UNDERSTANDING LAND INVESTMENT DEALS IN AFRICA

COUNTRY REPORT: **MOZAMBIQUE**

The Oakland Institute

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ABOUT THIS REPORT

This report is part of the Oakland Institute's (OI) seven-country case study project to document and examine land investment deals in Africa (Ethiopia, Mali, Mozambique, Sierra Leone, Sudan, Tanzania, and Zambia) in order to determine social, economic, and environmental implications of land acquisitions in the developing world.

This report is the product of research undertaken by OI between January and August 2011. The research team conducted thorough examination of the actual agreements and the extent and distribution of specific land deals. Through field research, involving extensive documentation and interviews with local informants, multiple aspects of commercial land investments were examined including their social, political, economic, and legal impacts. The team also met with government officials, civil society, investors, and the local communities that have been impacted by land investments.

TABLE OF CONTENTS

LIST OF ACRONYMS

BIT	Bilateral Investment Treaty
CEPAGRI	Centro de Promoção da Agricultura; Commercial Agriculture Promotion Centre
CFJJ	Centro de Formação Jurídica e Judiciária
CG	Consultative Group
ch	chapter
CTA	Confederação das Associações Económicas de Moçambique, Mozambique Business Associations Federation
DNTF	Direcção Nacional de Terras e Florestas; National Directorate of Land and Forests
DUAT	direito de uso e aproveitamento da terra, right to use and develop land
FAO	United Nations Food and Agriculture Organization
FSC	Forest Stewardship Council
GSFF	Global Solidarity Forest Fund
GSFI	Global Solidarity Fund International
ha	hectare (2.47 acres)
IFIs	international financial institutions (mainly IMF and World Bank)
IIED	International Institute for Environment and Development
IMF	International Monetary Fund
MDGs	Millennium Development Goals
MIGA	Multilateral Investment Guarantee Agency
MONAP	Mozambique-Nordic Agricultural Program
NATO	North Atlantic Treaty Organization
NGO	non-governmental organization
OECD DAC	Organisation for Economic Co-operation and Development, Development Assistance Committee
OI	Oakland Institute
ORAM	Organização Rural para a Ajuda Mútua; Rural Association for Mutual Help
PARPA	Plano de Acção para a Redução da Pobreza Absoluta, 2001-2005; Action Plan for Reducing Absolute Poverty
PEDSA	Plano Estratégico de Desenvolvimento do Sector Agrária; Strategic Plan for the Development of the Agricultural Sector
SPGC	Serviço Provincial de Geografia e Cadastro; Provincial Mapping and Land Registry Service
TIA	Trabalho do Inquérito Agrícola, National Agriculture Survey
ton	Metric ton (1,000 kg - 2,204.62 lb)
UDI	Unilateral Declaration of Independence (Rhodesia 1965)
UNDP	United Nations Development Program
US	United States
USAID	United States Agency for International Development
USD	United States Dollar

EXECUTIVE SUMMARY

Mozambique's history of Portuguese colonialism, three wars, and then the imposition by the World Bank and International Monetary Fund of a harsh neo-liberal economic model led the government in the 1990s to accept the idea that the only way to promote development and end poverty was through encouraging foreign investment. Mozambique was identified by the World Bank as one of five sparsely populated African countries with large tracts of land available for rainfed cultivation. After 2000 rising food and fuel prices and new climate change-related attention on forests triggered the interest of investors in Mozambique, particularly for trees (for paper, timber and carbon credits) and agrofuels (notably sugar and jatropha).

Mozambique granted concessions to investors for more than 2.5 million hectares (ha) of land between 2004 and the end of 2009. This is 3 percent of the land area and 7 percent of the country's arable land. More than 1 million ha went to foreign investors, 73 percent for forest and 13 percent for agrofuels and sugar. The largest concessions were to Portucel, a Portuguese paper company, and to two Nordic groups claiming to be green and promoting development – Malonda Foundation and the Global Solidarity Forest Fund (GSFF), which involves Nordic churches and a major Dutch teachers pension fund. Sugar and agrofuels are dominated by European and South African companies.

What appeared to be a new European "land grab" in Mozambique resulted in major problems as investors came into conflict with local communities in several parts of the country. The pressure for high profits has pushed foreign companies into seizing land farmed or used by local communities, displacing farmers and threatening their livelihoods and food security. The government accused GSFF of occupying thousands of hectares of land it had not been allocated while peasants said they had been pushed off land, and responded by burning forests and chopping down trees; GSFF was forced to replace its management in 2011. A highly publicized sugar for ethanol project, ProCana, collapsed. Investment companies, hedge funds, and speculators exaggerated their land holdings and their production and profit potentials, while minimizing risks and problems, in an attempt to attract investors and inflate stock market values. The rush to show results for investors led to companies riding roughshod over local communities. Furthermore, at least 1 million ha of the allocated land is not being used.

Attempts to produce biodiesel from jatropha ran into serious problems. It has been argued that trees and jatropha could easily grow in poor soils. The problem is that to be profitable, both forestry and agrofuels require good land; foreign investors are not interested in the poor quality land, which puts them in direct conflict with food production.

In Mozambique land is the property of the state. Communities and individuals have permanent occupation rights; communities have rights to register large areas of land. National and foreign investors can obtain concessions (effectively leases, known as DUATs), for unused land for 100 years, subject to community consultations. Many consultations have been badly done and investors have dealt poorly with communities, leading to subsequent land conflicts. A big issue has been that investors often make promises, particularly about jobs, and then do not fulfill them.

Promoters of forestry investments in Mozambique argue that they are good for the climate (earning carbon credits) and support sustainable local development, while also being highly profitable. Experience over the past decade raises serious questions about this model, as the pressure for high profits is causing conflict between the companies and local communities, which in turn are raising questions about the validity of trading farmland and access to forest resources in exchange for a limited number of low paying jobs.

Strong supporters of agricultural and forestry investments have been political and economic elites using their influence to obtain land for themselves or serving as agents for investors. In both cases, they put pressure on district administrators and local chiefs to rush through consultations and approvals –

often saying the governor or president demands they agree. Thus improper use of influence has been seen increasingly as unproductive, leading to land being left idle or not well used, and hundreds of cases of land conflicts have now been reported to the Ministry of Agriculture, including 152 in Maputo province, 80 in Zambézia, 63 in Tete, and 59 in Cabo Delgado. Land conflicts reflect badly on the ruling party, Frelimo, which does not want this to be an election issue, or become the basis of local disturbances, as has happened in Niassa and Gaza, for example.

As a result, at the end of 2009, Mozambique stopped making new large-scale land concessions. From the end of 2009 until at least mid 2011, there were no land concessions over 1,000 ha. Several large-scale investments are in the process of being cancelled, a step taken by the government because the investors were not carrying out the agreed upon investment plan.

