a, Art. 32) and embargos for environmentally harming (commercial) activities (República de Moçambique 1997b).

A study carried out by the Center for Legal and Judiciary Training (CFJJ) with 165 land conflict cases found that the judiciary is not playing a significant role in the solution of conflict between communities and investors (Norfolk 2009), a gloomy performance for a country with a legislation so intimately linked with people’s right to land. Moreover, as

pointed out by Manuel and Salomão (2009, 17), communities that fear their rights are being disrespected should also be able to “make their grievances known to the state authorities” and that the “consultative councils created within the decentralization framework should provide opportunities for communities to voice their concerns”. The actual situation observed, however, is that processes drag for years straight without any sort of settlement for disputes and that very few people are actually aware of their rights and the legal provisions defending them (Norfolk 2009). That happens, amongst other reasons, due to lack of enough structure, staff and communication methods resulting from limited budgets and few satellite offices to monitor less high-profile projects, and enforce the law in locations far from the central hubs of activities (German *et al.* 2013). The situation reinforces local abuses of knowledge concentration and perpetuates illegal or unfair land tenure exchanges.

From an environmental perspective, personal field observations allow the assertion that several, if not most, of the investment activities start before an environmental license is emitted. Despite being officially the first license to be acquired in any investment proposal, the current observed situation is apparently accepted and actually assumed as a palliative measure for the lack of staff and credentialed consultants able to carry out all the EIAs evaluations within the deadlines proposed by law (as will be further addressed in the next Chapter).

2.1.2. Incentives

Besides the existing initiatives to promote, guide and regulate the establishment of a national and international private sector in Mozambique’s agricultural sector – expressed by the institutions, policies and legislations on land tenure and environmental procedures – the government also puts forward a series of tax benefits, encoded by the Code of Fiscal Benefits.

As a revision of the code of 2002, the 2009 version divides investment projects in three categories, namely general projects, projects in zones of rapid development and large-scale projects. The tax incentives vary according to the category in which the project falls and mainly concern import- and tax on general income incentives. Whilst large-scale projects receive more incentives than others, it is also notable that the incentives vary according to the aimed province for the investment. A clear preference is given to the Zones of Rapid Development (see Map 2 in 2.1.1.b) and less connected and developed provinces such as Niassa and Tete, as a means to attract investments to areas other than the most sought ones, such the Southern provinces.

As can be observed in the following table, the tax incentives also concern introduction of new technologies, reductions on the tax on profits and complementary

benefits, relating to investments done in infrastructure and in training of Mozambican labor force.

Last Review: Law n4 2009

		General Projects	Zones of Rapid Development*1	Large-scale Projects*2
Export/Import incentives	Exemption/Reduction on export duties	-	-	-
	Exemption/Reduction on import duties	Exemption for equipments under class K of Pauta Aduaneira	Exemption for equipments under class K of Pauta Aduaneira	Exemption for construction materials, machinery, equipments, accessories, spare parts and other good destined to the activity prosecution
Tax incentives on General Income Tax	Exemption/Reduction on invested amount (during first five fiscal years since beginning of project)	5% reduction of the invested amount, for Maputo City and 10% to 15% for other provinces	20% reduction of the invested amount	5-30% reduction of the invested amount, depending on the Province
	Exemption/Reduction on taxes on profits	Until 31-Dec-2015: 80% reduction on taxes; From 2016 until 2025: 50% reduction on taxes	-	-
	Introduction of new technologies	-	-	10% of invested amount (during the first five fiscal years)
	Complementary Benefits - professional qualification of national labor (during first five fiscal years since beginning of project)	5-10% reduction of invested amount on professional qualification (equipments are not considered)	5-10% reduction of invested amount on professional qualification (equipments are not considered)	5-10% reduction of invested amount on professional qualification (equipments are not considered)
	Complementary Benefits - investments on public infrastructure (during first five fiscal years since beginning of project)	110-120% reduction of invested amount on public infrastructure	110-120% reduction of invested amount on public infrastructure	110-120% reduction of invested amount on public infrastructure
*1 Investments undertaken in one of the specified areas (Zambeze Valley, Niassa Province, Nacala District, Mozambique and Ibo Islands) and until 31-December-2015				
*2 Investments exceeding 12,5 million Meticaís (421 thousand USD)				
In blue: specific benefits for agriculture				

Table 3: Fiscal Benefits

Table of fiscal benefits divided into three categories of projects.

Source: Author's interpretation of the Code of Fiscal Benefits (República de Moçambique 2009)

As noted, of all incentives there is only one specific benefit aimed to investments in agriculture – marked in blue, namely 80% reduction of taxes on profits for projects starting before 2016 and 50% afterwards until 2025.

In addition to fiscal benefits, another incentive to investments – and particularly for agriculture – is the latest salary adjustments. Despite the increase of 8,7% in the salary of agriculture-related jobs, the sector still presents the lowest category of wages. The minimum wage of 2500 Meticaís⁷ (approximately USD 83) was deliberately set below national averages aiming to promote employment in the field, according to independent observers. In other words, the lower salary in agriculture is meant as an incentive to agricultural investments.

⁷ Information can be checked at: <http://www.meusalario.org/mocambique/main/salario/salario-minimo>

Finally, the annual rates for land taxes are yet another incentive. In accordance to information collected in CEPAGRI in February 2013, the following table illustrates the incentives in form of symbolic cheap land taxes.

Fee	Amount in Meticaais	Amount in USD⁸
Provisional land lease	MZM 1500	USD 50
Permanent land lease	MZM 750	USD 25
Annual fee	MZM 75,00	USD 2,5
Annual fee per activity (per hectare)		
Cattle farming	MZM 5/ha	USD 0,16/ha
Wildlife restocking	MZM 5/ha	USD 0,16/ha
Permanent crops	MZM 5/ha	USD 0,16/ha
Agriculture	MZM 37,50/ha	USD 1,25/ha
Other activities	MZM 30/ha	USD 1/ha

Table 4: Land use and activities fees

Table of fees to investments that require the use of land in Mozambique.

Source: Information collected in CEPAGRI Maputo, February 2013.

2.2. Patterns of investments in Mozambique's agricultural sector

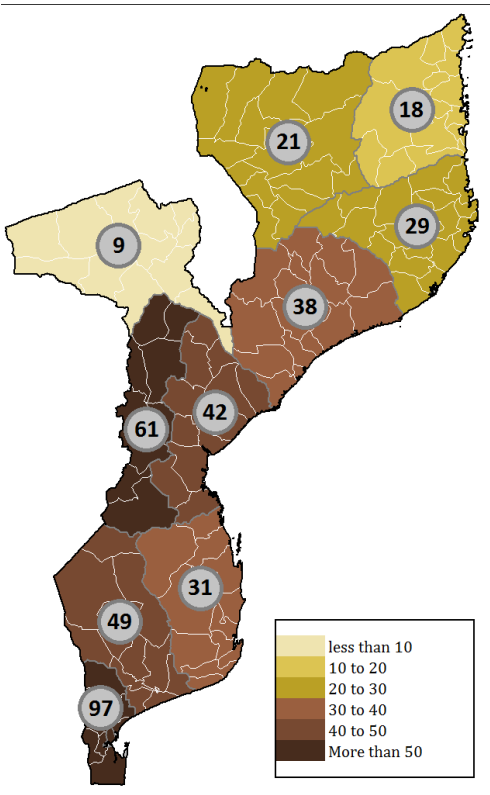
Having going through the underlying policies, strategies, regulations, legislations and incentives to promote and guide investments in Mozambique, we can now have a look into the patterns of investments that spawned and that form the recent context of Mozambican agribusiness. First, a general glance of investments will be presented, followed by the information acquired with the sample of 69 investment questionnaires undertaken during the period of research.

In Mozambique, main food crops are cassava, sweet potato, maize, rice, sorghum, millet and pulses. Main cash crops are cotton and tobacco. Other produces such as banana, cashew, coconut, citrus, mango, sugarcane and sesame are also grown and constitute important products of Mozambique's economy, as well as livestock such as cattle, goats and poultry (INE, 2008; MINAG, 2011). In order to grow the aforementioned, Mozambique counts with about 36 million hectares (ha) of arable land, of which less than 14% is currently cultivated, mainly by smallholders. Those figures are generally used by the government to stimulate the investment in agriculture in the country by transmitting an image of a vast countryside with plenty of available land for any agribusiness project.

Without overlooking the potential land disputes for quality land between private sector and family sector in Mozambique, there is indeed to some extent available land for new agribusiness projects. The availability of land, nevertheless, is limited by crop constraints, as for example soil suitability and rainfall variability; conflict with forest areas; and the aforementioned smallholders/family occupation of land.

⁸ Exchange rates considering 30 Meticaais (MZM) for each dollar (USD).

In spite of the constraints, CPI, DNTF and CEPAGRI receive every year several project proposals for assessment and potential approval. The following map was created with inputs from CEPAGRI and CPI, concerning investment *proposals* for agricultural and forestry sectors from 2000 until 2012. In other words, the map shows *intentions* of investments and not actual investments. It is worth noticing that the reality in the field, i.e. in each and every district and province, is different from the overall perception in the central level. It is fairly widespread the knowledge that there is a lack of functional and fast communication between the central and provincial levels and, therefore, the best institutes to offer accurate land investments information are located in provincial level and not in the capital. Hence, the list of investments that originated the following map is not complete nor is reliable to its full extent in what concerns actual investments coming out of the paper, but it surely gives a good general overview of the patterns of investments distribution in the country – or at least of investment intentions.



Map 3: Distribution of investments.
Distribution of agriculture and forestry-related investments by province from 2000 to 2012.
Source: Author’s map from information collected in CPI and CEPAGRI in Maputo, February 2013 and November 2013.

In the map above, the discrepancy between the Northern provinces and the more central and southern ones is clearly visible. Most of the projects are aimed to Maputo, Gaza, Inhambane, Manica, Sofala and Zambezia, where quality land adds to water availability to create a mostly attractive environment for the investments. However, one could say that the main aspect of the current pattern of distribution lays on good infrastructure conditions connecting producer to inputs and markets and linking regions to main ports in

Mozambique. Provinces with clear deficiency of road connection, irrigation systems and inputs availability, as Tete, Niassa and Cabo Delgado are naturally marginalized. Not surprisingly, the Rapid Development Zones concern most of those less connected and attractive provinces, as an attempt to bring more investments to those regions. As for Nampula – a well connected province with quality land and water resources – the reasons for it being less aimed by investments might lie in the high demographic density. This fact makes it extremely complicated to find unused quality land in the province.