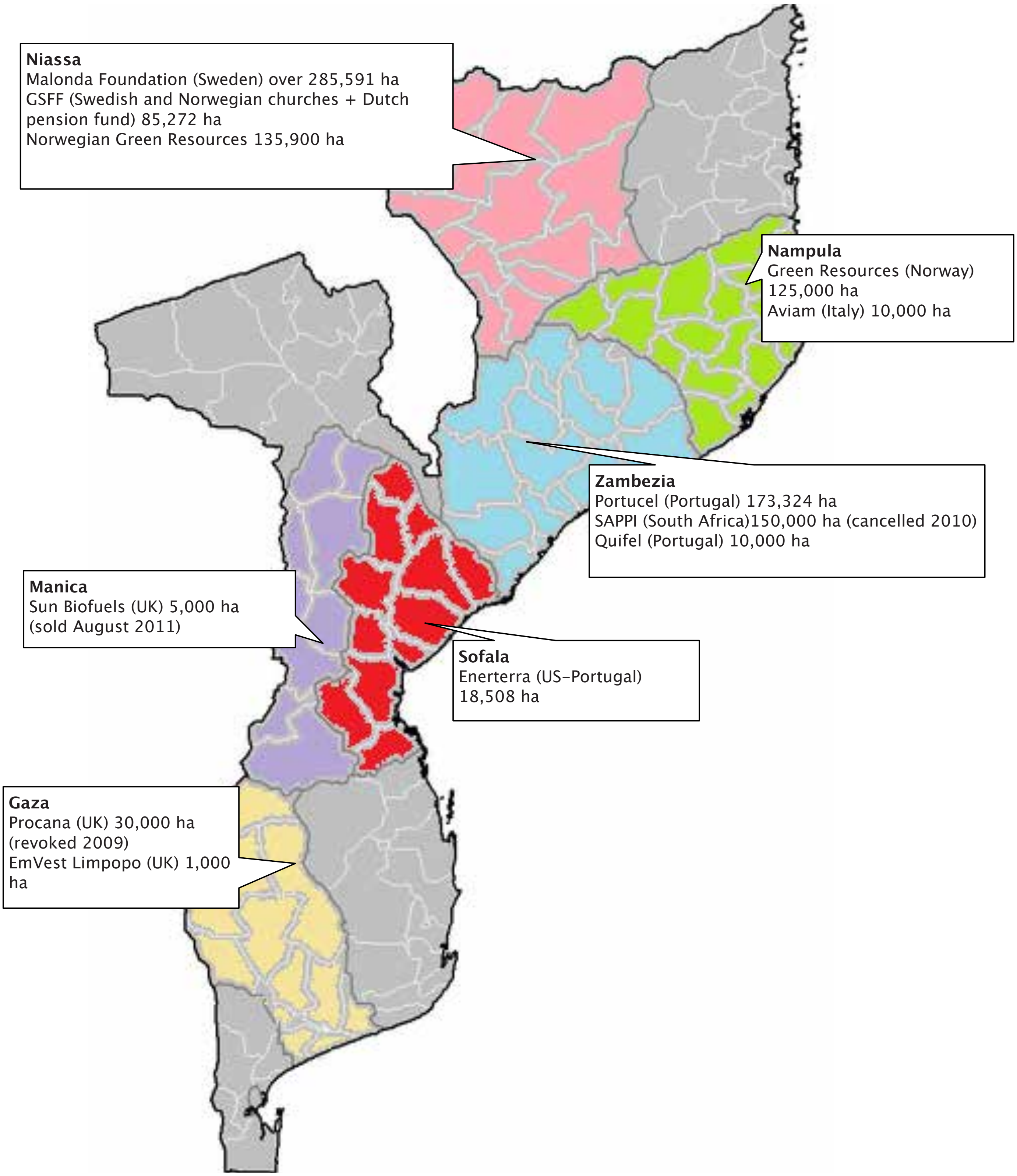
So far, large-scale foreign investment in land and other private sector activities have failed to promote rural development and poverty reduction, leading to rethinking and growing debate within Mozambique. A new agriculture policy approved in May 2011 put the emphasis on small-scale commercial farming and domestic investment. A process of community land registration to secure communities' land rights is now under way for 10 million ha.

Meanwhile, a detailed land survey due to be completed in late 2012 is an attempt to identify land suitable for domestic and foreign investment in intensive agriculture. Policy statements have given top priority to food production, but also give high priority to agrofuels, both for domestic use and for export.

There is broad consensus that Mozambique has enough available good land and water and, even with climate change, adequate rainfall to feed itself and be a significant agricultural exporter. There is also broad consensus that agro-processing should be a basis for industrialization and that foreign capital and technology is needed to raise agricultural production and productivity. But the balance between small and large-scale, between foreign and domestic investment, and between food and other crops, is subject to intense debate. Some Mozambicans continue to promote large-scale foreign investment in land, while others look to smaller-scale and more local development.

This debate seems likely to continue. After a two year freeze, large-scale land concessions to foreign and domestic investors resumed in October 2011, with large concessions expected for sugar and forestry, and smaller concessions for other agrofuels and food crops.

New investments seem to be judged much more carefully in terms of their viability and development potential, with more careful examination of job creation and potential alternative uses of the land. In parallel, the Ministry of Agriculture is looking more closely at past large concessions, to cancel them or sharply reduce their size. Some of the largest investors like GSFF have changed their management and are expected to address the problems of malpractices and misappropriation of land. Civil society and peasant organizations have been successful in exposing many of the problems and failures related to recent land investments and are now working to register community lands. Their role in guiding and monitoring the implementation of the new agriculture policy is paramount to ensure that future investments will actually serve social and economic development in Mozambique.


Niassa
Malonda Foundation (Sweden) over 285,591 ha
GSFF (Swedish and Norwegian churches + Dutch pension fund) 85,272 ha
Norwegian Green Resources 135,900 ha
Nampula
Green Resources (Norway) 125,000 ha
Aviam (Italy) 10,000 ha
Zambezia
Portucel (Portugal) 173,324 ha
SAPPI (South Africa)150,000 ha (cancelled 2010)
Quifel (Portugal) 10,000 ha
Manica
Sun Biofuels (UK) 5,000 ha
(sold August 2011)
Sofala
Enerterra (US-Portugal)
18,508 ha
Gaza
Procana (UK) 30,000 ha
(revoked 2009)
EmVest Limpopo (UK) 1,000 ha

INTRODUCTION

Around the world, fertile land is being made available to investors, often on long-term leases and at giveaway prices. This trend, commonly referred to as "land-grabbing" by its critics, increased after the global food and fuel crisis of 2008.[1] By the end of 2009, such investment deals covered 56 million hectares (ha) of farmland around the world.[2] Corporations, fund managers, and countries anxious to secure their own future food security have sought large land holdings for offshore farms, or simply for speculation. The United Nations Food and Agriculture Organization (FAO) has suggested that this can engender a "win-win" situation,[3] and the World Bank has laid out a set of principles for "responsible agro-investment" that in theory, could make this the case.[4] However, many civil society and human rights groups, smallholder farmer associations, and scientists disagree. They argue that "land-grabbing" threatens food security and the human right to food and land. They call instead for investment in – and support for – smallholder farming systems.[5] Africa has been a particular target of land- and water-hungry investors, representing more than 70 percent of the investors' demand. Five sparsely populated countries with large tracts of land suitable for rainfed cultivation (and sufficient precipitation) – Democratic Republic of Congo, Mozambique, Sudan, Tanzania, and Zambia – have attracted most of the interest.[6]

Mozambique has been promoting large-scale plantation agriculture and forestry since independence in 1975; it has been encouraging foreign investment since the late 1980s, but this really only became significant after 2000. Between 2004 and 2010 Mozambique granted concessions to foreign companies of close to 1 million ha, 73 percent for forest and 13 percent for agrofuels and sugar. (See Annex 1) This is significant, representing about 2.5 percent of arable land in the country.[7] (See Box 1) In all, 15,272 land concessions were granted, mostly to Mozambicans, between 2005 and 2010, covering 2.5 million ha.[8] Several large projects ran into problems, with investors – including Nordic churches – acting in bad faith, conflicts with peasants and local communities, and a growing understanding that there should be greater local benefits. Some land concessions proved deeply problematic, ranging from speculative investors merely trying to profit from the land concession to ones claiming to promote green development while coming into conflict with local communities.