The group of applicant investors was also heterogeneous if divided by origin of investments. The following chart, concerning the same input from CEPAGRI and CPI and showing the distribution by origin of investment proposals, clearly point out the predominance of African investors in Mozambique – most notably from South Africa, Zimbabwe, Mozambique and Mauritius.

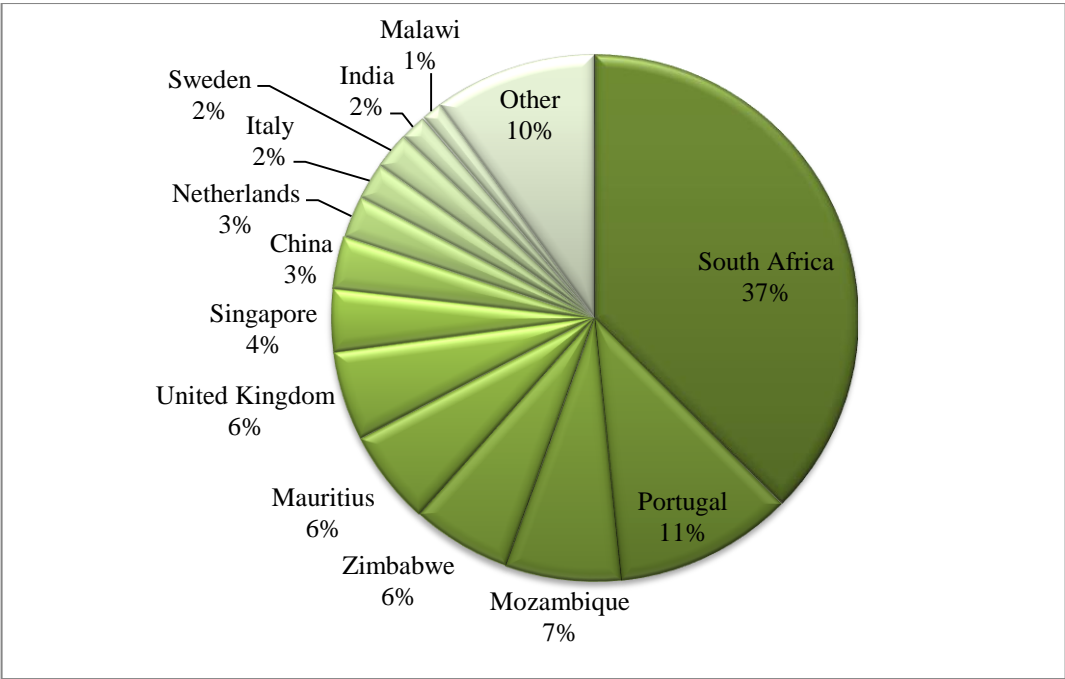


Figure 4: Distribution of proposed investments by origin
 Chart showing the distribution by origin of investors.
 Source: CPI and CEPAGRI in Maputo, February 2013 and November 2013, respectively.

Although the lists given by CEPAGRI and CPI fail to identify almost one fourth of the investor’s origins, and despite the fact that Mauritius position amongst the leading investors is mainly due to a legal loophole in the taxing system, which enables loans free of taxes to subsidiaries in Mozambique, it is still to be considered the weight of the African countries in Mozambique’s agriculture and forestry. In addition, the second position of the Portuguese amidst the investors may suggest a correlation between experience in Africa (in particular in Mozambique) and intentions of investment in the country. The long historical presence of Portugal in Mozambique’s agriculture and the inherent experience of African countries in investing in African agriculture may be the bridge that links those investors to

Mozambique. Furthermore, historical events in Zimbabwe – Mugabe’s land reforms – and intense land competition for commercial reasons in South Africa may suggest yet other drivers for investors of those two nationalities.

The information collected through questionnaires during this research show similar trends. The following tables will show the main characteristics of the interviewed sample of investments.

Origin of investments	Number of projects
Fully foreign	36
Fully Mozambican	16
With Mozambican participation	17
Total	69

Table 5: Origin of investments
 Division of investment projects by its origin indicate that most projects are fully international ones, followed by international projects with Mozambican shareholders and finally by fully Mozambican investments.
 Source: Interviews February to April 2014.

Although the patterns of leading investors change if compared with Figure 4, the results acquired through this research’s sample also show that main investments originate from Africa. The figure below demonstrates that the three main nationalities of interviewed investments account for more than 56% of the projects and are all located in Southern Africa (Mozambique, South Africa and Zimbabwe). A drastic change appears for Portugal, which is pointed out by CPI as one of the main proponents of investments in Mozambique, but only appeared with 1,45% of the share of interviewed investments. In addition, there is also a considerable participation of European investments in the share.

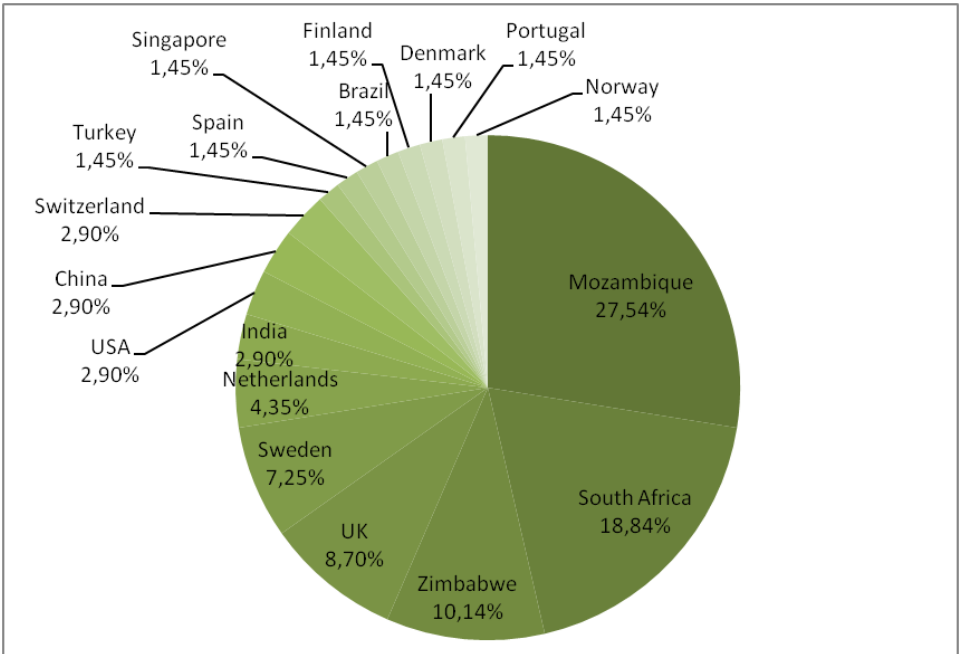


Figure 5: Distribution of interviewed investments by origin.
 Source: Questionnaires, Jan-Apr 2014

The interviewed investments are mainly grouped in the agricultural sector, but there are also a couple of forestry-related and agro-industrial businesses as well, which respectively, develop eucalyptus and pine plantations and only process agricultural products. The considered investments declared to have direct access to a total of 529,986 ha, although the few forestry businesses account for roughly 35% of the declared direct access to land (Table 6). It is worth mentioning that several investments, in particular of the forestry sector, are not fully using all the land to which they have access. As Table 7 shows, 20 projects considered themselves as still starting up, fact that can contribute to the limited use of the land.

Sector of the project	Number of projects	Declared direct access to land (ha)
Agriculture and Livestock	58	304,190
Forestry	7	185,796
Agro-industry	4	40,000
Total	69	529,986
Total without forestry	62	344,190

Table 6: Projects and hectares by sector.

The table shows the division of projects by sector of activity (agriculture & livestock, forestry and agro-industry) and assigns the total amount of declared hectares of land access by sector.

Source: Questionnaires, Jan-Apr 2014.

Not all investments fully disclosed information during the questionnaires. Some topics were considered confidential and, in other occasions, a few interviewees were not able to precise data nor answer all the questions. The following table, show compiled overall characteristics with disclosed and alleged features of the investments.

Declared investment	Declared point of situation (number of projects)				Processing (projects)		
	Starting up	Fully active	Halted	Closing	Yes	No	Planned
Total (USD)	20	43	3	3	43	18	8
Declared Employment (number of people)		Market orientation (%)					
Permanent	Seasonal	Domestic	Regional	International			
7719	18812	73,4	13,1	13,5			

Table 7: Investment characteristics.

The table shows the declared information about total amount invested in USD; about the self-declared point of situation; whether investments include processing or not; how many permanent and seasonal employment was generated; and the market orientation of final products.

Source: Questionnaires, Jan-Apr 2014.

As noticed, disclosed investments almost reach half a billion dollars, but only 48 companies estimated an amount of already invested dollars and always only considering a few years back in time. At the same time, 20 companies of the total 69 are still considering themselves in a phase of maturation. This indicates that there are surely more investments in the pipeline and that much more capital than the estimated has been invested.

As for other characteristics, most of the interviewed investments have or plan to have some sort of processing as part of their value chain, which can include *inter alia* packaging, ginning, dehusking, cleaning, milling and sawing. Only 18 companies showed no interest in having a processing activity in the near future. Additionally, the main destination of their (processed or not) products is Mozambican internal market. Almost three quarters of the production (73,4%) remains in the country, whilst the resting percentage goes to regional and other international markets in a balanced division (13,1% and 13,5% respectively).

In what concerns employment, investments also generate a great amount of jobs, permanent and seasonal alike. Mainly because of the forestry sector, the average of employment generated is of 111 permanent and 272 seasonal workers per investment. Those calculations do not include outgrower farmers. In other words, the reach of investments extends to more than 25,000 workers plus the outgrower farmers and their families, which sell produces to some of the interviewed businesses. Although investments could not precise the amount of outgrowers with which they work, there are case of investments (two investments alone) working with at least 108,000 smallholder producers in the north of Mozambique. This means those 69 investments are directly influencing more than thousands of livelihoods in the country, whether by permanent jobs or by other forms of integration of smallholders in the value chain.

Indeed, *outgrower schemes* – in which the relation buyer-seller create a secured market for the smallholders – is a type of access to produces very used in Mozambique, although oftentimes combined with *plantation* models. Chosen business models are, therefore, also very heterogeneous, with plantations being the most present type of model and a mix of plantation and outgrower schemes coming in second place as interviewed investors’ preference. Other types of production and access to produces present in the sample were purely outgrower schemes, cooperatives (and associations)⁹, marketing of produces, tenant farming, livestock creation and purely processing facilities (Table 8).

Business model	Number of projects
Plantation	38
Hybrid (Plantation and Outgrower schemes)	17
Purely outgrower schemes	5
Cooperative/association/marketing	4
Purely processing	3
Tenant farming	1
Livestock only	1

Table 8: Projects by type of business model

Source: Questionnaires, Jan-Apr 2014.

⁹ The difference between cooperative and association in Mozambique lies on whether the group of smallholders gathers for commercial and production resources-sharing purposes – cooperative – or not necessarily for an economic purpose – association. Cooperatives are also subject of taxation, whilst associations are not.

Main crops produced or sourced by those investors were maize and soya. However, there are also small clusters of large-scale banana, cotton and sugarcane producers. Other very present crops in the sample were rice, potatoes, beans, sesame, cassava and tomatoes, particularly amongst those investors working with outgrowers. There is a growing litchi and macadamia sector as well, in particular in Manica and Zambezia provinces. Finally, livestock creation (cattle, goats and poultry) is very common as secondary or tertiary activities, especially for smaller-scale producers and family sector.

In what concerns drivers for investments, Van Westen et al. (2013) had already noticed from a small Dutch sample that investors often carried reasons of personal character for starting a project in Mozambique’s agriculture. Interviews held with 53 international investments in Mozambique reaffirm Van Westen et al.’s perception (Table 9). Although great part of interviewed companies were established in Mozambique with purely business-oriented goals – exemplified by international investment funds, international holdings and expansion of regional and international companies – roughly one third of the instances concern people investing in Mozambique for a diverse array of personal reasons. Examples include friends living in the country and incentivizing the investment in Mozambique – even without previous experience in agribusiness – or people accompanying their spouses, who were sent to work in the country and even because the investor has fallen in love for Mozambique or dreamt of God calling to invest in a specific are of the country. The following table shows the main categories of reasons pointed out by interviewed investors:

Category of reason	Number of interviewees in the category
Strictly business-related reasons	35
Other reasons	17
Total number of investors (excluding fully Mozambican projects)	53

Table 9: Category of reasons to invest in Mozambique
 Category of reasons presented by the investors and number of investors that find themselves in each category.
 Source: Interviews February to April 2014.

Most of the investors face a wide range of challenges to establish the company and maintain the activities in Mozambique. The country’s agribusiness environment is not easy and demands experience, enough capital for investment and especially patience until the business starts to yield profits. The general overview of the challenges and risks will be presented in the next topic, which deals with the overall perception that investors have about Mozambique’s agriculture.

2.3. Overall investors’ perceptions

“Doing business in Mozambique is comparable to swimming in honey. It is sweet, but very difficult”. – Entrepreneur in Southern Mozambique, February 2014.

The previous statement encapsulates a common perception of (in particular) foreigners when doing business in Mozambique. Despite Mozambique's 36 million hectares (ha) of arable land, the quality of its soil, the proximity to important transportation hubs and the availability of the necessary amount of water sources/rainfall in most parts of the country, it is not uncommon to find entrepreneurs struggling to survive in the country's full of potential, but risky business scenario.

Mozambique is currently a net importer of staple foods – in particular cereals, such as rice, maize and wheat – and other agricultural products since before its independence in 1975. There is no expectation of changes in this situation for the foreseeable future, either (Hanlon 1984, 2012; MINAG 2011). There are many reasons for this underused potential. In this section of the chapter, the overall perception of entrepreneurs will be summarized and presented by addressing common points mentioned by investors throughout the country. In total, more than 70 diverse investments in agribusiness were represented during the two periods of field visit to Mozambique (i.e. 2013 and 2014) and gave their opinion on challenges faced in the country.

These include limited development of infrastructure (sometimes even a full lack of any infrastructure) particularly in rural areas; inefficient support services – including poor technical assistance from competent institutions and agencies, oscillating internet connections and poor mobile phone coverage. Those are normally the main reasons for preventing new investments in agriculture and higher productivity from unskilled smallholders (MINAG 2011). Other recurrent complaints are excessive and corrupt bureaucracy as well as vested interests regarding internal prices, all of which hindering the proper functioning of businesses in Mozambique and even preventing the establishment of new ones lest the investor does not have the right contacts in the government.

Free-market policies and little incentive to local agricultural production in form of accessible and affordable inputs pose another constraint for the development of agribusiness in the country and the establishment of outgrower schemes. Trading policies are not always reciprocal, especially in the commercial relations with South Africa, which ends up being one of the major obstacles to Mozambique's agribusiness development. One example was the following grievance during an interview in Chimoio, capital of Manica province:

“Mozambique produces mangoes enough to export. And more importantly, its mango season happens one month before the South African, which would enable Mozambique to flood South African markets with mangoes. This advantage is lost because they impose barriers to our mangoes, alleging Mozambique is a fruit-fly zone. (...) The reality is that South Africa is also a fruit-fly zone, so it cannot possibly be the real reason why they impose barriers to our mangoes. (...)” - Manager in Manica, March 2013.

And in another businessman's grievances in Maputo: "Mozambique continues to be a free market, even not being able to compete with its neighbors". In this sense, it is clear that processes of integration are not always advantageous for Mozambique and that South Africa, despite being one of its main trade partners, is also its main rival. Furthermore, scholars point out that the limited competitiveness of the country results in processes of integration – especially with SADC – being interpreted more as a threat than as an opportunity (Mosca *et al.* 2012; Hanlon 2012; GIZ 2013).

Mozambican smallholder/family-based agriculture is to some extent for subsistence and by default. The great majority of native people in agriculture is there by necessity rather than opportunities or choice and would gladly stop cultivating their fields in face of the opportunity of a paid work (GIZ 2013; Hanlon 2012). It is a scenario in which extension services – whether offered by governmental agencies or not – could make a difference in improving local smallholders' productivity and, therefore, income. Lack of very basic knowledge of agricultural techniques is not particularly hard to find in Mozambique.

The country's vulnerability to climate changes and natural disasters poses yet another huge problem to Mozambique's agribusiness development. Large floods, such as those of 2000 and 2013 for example, are recurrent and reverse arduously-gained progress, particularly in infrastructure and agriculture. Droughts provide a similar difficulty, and are likely to continue to happen (DANIDA 2012).

All of this constitutes a risky agribusiness context, resulting in a high failure rate among private sector projects and demanding patience and long-term business models/strategies. As a result Mozambique's agricultural potential appears to be better used by big multinationals and mega-projects investors, which have enough in-house capabilities to deal with Mozambique's problems and endure the long periods of (even 10) years until investments begin to yield some profit (Van Westen *et al.* 2013). And not surprisingly, most successful commercial farmers are South African or Portuguese, both with African and Mozambique experience, respectively.

In this sense there are expectations to be managed. Not only expectations of private sector, but also of populations and even government. The following chapter will further address this matter.

3. Mismanaging expectations: Differences between theory and practice

Mozambique has been widely recognized as a country that counts with a well structured legislation to protect people's rights to land and to a sound environment. Having addressed how the government promotes and regulates new investments under the scope of such legislations, one could expect an also well functioning system enforcing the compliance of the land and environmental set of laws by investment projects. Without overlooking the effort of staff individuals of the government and also of governmental institutes, it is unfortunately clear the existence of flaws in the execution of new investment projects, in particular in what concerns heeding the regulatory character of the existing legislation.

By using examples from the field, this chapter will present how the government has been recently failing to promote the compliance of rules and how this failure affects both communities – which, in numerous times, find themselves landless overnight – and investors – who get frustrated with empty governmental promises and with conflicts with local communities. By addressing how expectations are mismanaged and what the influence of the government is in this quagmire, this chapter will also show the differences between theory and practices in the role of the government as a protector of everyone's right to land and to a sound environment.

3.1. Dealing with communities: High hopes, little knowledge

Complying with the rules of investments in a country is a crucial step for international investors to initiate a project abroad. It demands a previous understanding of the legislation and the underlying systems, and therefore, demands an understanding of how the country works and of the phases of investment proposal application. In Mozambique, applying for land to invest in agriculture or forestry requires *inter alia* community consultations, a very delicate procedure within the whole process of initiating activities in the country.

Just as investors dedicate time to successfully forward their application processes, it should be also expected to have them dedicating time to well realize these important steps of land tenure acquisition, leading to the acquiescence of the investment by the communities involved. Nevertheless, literature and field observations indicate that there were and there still are conflicts generated by dissatisfaction of communities with investments in their localities. Although not yet officially published, an example is the study conducted by the NGO Terra Amiga with 23 focal groups in the districts of Ile and Namarroi in the northern part of Zambezia Province. The study has showed that about 80% of the groups were dissatisfied or having problems with investors. Examples like this one are, unfortunately, numerous in the country (see Lemos and Ossemane 2012; Nhantumbo and Salomão 2010).

Being in the fields and talking with communities, investors and other stakeholders involved show that great part of the conflicts over land occupation originates from flaws in

the consultative phases of the process and that those flaws could be easily curbed by a well capacitated and functioning public administration, i.e. a government prepared to enforce the legislation and promote awareness amongst the population and investment applicants. In addition, lack of a good communication between the community and the investors, lack of previous knowledge of the stakes at play and asymmetries of powers are other important underlying issues that should be raised when approaching communities, and definitely observed during the community consultations. Dividing this present topic on *dealing with communities* into subtopics will allow us to grasp the underlying issues that, from a community perspective, result in conflicts over land between communities and investors.

3.1.1. Failure to consult whole communities and all communities

One recurrent and troublesome characteristic of poorly conducted community consultations is to fail to consult whole communities and all communities involved. Without overlooking the efforts of some investments to conduct proper community consultations, there are cases in which the lack of knowledge on Mozambique's population distribution, on land occupation and on communitarian power and social relations is clear. When the lack of that knowledge sums up with an ill-prepared governmental staff, unable or unwilling to properly inform on the procedures of community consultations, negative outcomes for the communities – or for some members – and for investors are likely to appear.

Examples of such are plenty in Mozambique. For instance, the forestry sector in Niassa Province and a Chinese investment in Zambezia Province went through (even aggressive) confrontations because of poorly conducted consultations. The forestry sector in Niassa was established through help of a local foundation thence on hold of about 220,000 ha of allegedly community-consented land, of a total of potentially 800,000 ha meant to a failed South Africa-Mozambique agriculture development program, called Mozagrius. The Chinese investment looked for 1,000 ha for a rice plantation in a quite populated area with help of local and provincial agriculture departments. Both the Chinese investment and the group of forestry companies relied on third party knowledge of the Mozambican land consultations processes and were convinced that they were correctly following the procedures. Logically, the subsequent problems with the communities became bad surprises for them.