Difficulties with even well-intentioned projects and the widespread failure of investors to keep promises to local communities led to the freeze in new concessions at the end of 2009, and has triggered a broad debate about how to use land and create a proper mix between food production, exports, and general economic development. From the end of 2009 to October 2011, Mozambique made no land concessions of over 1,000 ha. A new agriculture policy approved in May 2011 reversed previous policy which has put substantial stress on large-scale foreign investment. The new policy encourages medium-size, domestically-driven commercial agriculture, and one of the few references to foreign investment notes "a preoccupation with the underuse of very large areas which have been granted to investors."[9] The issue is far from closed, however, and there is growing public debate.

The debate is also colored by the way the World Bank and other agencies have exaggerated the scale of the land investments. For example, in the Preface to its report *Rising Global Interest in Farmland*, the World Bank says that between January 2004 and June 2009 in Mozambique "2.7 million [ha] were transferred" to foreign investors, yet later in the report it admits that concessions "were granted for just over 1 million ha to 259 projects; another 117 project proposals, involving more than 1.27 million ha, are being reviewed."[10] Mozambique had granted none of the pending applications by mid-2011. Exaggerated claims are not new. In 1996 there were claims that concessions of 20 million ha (one quarter of the country) had been granted and a further claim that another 20 million ha had been granted to the "Heaven on Earth Development Corporation."[11] Neither claim was true. More recently, it was widely reported in the press that China had been given vast tracts of land to settle 20,000 people, and that 800 South African farmers had been given land; again, neither of these claims was true.[12]

The issue of land investment is directly linked to development policy. Mozambique has extensive land which is presently underused, and could be developed to make the country both food self-sufficient and an important exporter of food and other products. What has not been resolved is how to do this in a way that creates jobs and promotes development. Substantial investment will be needed, and some of this could be foreign. A zoning exercise is now underway to identify land that could be available for large-scale agricultural investment, while community land demarcation is also being done to try to reduce conflicts. As the zoning is completed in 2012 or 2013, some new large projects will be approved. Inside Mozambique, the debate about development and foreign investment continues. A question remains about whether large-scale foreign investment can prove to be beneficial to development or if a shift to smaller-scale domestic investment will be more effective.

This report is divided into five sections. The first section is an overview of the political and macroeconomic context, including poverty, food and agriculture, with a particular look at the role of development partners. The second section considers land, the land law, and potential conflicts over land. The third and fourth sections examine large land grants and present some case studies examined during fieldwork conducted by OI, focusing on forests (section 3) and agrofuel (section 4). The final section reports on the land concession freeze and rethinking around land use.

1. MOZAMBIQUE – WAR, LAND AND POVERTY

Mozambique is one of the poorest countries in the world, and poverty is not decreasing. In 2010, it ranked 165 out of 169 countries in the UNDP Human Development Index.[13] Poverty levels fell from 69.4 percent in 1996-97 to 54.1 percent in 2002-03, but then remained virtually constant, at 54.7 percent in 2008-09. Similarly, chronic malnutrition is falling only very slowly, from 49.1 percent of children under 5 in 1997, to 47.1 percent in 2002-03, to 46.4 percent of children in 2008-09.[14]

Mozambique's poverty is rooted in factors that date back more than a century – to colonialism and the slave trade, then three wars, and more recently the imposition of neo-liberal economic policies that failed in their promise to promote development. The country's agricultural potential has made it a target for "land grabs" by foreigners for the past 400 years.

Mozambique is in south-east Africa, bordering South Africa, Swaziland, Zimbabwe, Zambia, Malawi and Tanzania. It faces the Indian Ocean, with a 2,500 km coastline. Mozambique had a long history of commerce with Arab and Swahili traders, and from 1500 Portuguese traders, all of whom established coastal settlements. Portugal occupied coastal Mozambique in the 16th century. In the early 17th century the Portuguese began granting *prazos*, areas of land over which Portuguese settlers (often former soldiers) had military and economic control.[15] The Portuguese slave trade was extensive and continued until 1910; Mozambique probably lost 2 million people.[16] Portugal only established effective control over its Mozambican colony after the 1884-85 Berlin conference. It then began to encourage foreign companies to set up large-scale export agriculture – opium, rum made from local sugar, coconuts, and tea. In 1891 one-third of the country was simply given to two private firms – the Moçambique Company and the Nyassa Company – both owned by British and French interests. Peasant cash cropping was curbed to ensure there were enough workers for the new plantations and for the South African mines.[17] For export, sugar, tea, and sisal became major plantation crops and cotton was an important forced peasant crop in the mid-part of the 20th century. Forestry was also promoted.

Portugal was the poorest of the colonial powers, and it sent 200,000 largely illiterate peasants to Mozambique to avoid land reform at home; 2,000 irrigated settlement areas, known as *colonatos*, were created. Education levels remained very low – most Mozambicans were not allowed more than 4 years of primary schooling, and the 1955 census showed that only one-third of Portuguese in Mozambique could read and write.[18] Even in the early 1970s all middle level jobs, such as clerks and taxi drivers, were still occupied by Portuguese.

Three Wars and Foreign Investment

As the "wind of change"[19] swept independence southward through Africa, Portugal refused to grant independence to its colonies, while white-ruled Rhodesia issued a Unilateral Declaration of Independence and white-ruled South Africa strengthened its apartheid system, leading to nearly 30 years of war in Mozambique. The Liberation Front of Mozambique, (FRELIMO), liberation movement founded in 1962 to fight for independence, launched its war in 1964, which continued until Portuguese soldiers exhausted in fighting unwinnable colonial wars toppled the government in 1974 (The Carnation Revolution). NATO had backed Portugal, so Frelimo gained support from the then socialist bloc, both China and the then the Soviet Union. Mozambique gained independence in

BOX 1: MOZAMBIQUE AT A GLANCE

Area: 799,380 km²
Population: (2011) 23,049,621
Capital: Maputo
Official language: Portuguese
Currency: Metical (Mt) Sept 2011: Mt 27 = USD1, Mt 37 = €1

GEOGRAPHY AND CLIMATE

The climate is tropical and sub-tropical.

Unofficially divided into three regions. The north with three provinces (Niassa, Cabo Delgado, and Nampula), the center (Zambézia, Tete, Manica and Sofala provinces), and the south (Gaza, Inhambane, and Maputo provinces, and the capital, Maputo city, which is also a province).

The Zambezi River, the fourth longest river in Africa, runs through central Mozambique. Tete province contains the Cahora Bassa dam, one of the largest hydro-electric dams in the world, which was completed in 1974.

The south and parts of Tete province are the driest areas. Rainfall ranges from 2,000 mm per year in the mountains to 1,400 mm near the Zambezi delta and down to 300 mm a year in the driest areas of Gaza.

There are three main land zones. A coastal belt under 200 m and up to 100 km wide covers 40 percent of the country, with light forests and grassland; the coast contains mangroves and palm trees. A plateau zone (200 m to 1,000 m altitude) covers 55 percent of the country, mainly in the west and north, and has the best agricultural land; this includes open forests, dense subtropical and tropical rainforests and savannah. Mountains with elevations above 1,000 m account for 5 percent of the land area; the highest is Monte Binga at 2,436 m.