Counting with the Mozambican foundation in the northern province of the country, the first forestry companies landing in Niassa believed they were acquiring an initial already consented amount of land. In addition, for following with planned business expansions, the main involved companies also engaged in self-coordinated community consultations. According to one of the companies involved, the land consultations were made with only a few of the involved communities and disregarded some other entire communities, which caused dissatisfaction within disregarded communities and amongst marginalized members. The results were a deterioration of the relationship between the

company and the nearby communities with eventual criminal burnings of parts of the pine and eucalyptus plantations (IRIN 2013). According to a recent interview with the main company involved, initiatives were launched to improve relationship with communities, and are allegedly creating positive effects. The company is now also aware of proper methods for conducting an inclusive community consultation.

The case of the Chinese investment in Zambezia had worse outcomes. Conform stated in the legislation, the representatives of the rice company approached the local governmental officials to open an application for land. The government identified a suitable area and organized the consultations, as also established by law. Nevertheless, as the meetings were conducted in the presence of community leaders alone, who welcomed the investment after a round of talks with the investors and the government during a buffet, the greatest part of the community members was not consulted. The Chinese investors, then, brought machinery to prepare the land in the allocated tract of land – believing they had all the necessary endorsements for starting their activities. The part of the population that was not consulted was taken by surprise by the sudden movement in their land and reacted aggressively, injuring some people involved, inclusive a Chinese representative and a tractor driver, who were sent to the hospital. Since then, there is no indication of the investment's continuation.

In both cases, we could perceive that the failure to communicate intentions of using communitarian land to all the members of the community and to all involved communities can result in severe setbacks for the investment and spark aggressive reactions from the local population. The forest sector companies in Niassa and the Chinese investment believed they were following the guidelines until they learnt that following the guidelines was not enough if important stakeholders are left aside. Unfortunately, those are not the only cases of land being allocated without consent or even awareness of all people with stakes at play. And in several cases, communities react differently, in a more subservient way, accepting the decisions their leaders or governments made in their behalf and only reacting when their livelihood situation becomes dire.

3.1.2. Poor communication

Even when community members do not feel marginalized by the community consultations conducted by an investment, miscommunication or misunderstanding of important subjects can occur, eventually sapping the relations between the community and the investment.

Consultations are meant to be informative on the substantial changes the introduction of the investment will cause in the region. The knowledge gap of communities about essential relating topics can create a sense of expectations not being met. For example, one recurrent issue that appears after an investment has received the community's consent concerns the fully understanding of quantifiable dimensions such as size of the

designated area and comprehension of time the project will occupy the land. It is not difficult to find rural populations – in particular those living in more remote areas – that do not fully grasp area dimensions in hectares and the consequences of allowing the use of their land for some decades (IRIN 2013). When realization finally falls upon them, it is often already too late to impede the activities to start or to continue. Communities might then resort to animosity and aggression.

Another expectation that oftentimes cannot be met is full employment of nearby communities. Often with help of governmental discourses, it is very common to community members to believe employment will be given to all members. When only a few members of the community are in fact employed in the investment to which all the community members ceded their land, feelings of frustration and deception are likely to appear.

Instead of lack of communication properly said, it could be also a matter of lack of sufficient formal education and thus of necessary tools to assess what goes on around their environment. The possibility of fix jobs and of quick compensations for land loss – concerning amounts of money that, in spite of not always being a fair compensation for the land people cede, are surely amounts rural populations are not used to have – oftentimes catalyze people's endorsement for an investment project in their locality. In this sense, we have a mix of poor communication – for the investment fails to advance the big picture to the communities – with little relevant knowledge of the subject – for the communities might lack formal education to assess sustainable opportunities by themselves and end up choosing short-term benefits.

3.1.3. Lack of proofs

Another essential issue that deserves more attention of government officials and civil society is the lack of proofs for communities to securitize land tenure and compliance of agreements. The bulky of the problems observed in Mozambique might have been avoided if communities had proofs of agreements done and of their land tenure.

The conduction of community consultations originates minutes of the meetings that are kept with the government. If communities received copies of those minutes, they would have proofs to eventually resort to court disputes in cases of broken agreements. However, there is hardly any evidence that communities keep copies of the minutes. Of four communities interviewed in Zambezia and Nampula in February 2014, for instance, none held any copy of consultation minutes, nor were aware of any member of the community who had a copy. Additionally, the minutes are frequently mere records of the consultations and do not constitute binding agreements between the communities and the investors (Cotula 2013). Although those same interviewed communities confirmed the realization of community consultations, they could not specify how many people were present in the consultations, how much land had been ceded and how many households would be

affected, if any at all. Moreover, they are also not able to precise how many people or households are members of the communities. In other words, there is a lack of coordination also within communities and lack of knowledge of the constitution of the communities themselves.

These situations of lack of coordination and proofs allow cases in which companies might choose not to stick to verbal agreements and or not to keep their promises in written ones, as was the case of one company planting rice in Zambezia. The company agreed with a rice association from the region to use part of their land – about 220 ha of a total of around 1000 ha – and their machinery for land preparation in exchange for pumping water from the nearby river to irrigate both the company's and the association's rice fields. According to the association's representatives, after having used the machinery and land, the company did not irrigate the association's fields and did not replace broken machinery. In other words, the association not only did not have their benefit from the agreement, but also had their activities impaired by agreeing to lend machinery to the company. The situation gets even more complicated, since the association fears complaining further than they already have, for the company allegedly has contacts with high level politicians in Maputo.

This association members, however, are aware of their rights and is ready to try to renounce the agreement once its deadline comes in five years, but not always local populations know of their rights, let alone are aware of legislation safeguarding their land tenure. In rural areas, it is very common to find people and communities using land by customary and/or good faith right, but seldom possessing a land title. Although the figures of good faith and customary use of land are safeguarded by the Land Law and should be enough to protect people's right to land, the lack of an official document proving that a specific tract of land is being occupied, leads smallholders to fall easy prey of half-heartedly people (be it investors, governments, or other individuals, for example) applying for land.

Guaranteeing that people are aware of their right to emit a formal document of land tenure, and more than that, guaranteeing that they are also properly informed of their customary and good faith rights over land deserves to be a priority for Mozambican authorities. Several members of civil society are already working to expand the awareness and the emission of DUATs throughout Mozambique and should be further backed up in their ordeal.

Accessing land titles is not always simple, though. There are some conditions to be fulfilled beforehand. For example, for an individual to emit a DUAT, he or she must have an identity card – which is a luxury for rural populations – and must be able to write his/her name – or, alternatively, not to be ashamed of signing the document by fingerprinting

(Kaarhus and Martins 2012). Besides, the processes of demarcation and delimitation are often cumbersome and not affordable for great part of the rural population in the country.



Figure 6: Land title registration advertisement
Picture of a *capulana* being used as table cloth in Nicoadala's agriculture department. The saying urges people to register their land in order to have their DUAT emitted. Underneath, the statement: "Secure access to land".
Source: Filipe Di Matteo, 2014.

3.1.4. Asymmetries of power and knowledge

Finally, a crucial aspect that often turns community consultations unfair and exclusive is the awareness – or lack of it – of existing asymmetries of power and knowledge within communities and between communities and investors.

As for asymmetries between investors and communities, it is worth mentioning that, before investing, big commercial investors have presumably made a study of the most adequate locations for starting their projects. Being so, they are aware of the value they have input on the land they aim to use. Conversely, as noted before, local rural communities are oftentimes not used to have great amounts of money and their conception of *great amounts of money* varies considerably from an investor conception of the same. In this sense, one can say that under-compensations offered by investors for community land loss are not rare. Additionally, the aforementioned issue of people choosing short-term benefits over long-term ones also plays an important role in this plot.

Another aspect of the existing asymmetries between investors and communities is the connection that an investment might have with high level politicians in the country. In such cases, even when disrespect for community rights is flagrant, the members of the community often have their hands tied and fear confronting companies with such important connection within the government, as was the case of the aforementioned rice association in Zambezia. As noticed by Nhantumbo and Salomão (2010, 41), "in many instances, project proponents are solidly backed up by government and political representatives". Moreover, it is not unusual that investors and government meet behind closed doors to define terms of agreements, with little or no participation of other involved stakeholders (Cotula 2013).

A third issue contemplates the asymmetries of power within communities. As pointed out by Cotula (2013, 97), “customary systems are often deeply inequitable”. In Mozambique it is not different. Situations of real land grab of land used by less influential community members by more influential ones are not uncommon, in particular in cases of land belonging to women in patrilineal communities. For example, in Manica province, reportedly there are several land conflicts within communities. According to the director of economic affairs (SDAE) of Manica district, unknown reasons have led to a rise in the rates of female widows in the region. Since Manica is a province where patriarchal communities are predominant, by tradition – but not by law – the family of the late husband has the rights over the inheritance of the land, leaving the widow woman no choice but to abandon the land where she has lived, worked and raised her children. Besides this example, we can also find other forms of intra-communitarian land grab. As also mentioned before, oftentimes community leaders have the last say over community land. Being so, examples of leaders accepting investments in the communal land in exchange of personal benefits are plenty in Mozambique.

For realizing community consultations that are inclusive and fair, it is thus necessary to heed those differences of power and knowledge. In theory, the government is able to enforce such, but in the absence of a capable or willing governmental staff, companies should also be made liable for unfairness in their processes of land rights acquisition.

3.2. Investors’ expectations: Facing empty promises

“The government makes everything to attract your investment and, once you are here, they put every sort of things in your way” – Investment representative in North Mozambique, February 2014.

Local communities are not the only group of stakeholders who do not have their expectations met with respect to agricultural investments in Mozambique. The side of the story told by the investors is also very intricate and, although some problems are caused by the relations with local populations, great part of their frustrations – when existing – is with the public administration, i.e. local and general governments. Furthermore, it is possible to trace a correlation between the conflicts between communities and investors with a lack of governmental initiative and/or proper conduction of the legislated guidelines. By creating a scenario of difficulties to investors to develop soundly their activities, possible benefits for a sustainable development of the private sector in Mozambique might be lost. Some of the troubles faced by investors when dealing with communities and with the government will be addressed in the following topics, as will be the subsequent results from a business perspective as well.

3.2.1. Troubles with local populations

Even if community consultations are actually done and that the local population does not object the arrival of the business to their locality, it is not guaranteed that the investment will be free of troubles with communities. Nor that they will not face problems with the previous or following land occupation.

As for troubles with communities, a very recurrent complaint relates to the payment of compensations to communities. Without overlooking the existence of cases in which investments do not pay the agreed compensations (See Kasten 2012 for examples with the mining sector in Tete province), there are also cases in which paying the compensation does not seem to appease the communities. For instance, the new manager of a recently acquired company in northern Zambezia grieves the necessity to re-pay compensations for land loss of resettled people. According to him, the concerned people were given the possibility to choose between land clearance for agriculture and money compensations. Allegedly, the original agreement with part of the community was to have the former, so that those who were not employed by the farm could keep their subsistence farming. After the money of the compensations had been spent clearing the new land area, the community members changed their minds and decided to have money compensations. The manager, who wants to establish a good relationship with the local community, had thus no choice other than to pay the compensations on top of the land clearance expenditure.

Additionally, a controversial aspect of the compensations for land loss lies on the mismanagement of the compensation by the locals. As noted before, usually the rural population is not used to have huge amounts of money and, thus, may not be used to sustainably manage that same amount. When the received compensations in cash are used too fast and not for yielding longer-term benefits or initiating other sustainable activities, the person who received the compensation suddenly finds him or herself without money and without land – a dire situation that can spark overreactions.

Apparently, according to interviewed investors, it is not uncommon, thus, to have populations re-establishing themselves in areas that were previously agreed to be left free for business use. Also due to demographic pressure, unawareness of time duration (as seen in topic 3.1.2), and to apparently idleness of the investment land, local people feel free to start working the land that is momentarily not being used by the company. In most cases, when this type of situation happens, it is not very troublesome to have the population removed. Normally the government backs the investment in those cases. However, there are more complicated cases, in which the right of the investment conflicts with acquired rights by the community, as is the case of a forestry company in Manica province.

The company, which was founded in 1977, before the 16 years war – war between FRELIMO, the ruling party and RENAMO, thence main opposition party – has now a total

of 31,000 ha of land in Manica and around 15,000 ha of the area occupied with pine and eucalyptus trees. Once the war began, frightened people all over the country were pushed away from their localities to new areas in search of safer places to settle down until the war was over. In Manica it was not different. Allegedly, some of the refugees fled the now forestry company area to settle down in new places, mainly in towns. At the mean time the company had started acquiring land in the region. After the war had finally ended – and until nowadays – people started moving into the company’s area to settle down, alleging they were living there before the war started. Here three issues are in conflict. First, the communities allegedly abandoned the area previously to the actual Land Law of 1997. Secondly, if those communities have indeed lived for more than 10 years in the region, the land should, by rights of the (relatively new) Land Law, have officially been assigned to them (República de Moçambique 1997a). Finally, the lack of an official proof that they lived in the region, allowed the company to acquire the land rights for the 31,000 ha they sought. Apparently, there are no evidences proving that communities had lived in the area previously to the war – fact that bestows the company with the government support to their claim over the area. However, if there were evidences of their previous occupation, the resolution of the issue could be far more complicated, with land rights potentially overlapping.



Figure 7: Forest plantation in Manica Province
Source: Filipe Di Matteo, 2014.

Another close example is the case of a South African farmer in Inhambane province. He has a 400 ha DUAT for planting coconut trees and extracting the coconut oil. A concern presented by the farmer, though, regards the allowances he made for the local people. He started letting them use land for subsistence agriculture in delimited spots where there are no coconut trees, in exchange he uses the same people as hired coconut collectors. After a while, he noticed that other areas began to be cleared for agriculture by the same people without his consent, fact that is now concerning the farmer, who sees in that move a potential difficulty for the future. If he decides to remove people from his farm, a possible riot could happen, conversely to a situation in which initially he did not let any kind of land use by the population at all. According to him, since these people are getting used to work new tracts of land, it may create a feeling of ownership of that land, which would definitely

create clashes with the farmer. For now, he simply complains and asks local people to remove those new areas of crops, but he fears they will keep on finding new spots to plant their own cassava, disregarding his requests not to do so. He also fears for his family's lives, in case a riot happens.

Besides the constant problems with re-occupation of ceded area and land invasions, investors also face constant threats – and actual doings – of sabotage of their business. The forestry sector in Niassa province, for example, has suffered several losses of hectares of plantation to fire provoked by unsatisfied communities (IRIN 2013), including arson actions amongst other human induced fires (FIAN 2012; Mbanze et al. 2013); and when asked about problems faced with production, two maize producers – one in Nampula and one in Manica – and one litchi grower – also in Manica province – have pointed out that some people from nearby communities steal corn and litchis from their properties. Furthermore, trusting employees might also take some time, if it will happen at all. One company in Niassa, one in Nampula and another in Manica reported that they have been subject of fraud by workers before and are afraid of it happening again. All those are examples of actions that sap the investors' trust in local communities and undermine their expectations for the investment.

Another wearing issue for interviewed investors and project managers is the unfamiliarity of first-time-hired local populations with formal working hours. Allegedly, it is not uncommon to workers to arrive at any desired time and not to abide to an eight-hour time schedule. It is also allegedly difficult to retain rural people as permanent workers. As stated by an investor in Northern Mozambique: “It is frustrating, because you train people; they work for one or two months and disappear. It is easier to keep urban workers. They have fewer distractions”.

Finally, when conflicts are really persistent and relations with communities are extremely undermined, aggressive reactions of communities can develop into a big source of concerns to investors. Since engaging communities can be or become troublesome to some investments, why then investors are recurrently establishing investments in densely populated areas?

3.2.2. Relations with the government

A clear answer for the previous question would be the correlation between densely populated areas and most suitable land for agriculture. Tracts of land with good soil are capable to give higher yields of harvest and, therefore, bound to attract more subsistence farmers. However, there are also less clear answers for the same question.

For example, as we have seen in the second chapter of this research, the government is – on behalf of economic development – determined to internally develop a private sector able to trickle down benefits to the population and to improve agriculture mirrored in the

NEPAD's CAADP framework. This determination has led to situations in which local and central governments search for the most varied ways to attract investments. Besides the investments benefits presented in the second chapter, one apparently common method to attract investments is promising unoccupied land to investments in agriculture.

Indeed, around 54,5% of the interviewed foreign investors presented the availability of land as a positive aspect of investing in Mozambique, and 62,5% of those 54,4% even mentioned it as decisive reason to do so¹⁰. However, it is not always simple to actually find unoccupied land. Not even with government's help. The case of the forestry companies in Niassa is a clear example of the government alluring companies, even to densely populated areas, through promises of land. As seen in topic 3.1.1, the foundation that had *circa* 220,000 ha of allegedly already consulted land allocated by the government was an allurement to companies that wanted to invest in the forestry and agricultural sectors in Niassa – as parts of the DUATs were to be used as kick-off areas to those coming investments. The results to the companies were highly dissatisfied communities and the need to downsize the business plans to accommodate the new stakeholders in the scenario, i.e. communities willing to burn the plantations down.

Another example is the soybean company in northern Zambezia first presented in previous topic, to which 10,000 ha were promised. By the time the government made the promise, another company was leaving the same area because of conflicts with the communities and the government wanted to find a substitute to it. The district where the area is located is highly populated in the mountains and, due to the dense demography, practically impossible to have 10,000 ha of contiguous unoccupied land assigned for any goal. When the new company's manager arrived in the country and inspected the promised area, he could do nothing but get frustrated and re-plan the activities in order to accommodate to the business plans the huge amount of people living in the area.

The array of alluring promises is not limited to land. Another investors' frequent complaint also relates to empty agreements with the government. There were evidences in all visited provinces of businessmen's dissatisfaction with the governmental role in promoting a sound environment for business, even when apparently guaranteed by a MoU with the government. The general grievances lie on the government's inaction to *inter alia* build or expand infrastructure, such as roads and electricity grids; reduce taxes on production inputs, such as machinery and fertilizers, or impose taxes on other regional countries' produces; curb climate hindrances, such as floods and droughts; improve communication networks; and protect crops against external threats, such as exogenous

¹⁰ Portuguese investors living in Mozambique since colonial times were not considered as foreign investors, as were also not considered the investments whose representative could not inform the motivations for the business to be established in Mozambique. Furthermore, only investments with direct access to land were considered (excluding, for example, purely outgrowers/crop sourcing businesses). Besides, it is worth remembering that another main motivation to start business in Mozambique relates to personal reasons (Chapter 2.2). Those investments were included in the sample.

plagues, diseases and animals, or alternatively, to find solutions when the threat becomes a reality. In this sense, several times new investors need to build their own infrastructure and also extend the benefits to the communities besides preparing to face climate hindrances and external threats. In other words, whilst not offering enough incentives, the government frequently requires of the investments all infrastructure and amenities whose construction is a task supposed to be of governmental responsibility, under discourses of investments social responsibility to their surrounding communities. Most investors do not consider extending infrastructure benefits to communities a problem, but they do get frustrated when the initiative only comes from their side, without government cooperation.

Besides complaints due to governmental inaction, excessive actions are also another source of dissatisfaction and even abandonment of projects. Extra-official charges on investor's activities coming from individuals in the state apparatus are not only common, but are apparently almost a norm. Additionally, it is widespread the perception that foreign and national investors will have their application processes sped up if they know influential people in the government, if their business partners are linked to influential people or if they pay extra-officially for speeding up processes. The emission of an environmental license is an example. The evaluation of the EIA, one of the final steps for the emission of an environmental license, should last no more than 45 days (República de Moçambique 2004). Nevertheless, due to lack of staff, rarely the evaluation is finalized on time, save in cases of extra-official payments or connections within the government. The result is a series of investments starting activities without having finalized the compulsory step of emission of an environmental license and another series of investments with influential Mozambican people in their boards.

Finally, another problem faced by investors in Mozambique relates to the high interest rates of bank financing, which reflects the risky business scenario created by the current governmental policies, actions and inactions. Combined with the impossibility to mortgage land as collateral to financing banks, it is not uncommon to find business in deep need of financing.

3.2.3. Results for investors

The results of such a risky and unpredictable scenario for investors are clear. Investments will most likely face cumbersome processes and lack of support – problems frequently only solved by influential connections or enough in-house capital to curb issues. Patience in Mozambique's agricultural private sector becomes therefore an asset, since business plans sometimes need to be downsized, slowed down and even fully re-planned. Profits are also likely to take a long time to be yielded (Van Westen et al. 2013).