Much of the area is Miombo woodland, a species-rich tropical savannah ecosystem dominated by trees in the genera *Brachystegia* and *Julbernardia*, which survive the low rainfall and relatively nutrient-poor soil.

LAND

80 million ha = total land area of Mozambique
of which the land cover is
- 27 million ha = dense forest
- 16 million ha = open forest
- 1 million ha = forest plantations and tree crops
- 10 million ha = mixed forest and cultivation
- 14 million ha = bush, savannah, pasture
- 6 million ha = cultivation (mainly annual)

Land already occupied includes
- 17 million ha = parks and other protected zones
- 10 million ha = delimited to communities
- 3 million ha = already allocated to investors (DUATs)

Agricultural potential
- 36 million ha = potentially arable (Ministerio da Agricultura)
- 12 million ha to 19 million ha = potentially available for agriculture, forestry, cattle
- 6 million ha = actually being cultivated
- 7 million ha = available for investment (CEPAGRI)

Sources: Direcção Nacional de Floresta e Fauna Bravia – DNFFB, Ministerio da Agricultura, Instituto Nacional de Estatística, Centro de Promoção da Agricultura – CEPAGRI, *Mozambique Political Process Bulletin* 48, 22, 2011, International Institute for Applied Systems Analysis (IIASA), UN Food and Agriculture Organisation (FAO).

1975 as a one party, socialist state under Frelimo. Rapid expansions of health and education made Frelimo popular. Economic collapse had started in 1973 before the end of the independence war and was exacerbated by the flight of most Portuguese, but Frelimo reversed the decline in 1977 and brought the economy back to pre-independence levels by 1982. Mozambique then faced two more wars.[20]

Rhodesia's white UDI regime attacked Mozambique in 1976 and set up an opposition guerrilla movement, later known as Renamo, while Mozambique enforced the United Nations mandatory sanctions against Rhodesia. The war continued until Zimbabwe became independent in 1980. But the election of Ronald Reagan as the president of the United States in 1980 led to an intensification of the Cold War, implicitly backing the white minority "apartheid" regime to attack Mozambique and support Renamo. Mozambique became a Cold War battlefield with the "West" backing South Africa to attack "socialist" Mozambique, which had support from the "East," including the Soviet Union. The war stopped in 1992, with the end of the Cold War and the release of Nelson Mandela from prison in South Africa. Destruction in the 1981-92 war was massive: from a mid-1980s population of 13 million, 1 million people (7 percent) died and 5 million (40 percent) were displaced or made refugees. Damage exceeded USD 20 billion, with widespread destruction of rural infrastructure – shops, farm equipment, lorries, roads, railways, and bridges.[21] Marks are still visible of the pounding Mozambique received; in rural areas, empty shells of destroyed shops and houses can still be seen, and some bridges destroyed two decades ago are only now being repaired.

Multiparty elections have taken place in 1994, 1999, 2004 and 2009 (national) and 1998, 2003, and 2008 (municipal). Frelimo remains the ruling party, while Renamo is the main opposition party but its support has faded, and it has only 20 percent of the seats in parliament and controls no municipalities. There is a two-term limit on the presidency, and President Armando Guebuza, elected in 2004 and 2009, has

Students at the agricultural college in Ribaue confirmed he will not attempt to change the constitution to contest elections again.

With the end of the war and UN-supervised multiparty elections, donors threw their support behind Mozambique. In the 16 years 1993-2009, useable aid[22] to Mozambique was USD 15 billion – which seems substantial, but was not even enough to repair the damage of the war – and it came with heavy conditions. The end of the Cold War was also the height of neo-liberalism, and in the early 1990s the international financial institutions (IFIs), the International Monetary Fund (IMF) and World Bank, imposed a particularly strict regime of privatization, liberalization of trade, and sharp cuts in government spending. Reconstruction of war damage was not allowed because the IMF argued it would be "inflationary," wages of civil servants including nurses and teachers were lowered to the point where they fell below the poverty line.[23] Additionally, there could be no expansion of health and education; Frelimo had to abandon plans for universal primary education. There was no peace dividend and the economy continued to decline for three years after war ended.[24] Finally, bilateral donors rebelled in 1995, in part because the IMF was preventing Mozambique from spending their aid, and sent an unprecedented public letter to the head of the IMF. Over the next five years, the cap was slowly lifted; minimum wages began to increase and the economy began to grow. The acceptance of the Millennium Development Goals (MDGs) led to a total reversal of policy, and support for rapid expansion of health and education, which Mozambique had always wanted to do, but which just a few years earlier the IFIs had opposed.

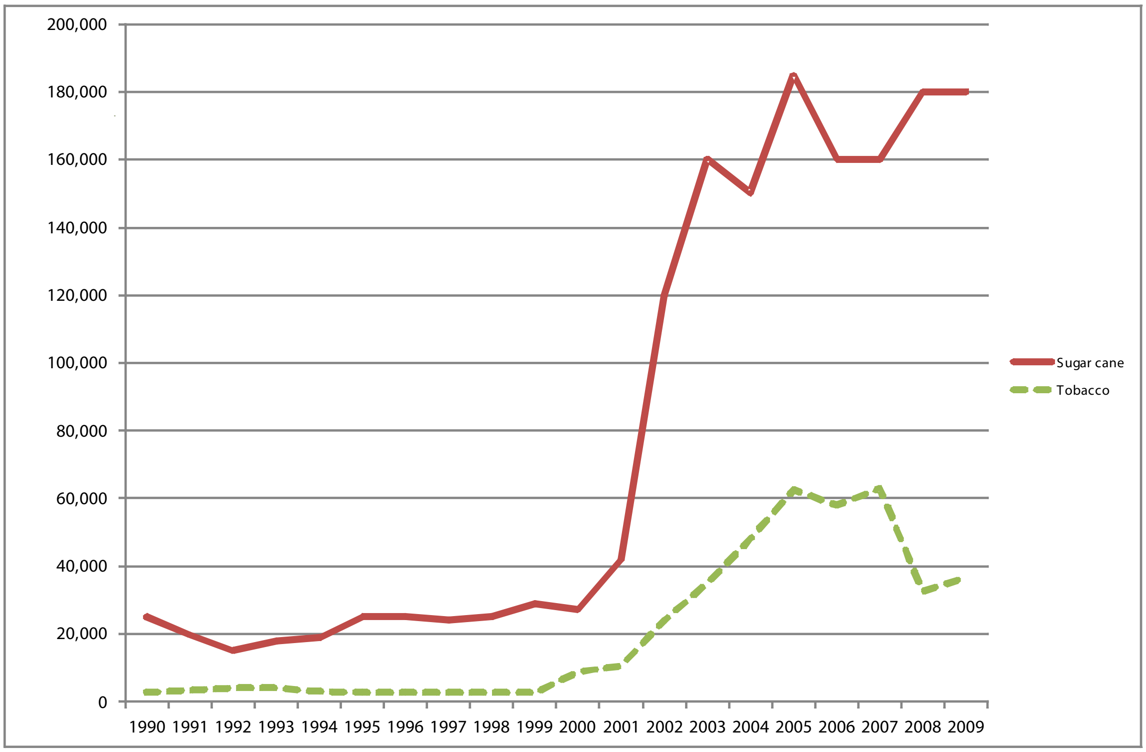
Economically, development and poverty reduction was left to the private sector and the market. In the 1990s this simply involved the smallest possible government, but the World Bank, in particular, realized that the civil service was too small and unskilled to properly manage World Bank projects and that the private sector would not provide roads and other infrastructure. With the MDGs it put a new focus on what was called "human capital." The Poverty Reduction Strategy Paper approved in 2001 set a new tone: "In a development strategy based on the market, the principal role of the government in the promotion of investment and productivity is in priority areas, particularly through investment in human capital, infra-structure development, programmes to improve the quality of public institutions, and efficient macro-economic policies." With emphasis on "attracting greater levels of foreign direct investment" and creating a "propitious climate" for investment, the document called on international partners to provide investment and markets.[25]

In practice, the main private foreign investments were capital intensive mineral-energy projects, the so-called "mega projects": a giant aluminum smelter using electricity indirectly from the Cahora Bassa Dam, exporting natural gas to South Africa, and mining titanium. These created few local jobs or internal links, and did little to promote development. Later the world's largest unexploited reserve of high quality cooking coal was discovered, with the first mines beginning production in 2011. (Coal and titanium mines are open cast and thus involve substantial land use and significant relocation of people, but they are not considered in this report, which looks strictly at land for agriculture and forestry.)