Even so, several companies do not resist and leave the country, fail or are sold. Hence even directing policies to an economic growth, the government is unable to fully

meet the expectations of the investors, who, in the view of the government, were supposed to bring modernization and economic benefits to Mozambican agriculture. The recurrent conflicts of businesses with local populations are yet another sign of the government's inability to promote a sound environment for a sustainable development of companies in connection with communities. In this sense, oftentimes the government not only fails in its role as protector of populations' rights, but also fails the agribusiness sector, which could bring macro-economic benefits for the country and, thus, to communities directly and indirectly involved. Without proper support of the government to the agribusiness itself and its relations with communities and without further investments in promoting a more attractive and less risky business scenario, the communities are likely to lose the few benefits coming from large-scale investments, alongside to their usual livelihood assets, such as land access, as a potential example.



Figure 8: Old factory in Gaza Province
Image of the external wall of a shut down cashew-nut processing plant in Gaza Province.
Source: Filipe Di Matteo, 2014.

3.3. Government: Juggling communities' and investors' expectations

Before addressing the shortcomings of the different spheres of the Mozambican government in promoting a sustainable development of the agribusiness and in

safeguarding communities' land rights, it is worth mentioning that there are several limitations to a proper monitoring of the agribusiness that go beyond government's control. A visit to Manica province in company of the local CEPAGRI allowed understanding some of the reasons that lead the central (and also local) government not to be fully aware of the realities in the field. Those include companies starting small and then gradually expanding with time – thus falling unnoticed to government's monitoring – companies being registered as associations – for tax evasion – companies having different names as the ones proposed or registered during the application process; companies failing, changing owners, not even starting for lack of financing, or leaving the country; and companies being registered as an agribusiness but actually realizing other activities, such as mining and tourism *inter alia*. Those hinder the governments control over the investments that are active in the country and therefore impose hurdles for the government's role as policy maker and support renderer.

Without overlooking those limitations, there are however plenty of situations in which the government actually represents the hurdle to be overcome. Aforementioned empty promises of land and infrastructure for businesses are examples thereof, as project applications processes dragging for longer than specified in guidelines/legislations also are. From a community's perspective, poorly organized community consultations are yet another example, with cases of “some of the governmental officials not fully performing their duties with regard to the protection of community rights, and in many cases [positioning] themselves clearly in support of the interests of incoming investors” (Nhantumbo and Salomão 2010, 32).

The *Regadio do Baixo Limpopo* is an example of government prioritizing investors' interests over community's rights to land. Having historical colonial roots, the *Regadio* is since 2010 a public enterprise, called *Regadio do Baixo Limpopo, E.P.* (RBL). According to an interview held in the enterprise's headquarters in Xai-Xai, RBL's mission is to manage land, infrastructures and water supply in the area surrounding Gaza's capital. The establishment of RBL as a public enterprise was accompanied by changes in the land use of the area, as previous entrepreneurs and communities had to start responding to RBL, upon the government's process of legalizing a total of 70,000 ha in DUATs to RBL's management. The enterprise counts with a registering department responsible for liaising with communities and surrounding agribusinesses, which is also responsible for realizing the community consultations with local population and arranging the new agreements with companies interested to invest in the area. As can be seen in the map below, the area is very comprehensive, includes so far three established companies and involves several smallholders and communities.

The changes also coincide with the arrival of a Chinese research and development cooperation project between Gaza province and its Chinese sister province: Hubei. The project that was meant to transfer techniques of rice production has recently turned into an investment and requires land to expand the rice production, as well as proper infrastructure that enables the activities – in particular flood-preventing infrastructure¹¹. As RBL is the new responsible for land concessions and infrastructure development in the *Regadio* area, the agreements are thus made between the company and the public enterprise, which, one can say, represents the government in the matter.

With 20,000 ha already under infrastructure construction, the recent changes in land ownership and use have started to provoke the first signs of dissatisfaction and indignation amongst communities and a few entrepreneurs. As presented in the map, RBL has divided the area for different finalities. There is the *machongos* area for smallholder production and subsistence, accounting for around 10,000 ha and comprised by plots of 0,25 to 1 ha of land; there are the private and public pasturelands, in the lower and thus subject-to-flood areas of the *Regadio*; and the land assigned for commercial use, with both emergent agriculture and agro-industrial finalities – accounting for the bulk of RBL's land. So far, only for commercial goals close to 24,000 ha are being requested in agreements with RBL, although not yet fully assigned – including an area of 360 ha for (national) emergent farmers with plots ranging from 5 to 10 ha. The Chinese company leads the requests, aiming to work 20,000 ha for rice.

As mentioned, to the communities the so-called *machongos* were assigned at the far right and mid-right side of RBL's area – represented by the colorful part of the map. The area they use as pastureland is displayed in dotted light yellow, dispersed along the main river courses. However, it did not use to be so before RBL was restructured as a public enterprise. According to FONGA, a local national NGOs' forum, the changes were sudden and not informed beforehand. Additionally, agreements between the government and the Chinese were secret, with contracts existing only in Chinese by the time the company started their activities and land clearing. An EIA and community consultations were also lacking by the start of activities, according to FONGA, resulting in communities' loss of land access to agricultural and cultural activities (such as sacred rituals and graveyards areas), besides interdictions to areas for fishing and cattle grazing. For a few, houses were also lost.

FONGA also helped realizing a meeting with 61 members of around 15 communities in the region, which showed that people's impressions with the Chinese investment and the government's role attracting the investment are far from good. Each and every single person complained about the sudden loss of their land to the Chinese, besides grieving violations of the labor legislation and the lack of any compensation for land loss.

¹¹ See Chichava 2013 for more information about the project.

Only promises were made so far. The Chinese allege compensations should be paid by RBL and RBL alleges they do not need to pay, since, firstly, the land was already part of the State's irrigation systems since colonial times and secondly, the State has the premise of requesting land upon public interest reasons. Moreover, according to FONGA, the government alleges that they have a document signed by nine people from local communities, proving the investment is welcome in the region. The fact is, as also pointed out by FONGA, that there are indeed some community members who were welcoming the Chinese project, lest fair compensations of their losses are paid. However, the great majority, accounting for at least 278 dissatisfied people listed in a document, is not. FONGA guarantees, nonetheless, that the project has affected around 38 thousand families that lived from subsistence agriculture in the area.

Dissatisfaction with the changes is not only amidst the communities. A company operating in the area previously to the introduced changes also complains that they had to comply with the land title transfers to RBL. Moreover, they are frustrated with the importance given to the Chinese investment over other investments, since the Chinese obtained RBL's endorsement to expand to land to where the company was planning to expand.

Models like RBL, E.P., called "public-private-population partnerships" during the interview with the public enterprise, are appearing all over Mozambique and also for different sectors. *Hidráulica do Chokwè*, E.P. (HICEP) is a similar example in Chokwe area, also in Gaza; and *Empresa Nacional de Hidrocarbonetos* (ENH) is another example, but for the gas & oil sector in Cabo Delgado. Beyond the discretionary power of conceding land to agribusiness, the model of concessions also allows RBL to charge rents for their services of water and infrastructure supply, with fees much higher than the land use and activities fees (Table 4).



Figure 9: Rice fields in Gaza

Rice fields in the *Regadio* area in Gaza.

Source: Filipe Di Matteo, 2014.

It is worth reflecting if the models are indeed *public-private-population partnerships* bringing overall benefits or if they are more likely to configure methods of governmental land seizure, in which government uses their prerogative of land owner to allocate land to priority investments while bending legal procedures for land access. As pointed out by FONGA, the problem they find in the investment and the model being applied does not relate to the arrival of foreign projects themselves, but to the form they are being applied. They complain about the lack of transparency in government's decisions and about the contrast between governmental discourses and actual governmental practices. They do not question that foreign investments are able to bring overall benefits to their localities, what they do question is how the benefits are being brought – in this case in detriment of several local families.

The public enterprises case is only one example found in which government is apparently prioritizing some investments over local populations' rights and customary uses of land. But there are several other cases of disrespect to communities. For instance, as told by members of a community in Meconta district in Nampula province – and matching with the reported by the new investors in the area – a former investment (now not active anymore) counted with government's support to establish activities in the region without consent of directed involved people. These people lost their land overnight and, worse, their monetary compensations were all seized by the former district administration. The situation was apparently possible, for the project belonged to an investment fund, whose investors did not come to Mozambique to partake in the process of land application. The arrangements were all done between the locally hired representative of the company and the local administration. Allegedly, the company left the area due to the high amount of capital embezzled by the very same locally hired representative.

Finally, there are also disrespects environmentally-wise. As pointed out by Nhantumbo and Salomão (2010), for instance, environmental issues and hazards of incoming projects are rarely discussed with involved communities, being presented solely the potential economic benefits. And another reinforcing example relates to the same aforementioned Chinese investment, whose EIA – according to a letter from FONGA to the Mozambican presidency – had been rejected by MICOA, but that this fact did not impede the investment to start their activities. There is a clear necessity, therefore, of a government capable and willingly to enforce people's rights to land and to a sound environment.

4. Triggering sustainable development

“For Africans, the benefits of large-scale land acquisitions are questionable. That is especially true for the many thousands of smallholder farmers who have been evicted from their land, sometimes by force and typically with minimal compensation, to make way for foreign investors”. – APP 2012,41.

One of the conclusions from the Africa Progress Panel’s (APP) report on African progress, the statement above is also a topic heavily debated in Mozambique. It is clear that for the Mozambican government, large foreign investments have become a priority in vogue. And that this prioritization is resulting in a governmental shift from a protector of people’s right to a recent position in Mozambique’s history of protector of investors’ and sometimes self-interests. Nonetheless, there are several alternative suggestions appearing to face this governmental point of view. As a few examples, some scholars suggest more attention should be dispensed to family sector agriculture, which allegedly can be as effective as large agricultural projects (Hanlon *et al.*, 2013); others point out the need for better and further develop legal frameworks for social responsibility in Mozambique – which are inexistent so far. However, the diversity involving private sector’s investment in land makes it hard to generalize solutions and recommendations (Cotula *et al.* 2009), so this chapter does not try to advance new recommendations, but draws heavily from the ones presented by Cotula *et al.* (2009) on the other hand. Therefore, it first discusses the identified governance shortcomings to be addressed in association with Cotula *et al.*’s recommendations and subsequently, it presents some positive cases, showing examples of business apparently working well for populations and environment besides being economically sound.