Farming

At independence in 1975, most Portuguese left and there was a major economic restructuring. Frelimo promoted rapid development and modernization, which it saw as big factories and farms. Peasant farmers, already marginalized by the Portuguese, received no support from the new government, which instead moved toward larger cooperatives and, following a colonial model, plantations. Most *colonato* farms were abandoned, but the *colonatos* were not given back to the former peasant landholders; instead they were converted into large state farms. There were over 100 state farms with more than 600,000 ha of the most productive land.[26] And Mozambique tried to create new giant projects, including a 400,000 ha cotton plantation in cooperation with Romania. Lonrho, another company with a colonial history, took over part of the project in the late 1980s, but also failed to make plantation cotton work.[27] Indeed, the government lacked the managerial and financial capacity to run so many state farms. And Renamo guerrillas targeted the state farms, both because they were symbols of Frelimo, and because rural infrastructure was an easy target. By the end of the war, most state farms were

FIGURE 1: AREA PLANTED FOR TWO EXPORT CROPS 1990-2009 (ha)



Source: FAOStat, accessed August 8, 2011.

badly damaged and using little of their land. In the late 1980s and early 1990s, Mozambique's leadership was confused about how to deal with the former state farms; several draft policy papers were published but none were adopted. Donor policy was for privatization. Into this vacuum stepped local officials, who began to allocate state farm assets and land to a wide range of people – from local peasants to government and party officials, and to foreign and national investors. Some, like Lonrho, had high level government backing. Issues around land after the war, relating to returning refugees, state farms, and foreign investment all contributed to the demand for a new land law, discussed in the next section.

Both the colonial government and the new independence government promoted plantation agriculture and did not support peasant farmers. The colonial government wanted to ensure labor for the plantations and South African mines, while Frelimo saw larger farm units – state farms and cooperatives – as a way to mechanize and modernize rapidly, and wanted to turn subsistence peasants into better-off workers. With the end of the "socialist" era, the Mozambican government looked abroad to foreign investors to make that leap.

In the 1990s, only two areas of agriculture attracted attention and foreign investment. Mozambique has some of the best natural conditions for sugar production and major plantations had been developed in the colonial era. The first plantations in the late 19^{th} century were to produce rum for gold miners in South Africa. At independence, four of the five sugar plantations were abandoned by their owners and taken over and run by the state; the fifth remained private. Due to Renamo attacks, most sugar production stopped during the 1981-92 war. After the war, the four nationalized companies were privatized and there was substantial investment and expansion in the entire sector. Figure 1 shows the area planted for sugarcane, which jumped substantially after 2000. So far, this is mainly land which has belonged to sugar plantations since the colonial era and was not used during the war years. Some unused plantation land remains, but new areas are also being opened up. A small amount of sugar is now produced by outgrower schemes. For comparison, Figure 1 also shows the land being used for tobacco, which is also a crop promoted by foreign investors, but in this case entirely for contract farming; large international companies have no land for tobacco and all the land is held by peasants.

FIGURE 2: MOZAMBIQUE EXPORTS 2009

Commodity	**USD**
Mineral-energy	
Aluminum	868
Electricity	274
Gas	77
Ilmenite (titanium-iron oxide)	45
Total mineral-energy	**1,264**
Agriculture-timber-fishing	
Tobacco	154
Sugar	58
Wood	28
Cotton	26
Cashew nuts	26
Prawns	24
Total agriculture-timber-fishing	**316**
TOTAL	**1,582**

Source: *Estatistica do Comercio Externo 2010*, Instituto para Promoção de Exportações, Maputo, http://www.ipex.gov.mz/index.php?option=com_docman&Itemid=211&lang=pt (accessed September 19, 2011).

The other exception, timber, also has colonial roots, and is discussed in more detail in section 3. Portugal encouraged the planting of pine and eucalyptus forests, as well as the exploitation of native hard woods, and this was continued in the early years of independence. This was also the first large land-use area to attract investor interest, particularly from 2000. Except for sugar and trees, in the post-war period, donors and foreign investors had no interest in agriculture.

Because of this the Mozambican government paid more attention to smaller-scale farmers. Eighty percent of Mozambicans are engaged in agriculture, and one reason for the very high levels of chronic malnutrition in Mozambique is that the average farmer produces only enough food to feed the family adequately for less than eight months of the year, and this is not changing.[28] The poorest families only produce enough to provide adequate food for half the year. In 2008, only 14 percent of farmers used animal traction and only 2 percent used tractors, while the rest used only hoes to till the soil.[29] The average farm size is just 1.5 ha,[30] and the lack of mechanical tillage means that families cannot farm more land. Most farmers use shifting cultivation to improve soil fertility, and make extensive use of natural pasture and forest land. Furthermore, for two decades, aid levels for agriculture fell and the IFIs and donors maintained a rigid line of no subsidies and no government investment in agriculture. The government was actually forced to downgrade extension and research services and seed production, as these were areas which were supposed to be left to the private sector.[31]

Cash income in rural Mozambique is low. Median cash income per capita in 2008 was about USD 25[32] per year, just USD 0.07 per day. This is used to buy clothing, school books, cooking oil, medicines, and food in the lean season. Cash income is derived from small crop sales, typically a few kilograms at a time, and small sales of charcoal, forest products, or locally produced beer. Some carry out occasional day labor on neighbors' fields. Total cash income per capita was significantly less in 2008 than in 2002.[33]

Thus the government became increasingly aware that a key strategy for development and poverty reduction was to increase both the production and productivity of small farmers. Without mechanical tillage or animal traction, small farmers cannot use more land. And with low use of improved seeds, fertilizers, and irrigation, productivity is significantly below comparable farmers in neighboring Malawi and Zimbabwe. Modernization and intensification of agriculture would require substantial investment and a return to an active public policy on agriculture.

In a 2005 report on Mozambique, the World Bank continued to promote foreign investment for large-scale farming, declaring "this could have positive benefits for poverty reduction in terms of employment created in rural areas." The Bank noted "the policy environment in Mozambican agriculture is much less interventionist than in several neighboring countries. Subsidies are almost completely absent." But its attitude was already beginning to shift, and in a worried comment, the Bank continued: "The non-interventionist environment is perhaps good to encourage private initiative, but on the other hand the private sector has not stepped in to provide fertilizers, agricultural machinery, seed and so on."[34] The result is the total failure to develop more modern small and medium size agriculture in Mozambique. This hard line only began to soften in 2008, with the resumption of government and donor support for agricultural research.

Farmers association meeting in Ribaue

Changing Agricultural Policy

José Pacheco became the first member of Frelimo's highest body, the Political Commission, to be appointed Agriculture Minister (in 2010) and he had the power and authority to make radical changes. He is an agronomist and the Strategic Plan for the Development of the Agricultural Sector (PEDSA, *Plano Estratégico de Desenvolvimento do Sector Agrária*)[35] approved by the Council of Ministers on May 3, 2011 reflects a major shift in approach. Donors and foreign investors received hardly a mention, and the stress is on domestic investment and the development of small and medium commercial farmers, making them more productive and competitive. This is backed by a big expansion of rural extension and agronomic research, both blocked by the World Bank in the past. Demonstration farms will be re-established. The Council of Ministers on June 28, 2011 moved to reverse two World Bank impositions of the 1990s and introduced PEDSA policies:

• Domestic seed production was ended by the Bank in the 1990s and only 10 percent of Mozambican farmers now use improved seed. Ministers approved a USD 52 million project to boost local seed production.

•The Bank also forced a reduced role for the marketing board, the Mozambique Cereals Institute (ICM), but on June 28 it was agreed that ICM will return to its traditional role as buyer of last resort, promising to purchase all grain that private traders fail to buy. AIM quoted Agriculture Minister Jose Pacheco saying "we cannot run the risk of our farmers increasing productivity and their output without guaranteeing a market for their surplus." PEDSA also calls for the establishment of minimum prices, reversing another Bank imposition.

Priority for state intervention will be input production and supply (including local production and bulk imports of fertilizers), provision of technology packages, animal traction and mechanization, increased use of water and electricity, and agro-processing. Government will also intervene to ensure seasonal credit for farmers and credit for traders and suppliers, and the provision of insurance. Great stress is put on "value chains" for specific crops, working on the entire system from planting the crop, to marketing and processing. Cashew is the only sector that presently has a government support structure, the cashew institute INCAJU, notes PEDSA, and this, too, was only developed by reversing a World Bank imposed policy.[36] The plan also talks of "clusters" in particularly productive locations, which would link different value chains and which would have a new kind of rural service center.

Investment will be concentrated in the areas of higher agricultural potential and in others areas the emphasis will have to be on non-farm incomes. At the National Land and Forest Meeting in Quelimane June 8-9, 2011,[37] Agriculture Minister José Pacheco called for the identification of 1 million ha suitable for more intense economic activities.

Three crops – cotton, sugar and tobacco – are seen as successes with smallholders because they use concession and contract systems, in which a private company takes much of the risk and supplies inputs and extension services. PEDSA wants this system expanded to other crops. It is clear that smallholders are prepared to adopt new crops, as can be seen by the recent expansion of soy, cashew, and sesame.

Mozambique is very large and subject to huge weather variations – in most years there are both droughts and floods somewhere in the country. It is also increasingly integrated into the regional agricultural market through SADC (South African Development Community) free trade agreements, which mean that the north often exports to Zambia or Malawi because these markets are closer than Mozambique's southern region, which in turn often imports from South Africa. Climate change is likely to increase variability, with most forecasts suggesting that the center and north will remain good for agriculture, while the dry south will become dryer still.[38] Water availability for irrigation is expected to remain reasonable, so that major increases in irrigation are a key to increasing production and making it more regular. Most production of staple crops, notably maize, will remain rainfed and the country as a whole should normally produce a maize surplus, but weather variations mean there will always be substantial trade around the region. Promoting smallholder staple crop production will require grain reserves and guaranteed markets, as well as insurance systems to protect in bad seasons.

Mozambique has adequate land and water to feed itself and produce substantial agricultural exports. Agro-processing and linked industries should provide the basis for industrial development and broader job creation.[39]

BOX 2: ARTICLES ON LAND, CONSTITUTION OF THE REPUBLIC OF MOZAMBIQUE

ARTICLE 109 LAND

1. All ownership of land shall vest in the State.

2. Land may not be sold or otherwise disposed of, nor may it be mortgaged or subject to attachment.

3. As a universal means for the creation of wealth and of social well being, the use and enjoyment of land shall be the right of all the Mozambican people.

ARTICLE 110 USE AND ENJOYMENT OF LAND

1. The State shall determine the conditions under which land may be used and enjoyed.

2. The right to use and benefit from land shall be granted to individual or corporate persons, taking into account its social or economic purpose.

ARTICLE 111 RIGHTS ACQUIRED THROUGH INHERITANCE OR OCCUPATION OF LAND

In granting titles for the use and enjoyment of land, the State shall recognise and protect rights acquired through inheritance or by occupation, unless there is a legal reservation or the land has been lawfully granted to another person or entity.

Constitution of the Republic of Mozambique, 2005, translation by Adrian Frey. http://confinder.richmond.edu/admin/docs/Constitution_(in_force_21_01_05)(English)-Mozlegal.pdf
In the original Portuguese: http://www.portaldogoverno.gov.mz/Legisla/constituicao_republica/constituicao.pdf

Foreign Investment the Only Way Forward?

The mineral-energy sector already accounts for 80 percent of Mozambique's exports (see Figure 2), and this is expanding rapidly. Agriculture, forests and fishing account for only 20 percent, and half of this is tobacco (which is entirely a peasant crop). There is a growing recognition that in the long term, agriculture must provide not only food and rural incomes, but also a significant part of Mozambique's exports. Land, water and a propitious climate mean that Mozambique should be able to produce a substantial agricultural surplus, and be able to export food and other farm products while also satisfying its own needs. Rich farmland in Ribaue district of Nampula province and Chimoio in Manica province have substantial tracts of land not being used to their full potential.

Donors and the IFIs created an environment in the late 1990s and early 2000s in which agriculture was stagnating. The Mozambican leadership saw that the only way it could promote farming and essential rural development was through foreign investment, and the only way to attract investors was to offer large tracts of land. Major land concessions were made in the middle of the first decade of the century, and a new Agricultural Promotion Centre, CEPAGRI (Centro de Promoção da Agricultura), was created in 2006 to promote large-scale agricultural investment.[40] In 2008 the Ministry of Agriculture then made a first attempt at agrarian zoning, at a scale of 1:1,000,000. This concluded that 7 million ha of land was available for large-scale agricultural activities (19.4 percent of total arable land), of which 3.7 million ha was suitable for large-scale agriculture including agrofuels and 3.2 million ha was suitable for other purposes, including forestry and grazing.[41] The Council of Ministers did not accept this first zoning; it had hoped that the zoning would identify areas for large-scale foreign investors and avoid conflicts with local communities, but it was not detailed enough. So the Council of Ministers commissioned a second zoning study, by an outside consultant, at a scale of 1:250,000, which will be completed in 2012.

A final set of large land concessions to foreign investors was made at the end of 2009, but at the same time one earlier concession was cancelled when a highly publicized and controversial agrofuel project, ProCana, collapsed. Problems with foreign investors not making good on their promises and coming into conflict with local communities, projects not going forward, and the growing role of hedge funds and speculators led to new thinking and a freeze in land concessions. The new agriculture policy PEDSA is part of that rethinking. But sharp divisions remain, with CEPAGRI still actively promoting large-scale foreign investments, while others in government are moving toward small-scale developments and promotion of domestic investment. It is still unclear how the government will balance land allocations between foreign-owned plantations and smaller domestic commercial agriculture.