4.1. Governance shortcomings

As seen, this research went through different clashes of interests in the relations between investors, society and Mozambican government, and often associated them with governance shortcomings. Failure to conduct comprehensive and inclusive community consultations, poor communication with communities, lack of proofs of land tenure and of agreements made, and asymmetries of power and knowledge composed the group of identified issues that haunt Mozambican communities when dealing with incoming investments, bringing oftentimes situations that could be avoided by a more capacitated and willing government. On the other hand, in the investments’ side, this work also pointed out troubles with populations and frustrating relations with the government, besides directly showing identified governments’ limitations and actions that may hinder a sustainable development from a socio-environmental perspective.

Cotula *et al.*’s (2009) book on land investments and their related development opportunities (and disadvantages), lists a series of recommendations, correlating them to different types of actors. From that group of actors, two are deemed very relevant when

associating to the aforementioned topics brought up in this work: investors and host governments. One clear example approaches the sustainability of long-term projects. The authors are convinced that the success of such projects – often involving time spans of 50 or 99 years – is conditioned to a high level of local satisfaction with the investment. Indeed, as seen in this work, in those cases in which investments failed to communicate the dimensions of the investment and its duration, high tensions with communities appeared, causing setbacks to the investment plans. The failure to transmit essential information of the activities leading to the dissatisfaction amongst the local communities, added unnecessary hurdles against the well functioning of the activities, as for instance the forestry cases in Niassa province.

Another crucial aspect of a successful land deal pointed out in Cotula *et al.*'s book is the investors' ability to carefully assess local contexts and local clashes of interests. Ignoring intra-community conflicts and interests of nearby communities may become a move against the investment's own interests. In this sense, the importance of grasping carefully the bulk of communities' interests becomes clear. Consulting all communities that interact with the investment and, within each community, consulting a large amount of members will surely help avoiding marginalization of members and communities – fact that can avoid several problems in its turn. In addition, the authors also point out the importance of using the principles of “free, prior and informed consent” in the community consultations, reinforcing the perception that a good communication of intents and stakes at play is indeed necessary (Cotula *et al.* 2009, 9).

This same principle adopted when engaging in community consultations also concerns asymmetries of power and knowledge. By *informed consent*, it is meant that by the time of consultations, involved communities are duly aware of relating aspects of the investment, including *inter alia* being informed of all their rights; of the real value of the land they are ceding; and of the compensations they should receive. When investments retain information or count with influent and well positioned government officials, they act half-hearted and contribute to the deterioration of the conditions for a sustainable development in the country.

However, avoiding that investors find the gap to act half-heartedly or preventing that they fail in their relationship with communities are tasks that also fall under government's scope. For this purpose, Cotula *et al.* point out the necessity of governments to clarify the types of investments they want to attract, to be certain of investors' capacities to effectively manage (especially large-scale) agricultural investments and relations with communities, and, additionally, to guarantee that investments can maximize gains to sustainable development, rather than only to economic development (2009, 9).

In sum, it is a matter of triple responsibility, whereby society, investors and government have their own share of responsibilities, but in which the government can take

the lead in promoting a more socio-environmental sustainable development by working in its identified shortcomings. In this sense, land deals and investment agreements are to be made more transparent; civil society can receive more support in their engagement with local communities; government can be better capacitated to coordinate investors and society's relations, avoiding tensions and reducing the existing ones. Furthermore, by the results of this research, avoiding that investments are prioritized over people's rights can also be deemed of crucial importance. Alternatively, prioritizing investments that prioritize societal and environmental wellbeing seem not only to be a better option, but also achievable.

4.2. Economically, environmentally and socially positive business

Although Mozambique's experience with agribusiness may be full of examples of investment's bad practices, there are positive ones as well. Indeed, as noted by Joseph Hanlon (2012):

“A single US multinational has probably done more to reduce poverty in Mozambique than any donor action – without subsidy and without grabbing any land. Universal Leaf Tobacco has agreements with 150,000 peasant families, and their earnings from tobacco have lifted thousands of families out of poverty”. – Hanlon 2012

The nature of this company's product might be questionable from a social responsibility perspective, but its effects on the improvement of surrounding communities' livelihoods cannot. Some investments interviewed during this research can also be used as examples of private sector triggering sustainable development, although often in a smaller scale than Hanlon's example. In fact, some interviewed entrepreneurs use similar methods as Universal Leaf Tobacco and, furthermore, the development of a strong and sustainable private sector in Mozambique – including both domestic and foreign enterprises – helps the country to achieve its goals specified in the broad array of agriculture policies, strategies and plans of actions. It also contributes to have the country progressively less menaced by lack of competitiveness in regional integration processes.

The previous topics point out that there are some investor's initiatives that can be replicated by other investments and even encouraged by government officials when guiding the establishment of new projects in their districts and provinces. Here three recommendations of Cotula *et al.* (2009) will be presented in practice: one of smallholders being part of the shareholding, another of community having a development fund put aside for them, and finally, one of an outgrower scheme that leads to clear improvements in local livelihoods.

(a) Smallholders as shareholders

By and large, in Mozambique it is uncommon to find business models integrating smallholders to the shareholding of the company. Of 66 non cooperative or association

interviewed businesses¹², only two presented such model. The core idea of such business is to integrate smallholder producers to the profit sharing of the company, incentivizing an ever more efficient production. In this section, a company was selected for its smallholder as shareholders system, but also for its pro-activity in promoting sustainable development from an environmental perspective as well.

In central Mozambique, a honey company managed by a British foundation counts so far with 1500 smallholders producing honey as secondary income source. The foundation is divided into a non-profit organization, responsible for approaching, organizing and coordinating smallholders in Manica province and a social enterprise, which has a market-driven approach and seeks opportunities in the Mozambican market. Although the producers' share accounts for only 8% of the shareholding, it advances an uncommon form of business that besides trickling benefits down through the commercialization of their produces, also divides profits with the smallholders; and is so far being successful, despite the lack of raw material and high competition in the region.

Besides the uncommon business model, the honey company also plans to operate under certification schemes, in contrast to most of the agribusinesses in Mozambique not aiming to export products. Among those certifications there are environmental ones, which bring us to another positive aspect of this particular company. As an environmental prevention strategy, it has developed a policy regarding protection of trees. Traditional apiculture in Mozambique is done by using tree trunks as support for the beehives. This tradition generally kills the trees, once the used technique cuts out large chunks of the trunk in order to lodge the hive. The new technique, advanced by the company, replaces the usage of tree trunks by artisanal and more efficient beehives, produced and distributed as inputs by the company itself. The result of all this work is a quality honey, which is already distributed in the local market and supplies hotels in several cities in Mozambique. Nevertheless, one could say that the success lies on the ability of the company to bring smallholders close to the business core. Despite honey production not being their main produce, the interaction between the smallholders and the managing foundation creates a propitious background for a good coordination of the business, whereby eventually the profits will be shared. The profit-sharing strategy also helps avoiding that the producers side-sell honey to other buyers.

(b) Community development funds

According to Cotula *et al.* “innovative business models that promote local participation in economic activities may make even more commercial sense” in the relations between investors and communities, turning investments also more economically sustainable (2009, 8). The forestry sector in Niassa, for example, was one of the sectors finding more issues

¹² As seen in table 5, the totality of interviewed businesses was 69. However, three of those were cooperatives/associations, which means they had by nature smallholders in the shareholding system.

with communities and with land tenure matters. However, it was also amongst the forestry companies in Niassa that interesting solutions appeared to deal with the existing hurdles.

The initial conflicts with local communities led the forestry companies to understand they would not be able to fully operate in Niassa until they settled down disputes and had communities satisfied with their presence in the area. Two solutions – one relating to land use and the other increasing communities' benefits with the project – were then presented in order to satisfy and include communities in the business plans. Firstly, in order to settle down conflicts for land use, the companies started to use systematically a business plan in which land demanded to the government would be much larger than the area needed for the plantations. In the distribution of land only 30% to 40% is meant to be assigned to the plantations themselves, whilst the remaining area would be divided into an urban area for communities' settlements; an area for communities' agriculture; another area for agricultural expansion – thus including population growth in the calculations; and finally, a conservation area, in which forests and other natural resources are meant to remain untouched. In this sense communities still have the necessary areas for their and future generations' livelihood strategies.

The second strategy advanced was the creation of community development funds, whereby some companies set capital aside to invest in the construction of structures that can boost communities' development. The scheme works through a credit basis, since one company soon realized that giving money straight to people created problems within the communities. In this sense, to every hectare of area used for the companies' plantations, five dollars are set aside for the fund. Three dollars for the use of each hectare, one dollar for every hectare of communities that maintain a good relation with the company and a final dollar to hectares that are not set on fire – to counteract arson actions. The amount collected during the year is then used to implement one project out of three presented by the communities. So far, bridges, mosques and schools are examples of infrastructure developed through the use of credits of community development funds.

Some time ago, the forestry companies in Niassa were facing serious problems in respect to relation with communities and arson actions were the most evident sign of people's dissatisfaction. During this research's interviews, the companies appeared to be finally satisfied with their relations with the local population and arsons appear not to be an issue anymore. This could be a sign that the new implemented strategies are showing their expected results, contributing to reinforce Cotula *et al.*'s perception over the sustainability and commercial sense of long-lasting projects that maintain good relations with communities.

(c) Outgrower schemes



Figure 10: Farmer working through outgrower schemes

A farmer presenting the campaign results of one of his best maize outgrowers in Manica province.
Source: Filipe Di Matteo, 2014.

Outgrower schemes work through a contracting company approaching smallholders in determinate region and offering them a type of contract – which can be official or verbal. The contracting company then supplies the smallholders with necessary techniques and production means, such as fertilizers, and organizes the collecting procedure of the smallholders' produces (Technoserve and IFAD 2011). Consequently, the contracting company will have the produces without actually producing them and the several involved smallholders will have a secured buyer for their produces: theoretically a win-win situation.

In an attempt to bring positive image to its business, a huge multinational brewery decided to annually invest USD 10 million in a project to raise people from poverty. This quest was undertaken by a Dutch enterprise, which receives the brewery's budget to roll-out operations in 27 African countries. By the time of the research, operating in only three countries – Nigeria, Ghana and Mozambique – the Dutch company procures cassava and processes it into cassava cake, which later is sold to local breweries to substitute the barley in the process of beer production.

The idea was advanced by the Dutch enterprise's CEO, who has worked with African agriculture for 45 years. Allegedly very influential, also among politicians in Africa, he has convinced many people of this project. Through own observation he wages that in several cities most of the food and agro-products are imported from abroad and rarely from the country's own countryside. Moreover, he estimates that the majority of the caloric intake in Africa comes from cassava, making of it an everywhere-grown produce. However, there is little interaction between the smallholder producers and the cities, because cassava decays within three days after the harvest. Cassava starch is nonetheless

multifunctional: it can be used *inter alia* for sugar, textile and bioethanol, but in general only imports, instead of local cassava, supply African markets. The bottleneck was thus to connect farmers with the cities and industries. Consequently his company developed a mobile processing unit, which can go into the bushes and process the smallholders' cassava production in remote areas.

Processed cassava cake remains usable for a year, in contrast to the few days that raw cassava can resist. The only necessary infrastructure is decent roads allowing the processing unit to arrive to a determinate place during the dry season. The unit stays 4 months in an area, collecting cassava of surrounding villages and then move out to another zone. Since the cassava cake – result of the cassava processing – can be used for beer production, the idea became very popular amongst the South African brewery, whose interests orbit around three points:

- 1) Financial-economic interest: Commonly, malt barley is used for beer production. In Mozambique, barley needs to be imported from other countries and from Europe in particular. Replacing the barley for the cheaper cassava cake can save billions, being thus a huge cost-benefit incentive.
- 2) Image interests: the image generated by this strategy is of a responsible business and can be displayed to the world and in the countries where activities are occurring. In Mozambique, for example, 20 to 30 thousand people can be soon lifted from poverty, according to the company's estimates. This is also a reason for first operating in Nampula province – a very populated and challenging province from poverty perspectives.
- 3) Taxes: incentives are given in the form of lower taxes, since ingredients are now locally produced. Adding up to the cost-benefit side.

Operating in two regions of Mozambique – North and South – the company was almost ready to operate at full capacity by the time of the interview. Several positive aspects for local development were identified as a result of the company's activities. In fact, as indicated on the second point above, the business model was from scratch planned to give preference to benefiting local populations over yielding profits. Recapitulating, the goal of the huge South African multinational is to bring positive image to the business. Hence, as long as people are being raised from poverty, they are satisfied with whichever economic outcomes.

In this sense, the contracted Dutch enterprise plans not only to secure a market for the cassava production of around 5000 smallholders in Mozambique, but also train them to increase their cassava yields over time. Advanced agriculture techniques will be introduced as well as they will try to convey a message to the smallholders, trying to make them grasp the advantages of investing in their own business, instead of in goods that will not bring them business advantages (such as flat screen televisions). Another training scheme

planned for those communities regards organizing their harvest period and coordinating it with activities in the Dutch company. They estimate that, eventually – after the whole knowledge transferring period – annual smallholders’ income may rise up to 38 times. At the same time, at least in Mozambique, the company is developing an economically sound business as well, yielding profits by selling cassava cake to a new beer brand of *Cervejas de Moçambique*, the local subsidiary of the South African brewery.

Other advantages for local development can be observed in side effects triggered by the business operations: economic spillovers deriving from above average wages; sharing boreholes with local populations during periods of operation idleness; extension services dispensed; and waste management process, in which the waste becomes compost and is later given to local partner smallholders are only a few examples of good and responsible practices of this Dutch company (Box 1).

In sum, they can probably reach the goals of the multinational brewery which is to use the improvement of very poor communities’ life conditions as positive advertisement for the company. At the same time, they can develop an economically sound business – proving that it is possible to prioritize local communities’ wellbeing and yield profits at the same time.

BOX 1 – Side effects on health issues

The South African brewery’s local brands dominate the beer market in Mozambique. Consequently, there is no logic on introducing a new brand in the main urban markets of the country. Hence, the brewery’s objective is to use the cassava cake in the production of a cheaper brand and to sell it in the rural areas, where demand for alcohol is high, but where lower income prevents the consumption of the main brands of beer. Ironically, this business strategy can bring positive outcomes from a health perspective. Currently, the quality of alcoholic beverages available in the rural areas is dubious. They come from a very cheap production, cost less than 0.35 dollar cents in the shops and have very high alcohol concentrations. Severe health problems are caused by the consumption of these beverages, in particular for its high concentration of alcohol. Although issues with alcohol abuse might and probably will persist, the introduction of a good quality beer, could slightly improve the situation of health problems being caused by cheap quality alcohol consumption.

5. Conclusions

Under the light of the growing interest for land in developing countries, this research had as purpose to assess current characteristics of the governance of investments in agriculture in Mozambique and conclude whether the policies and other mechanisms of governance indicate a governmental trend to bring about sustainable development. Assuming that the government is recently shifting its position as protector of people's rights to land and to a sound environment to a new position of state entrepreneur, this research tried to connect the drivers to the effects of investments for Mozambique's sustainable development and, thereby, assess whether the assumption was valid. As stated in the hypothesis of this thesis, it indeed seems to be happening a situation in which governance practices diverge from what is provided in legislations and guidelines, creating a series of irregularities with dire effects to parts of the Mozambican population.

Without overlooking the government's pro-activity in what concerns making policies, strategies and plans of action *vis-à-vis* agriculture promotion and development – which, inclusive, are mostly in consonance with regional frameworks – it became clear that the same government is not so pro-active when enforcing the progressive land legislation and the environmental law and their regulations. In other words, there is much more rhetoric and theory than actual practices and actions. It is common to see research projects pointing out the *inherent lack of capacity* of African governments in dealing with issues concerning investments and enhancing agriculture outputs. But for beyond the lack of capacity, one could also say that it may actually lack the will to make things happen. Especially in what concerns following national and/or international guidelines and legislations, the governmental lack of willingness could be actually the cause of the lack of capacity. Influential people trying to use the State machinery for personal gains should also be regarded as one other big problem leading to the recurrent *lack of capacity*.

This research has showed that a well capacitated and willing government is able to develop a good role of promoter of investments. Mozambique, for example, counts with *inter alia* well structured institutes of crop promotion and coordination, strong social and environmental legislations, traditional and customary inclusive policies, international support, and naturally attractive (geographic and resources wise) conditions to incentivize agribusiness in the country. Nevertheless, it seems that the linking elements between the potential to sustainably develop the sector and the concretization of those potentials are missing. At the mean time, the role of the governance in Mozambique diverges between positive and detrimental actions concerning a sustainable development of the agribusiness.

Take for example the social-positive legislations and agricultural policies/strategies and contrast them with the social-negative outcomes of a quotidian observation of governmental actions: at the same time that legislation is strong, officials systematically disregard the legislations' guidelines and even use the bureaucracy for personal interests.

The outcomes are cases in which, instead of promoting agribusiness that bring about social development, some government officials promotes their own interests or overlook the correct national procedures of investment guidance and end up bringing about social-negative effects. Communities illegally and short-noticed displaced, smallholders losing their land and not receiving (fair) compensations for it, and intra-community and inter-community conflicts are a few examples among others of the negative impacts the lack of governmental correct support might bring.

Investments in agriculture are generally welcome in Mozambique. A sample of 69 agribusinesses showed how heterogeneous the investors can be in the country. The government and society are willing to receive those foreign and national companies in their localities, but while it apparently suffices for the government to simply have the investment in Mozambique, for local populations the actual benefits appear to be built on good long-term relationships with investors. Moreover, for beyond good relationships, a good communication and understanding of the implications of the investment need to be transmitted. In fact, as this research has pointed out, the lack of good communication on the effects of the incoming investment risks to create situations of dissatisfaction with negative outcomes even for the investment itself. In sum, it appears to be mutually beneficial to investments and communities to have the legislation precisely followed. In this sense, it should be also part of the investment's responsibility to try to enforce governmental support to the well application of the guidelines provided in existing legislations.

However, the initiative for promoting a more sustainable agribusiness should not only come from the relation investors-communities, but also from the government – the most well positioned stakeholder to promote and enforce good practices. There is a strong need for more governmental pro-activity when pressing the private sector to implement socially and environmentally responsible policies and activities – especially with respect to large scale projects – that goes beyond solving the mentioned problems of investors-communities relations, or finding *ad hoc* solutions or implementing superficial *corporate social responsibility* (CSR) policies. So far, the state has no coordinating role regarding social responsibility and only generally stipulates rules for extractive industries. As observed by the German Cooperation, GIZ (2013, 23), this lack of control creates a scenario where “CSR activities are mainly of an *ad hoc* nature with a primary focus on donations or voluntary contributions to communities in areas of identified need such as education and healthcare”. This trend might not be sustainable and is an effect of a situation in force identified by UNDP (2012, 125), which warns that “private investors naturally prioritize their own objectives, not the wellbeing of the poor and vulnerable.” This need not to be so and can be curbed by increased efforts of the Mozambican government.

Giving priority to the general population instead of to private sector must become an integral part of the government's interest. Or in a convergent personal suggestion, the government can prioritize private sector elements which prioritize population. Feasible

examples of business and initiatives concerned with local population's wellbeing were presented in this work. It is possible to bring the private sector's profit together with the population's wellbeing, sometimes all that is needed is an initial push and actual willingness to do so.

But for giving that initial push the government must also be well capacitated and well supported by local civil society. In addition, local academia should become also more involved in the issues here presented. Currently, there is no evidence of academic interest on the theme of corporate social responsibility (GIZ 2013), and rather focus more frequently in land issues and conflicts between investors and communities, instead of trying to find solutions that bring into stake the whole of the governance in the country. Academia and civil society can be a useful support for policy-makers interested in tackling themes associated to companies' responsibilities towards society and environment. NGOs are also example of civil society stakeholders that should be better supported in their claims for more equitable development and, yet, they are not – sometimes even being shunned by the central government, when personal interests conflict with NGOs points of view.

In sum, this period in the fields allowed to notice that more attention should be given to elements of the private sector that prioritize the wellbeing of the communities in which they work. And not just profit motivations. Being land central to identity, livelihoods and food security (Cotula *et al.* 2009), and deeply connected to tradition and culture at the same time that very sought by foreign and national large-scale farmland investments, it is clear that it can surely bring positive benefits beyond simply macro-economic ones. Investments in farmland can actually change thousands of people's livelihood strategies (for the better or for the worse). That is a reason for which land is and will still be very important for a country where great part of the population depends on agriculture to survive and where agriculture is observed as one of the main – if not the most important – sector of the economy for the country's development. In the past decade, Mozambique has grown in respect to economy, population and potential to development, but at the same time, the challenges to promote a sustainable development have also grown bigger and so has the governments' responsibility to promote such. However, it is still missing the linkage between the potential, the concretization of the potential and the distribution of the benefits of concretized potential to the bulk of Mozambican population. Benefits are only generally presented as overall macro-economic ones, such as GDP growth, and rarely as environmental and social ones. And population keeps growing at fast pace and so will the search for available and suitable land.



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