2. LAND LAW, INVESTORS AND PEASANTS

In 1995, the government launched a two-year national debate in what was probably the most broadly democratic process in Mozambique in the 1990s.[42] Consultations throughout the country, involvement of civil society and peasant organizations, and press and parliamentary debates led to the 1997 Land Law. The law was praised by a broad spectrum, from civil society to the World Bank, for the way it protects peasant rights as well as for the innovative way in which it deals with collective and community tenure.

Since independence, Mozambique's constitution has specified that land is owned by the state and cannot be sold or mortgaged, although individuals and communities have the right to occupy their land and gain a title document, and then to use the land and develop it, and investors can be granted what are, in effect, 100-year leases. (See Boxes 2 and 3.)

The end of the 1981-92 war opened up many rural areas to free movement. Large numbers of refugees and internally displaced people returned home or settled in new areas, leading to some land conflicts. At the time, there were concerns about land grabs, both by local elites and non-Mozambicans, as well as about genuine proposals for agricultural development, leading to a feeling that the existing land law did not properly protect peasant rights. Following the two-year national debate, the 1997 Land Law (Lei de Terras 19/97) was approved.[43] Regulations to the law for rural areas were approved in 1998, and a detailed technical annex on delimiting community land was approved in 2000. The new law defined three ways in which people can gain land use rights:

1) Mozambican individuals and communities have the right to land that they have traditionally occupied. This right of occupancy is permanent and can be inherited, but not sold.

2) Mozambicans have a right to land which they have occupied "in good faith" for at least ten years. This right of occupancy is permanent and can be inherited, but not sold.

3) Mozambican and foreign individuals and companies can be authorized by the government to use land for 50 years, and this can be renewed once for another 50 years. This is, in effect, a lease.

BOX 3: DUATS, OR LEASES

Article 111 of the constitution uses the phrase "titularização do direito de uso e aproveitamento da terra." "Uso" means "use," but "aproveitamento" is often also translated into English as "use." In Box 2, Adrian Frey has translated it as "enjoyment," but it might be better translated as "beneficial use," "improvement," or "development." Thus "direito de uso e aproveitamento da terra" (DUAT) can be seen as the "right to use and develop land," and thus "titularização" is the granting of a title to use and develop land. For investors, it is, in effect, a long term lease, and creates a leasehold system which is common in England and other countries. Formal permission to use land, granted by government, is thus a "titulo do DUAT," but common usage, even by officials, is that a DUAT is not simply the right, but also the title or permission document, and people talk about having a DUAT to mean having the final piece of paper.

Balancing Two Systems

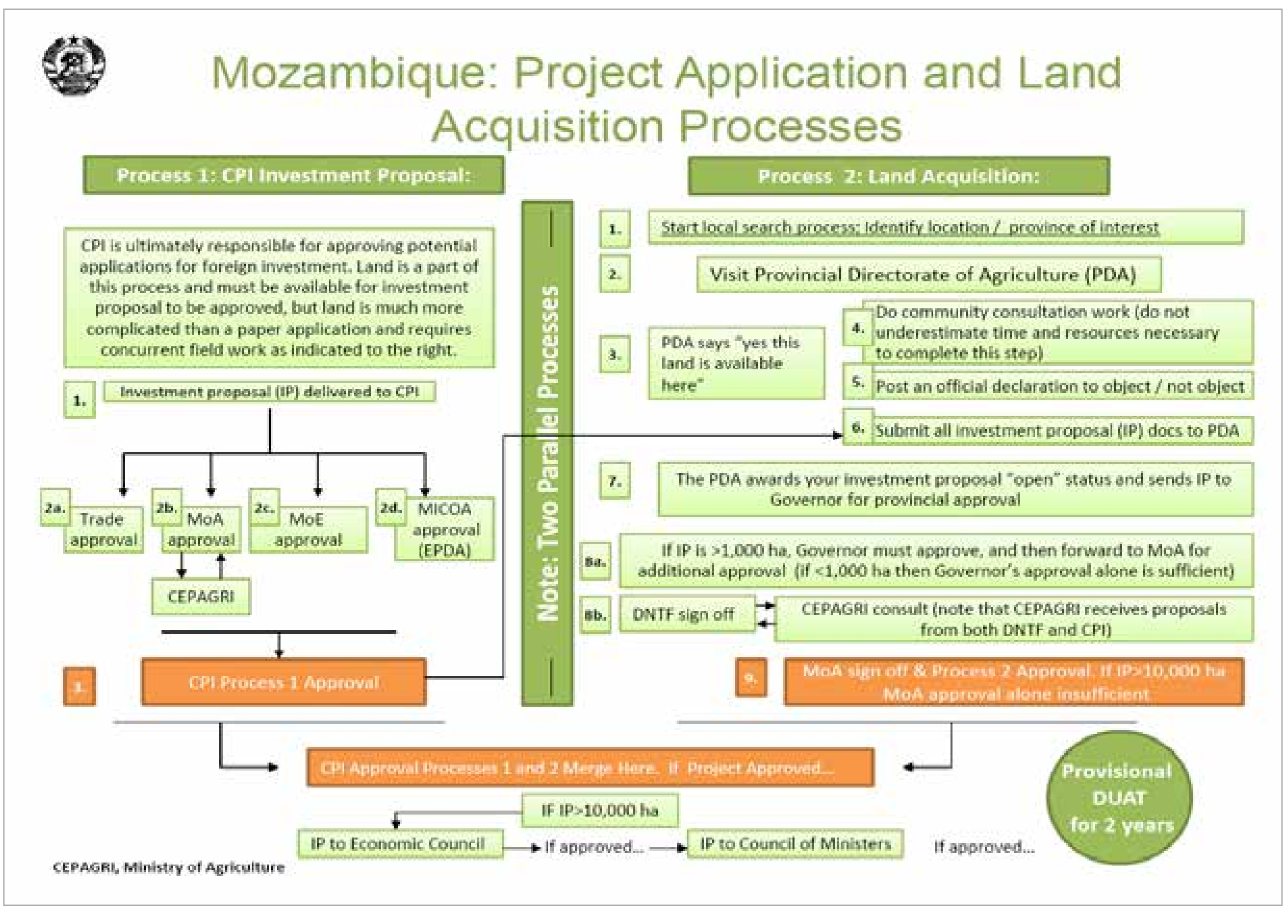
Thus, the law is an attempt to balance the need for a simple system to guarantee the rights of most Mozambicans to the land they occupy (categories 1 and 2), while creating a modern land title system which is seen as necessary for investment (category 3). The key document is the DUAT title, the document giving the right to use and develop land (see Box 3). Investors must have this, and it is, in effect, their lease. Communities and other land occupants automatically have the DUAT, which is a right to occupy, but are encouraged to obtain the formal title.

The innovative aspect of the law is the definition of a "local community" as "a group of families and individuals living in a defined area, smaller than a locality that wants to safeguard its common interests by protecting its living area, farming areas whether cultivated or fallow, forests, sites of socio-cultural importance, pasture, water sources and areas of expansion." This is both broad and intentionally vague – communities are self-defined and can be traditional clans with chiefs, or can be extended families, or can simply be a group of neighbors.

Communities, individuals, and good faith occupants have automatic and overriding rights to the land they occupy. In the case of disputes and in establishing community rights and good faith occupancy, courts must accept verbal evidence. This was a problem under the previous law and regulations, which gave precedence to paper titles even if they had been incorrectly issued, even when the land was already occupied by someone else; now evidence of occupation takes precedence. Women[44] are given specific rights; in particular, titles can be inherited and inheritance procedures cannot discriminate by gender.

An individual or company that does not occupy the land it wishes to use submits an application to the SPGC (Serviço Provincial de Geografia e Cadastro – Provincial Mapping and Land Registry Service). This application

FIGURE 3: LAND APPLICATION PROCESS



must include "a development plan and/or investment project." There must be a "consultation" with the local community to "confirm that the land is free and has no occupants." A provisional authorization is granted, for five years for Mozambican companies and individuals, and for two years for foreigners. The development plan must be carried out within that period. If it is, the applicant then receives the DUAT title, which is for 50 years and can be renewed for another 50 years. Provincial governors can approve applications for up to 1,000 ha, the Minister of Agriculture 1,000–10,000 ha, and the Council of Ministers above that, but only as part of an agreed land-use plan. Some companies, including Niassa forestry investors, break up their proposals into blocks of less than 10,000 ha to avoid consideration by the Council of Ministers.

Land applications and investment proposals normally go through two government agencies, the Investment Promotion Centre (CPI, Centro de Promoção de Investimentos) and/or the Commercial Agriculture Promotion Centre (CEPAGRI, Centro de Promoção da Agricultura). If CPI approves the proposal, it is then formally submitted at provincial level, and if the land requested is over 1,000 ha, if it is approved at provincial level it goes up to the Minister of Agriculture, and if necessary to the Council of Ministers.

Communities are encouraged to take steps to register their land rights formally. The first step is *Delimitation* (*delimitação*) in which a sketch map is registered in the land registry and a certificate (*certidão*) is issued by the Provincial Mapping and Land Registry Service (SPGC).[45] A formal DUAT title requires a more precise and costlier mapping exercise called a *Demarcation* (*demarcação*), which includes the placing of cement markers at reference points around the perimeter. This is the same DUAT title as is used for a government-

Private planes parked at airports: a common sight

FIGURE 4: COMMUNITY LAND DELIMITATION

Province	No. of communities (National Directorate of Land and Forests March 2010)			World Bank, Dec 2009, based on DNTF			
	In process	Delimited	Total	ha In process	ha Delimited	ha Total	% of province area
Gaza	3	18	21	18,002	444,040	462,042	6%
Inhambane	6	9	15		588,509	588,509	9%
Maputo	11	11	22	55,337	98,786	154,123	6%
Nampula	3	94	97	47,137	747,376	794,513	10%
Niassa	2	8	10		462,831	462,831	4%
Sofala	5	11	16	934,987	591.084	935,578	22%
Tete	27	0	27	3,928,911		3,928,911	39%
Zambezia	18	73	91	1,842,923		1,842,923	18%
Cabo Delgado	4	0	4				
Manica	13	7	20	553,699	226,374	780,073	13%
TOTAL	**92**	**231**	**323**	**7,380,996**	**2,568,507**	**9,949,503**	**12%**

Area	Communities
<1,000ha	15
1,000-10,000 ha	154
10,000-20,000 ha	46
20,000-50,000 ha	50
50,000-100,000 ha	26
>100,000ha	32

Source: *Mozambique Political Process Bulletin*, no. 48, 4, February 22, 2011.
DNTF = *Direcção Nacional de Terras e Florestas,* National Directorate of Land and Forests.

BOX 4: ARTICLE 35 AND COMMUNITIES

Investments and land concessions of over 10,000 ha must be approved by the Council of Ministers, but delimitations which simply recognize an existing right are approved at the provincial level. There was some confusion when officials presented a map showing both delimitations and approved investment land to the Council of Ministers in 2007. Ministers were surprised to see more than one-third of Tete province already delimited to communities, and asked how blocks of larger than 10,000 ha could have been allowed without the Council of Ministers approval.

The response was an unclear change to article 35 of the land law; DNTF issued a circular in October 2007 saying that all delimitations over 1,000 ha had to have a development plan like that required for outside investors and had to be approved by the Minister of Agriculture or Council of Ministers. This effectively halted community land delimitation. ORAM, the main NGO backing land delimitation, had delimitations rejected in Sofala and Zambézia because they did not have development and investment plans.

The response, reported by the *Mozambique Political Process Bulletin* (February 22, 2011), was a quiet campaign, within the Agriculture Ministry and by civil society, to say that this was illegal – delimitation only recognizes an existing right, and cannot be in the gift of the Council of Ministers. Donors entered the debate, with the budget support group adding a new indicator of government performance – that the government should do 50 community delimitations per year.

On October 1, 2011 DNTF issued a new circular saying **delimitations** should return to the old system of provincial approval without development plans, and that the 2007 change only applied to **demarcations** and approval of DUAT titles.

granted lease for investors, but is a right for occupants and is permanent. Local communities manage the land within their area and can use "customary" procedures. Within a community, individuals can apply for a personal title, but this must be agreed upon by the whole community.

Delimitation is defined as the "identification of the limits of areas occupied by communities ... including entering this information in the national land registry"[46] and the process was set out in the 2000 technical annex to the land law and a *Manual on Delimiting Community Lands*.[47] This starts with a "participatory analysis" (*diagnóstico participativo*) in which the community talks about its history, use of land and natural resources, special occupation conditions, population dynamics and possible conflicts and methods of resolution. Various community groups draw rough "participatory maps." The team[48] undertaking the delimitation combines these into a sketch map (*esboço*) and prepares a written report setting out the boundaries of the community land based on streams, roads, or even trees and piles of stones. This can be quite a complex process, because there are many local disputes within communities and between neighboring communities, and most communities have land within their boundaries used by outsiders – titles issued recently or long ago, or simply land which has been farmed for a long time.

In general, it appears that rural communities are being defined in terms of areas under individual *régulos* or other chiefs, referring back to maps from the colonial era (even though this is not necessary, as communities can define themselves in other ways). By March 2010, 323 communities had been delimited or were in process, with 10 million ha – 12 percent of Mozambique's land area, according to data from the National Directorate of Land and Forests (DNTF, *Direcção Nacional de Terras e Florestas*). (See Figure 4) Most communities are not large. Communities in Zambézia and Nampula are relatively small, but 18 communities in Tete are more than 100,000 ha. There are many more small communities to delimit. Mozambique land expert Chris Tanner suggests that there could be between 2,000 and 3,000 communities.[49] DNTF says most delimitation has been done by Mozambican NGOs. The peasant association ORAM (Organização Rural para a Ajuda Mútua – Rural Association for Mutual Help) reported in March 2010 that it had delimited 191 communities with 4 million ha. Delimitation of community land effectively stopped in 2007 but resumed in 2010.

Training is proving to be an important way of speeding up the process, and NGOs have done extensive training. The Judicial Training Centre (CFJJ, *Centro de Formação Jurıdica e Judiciâria*), has trained 500 community activists as paralegals with a basic knowledge of the land law.

Problems with the 1997 Law

Although the 1997 land law has won praise for protecting peasants, two sets of problems have emerged regarding initial use of land and consultation.

The land law is interpreted to mean that people should not profit simply from *having* land, and only profit from *using* the land. That means leasing, subleasing and sharecropping officially are not permitted. Communities, by law, can claim land for their own future expansion (predicting community growth), but, in effect, they have to leave it vacant – they cannot lease it out, even for short periods, until it is needed. Also, there have been few experiences of communities actually signing contracts with national or foreign investors Thus communities may have formal rights over their land, but in order to realize any profit from it, they are under pressure to give up the land to outsiders.

Without a certificate or DUAT title, a community has only to be "consulted" by an investor, which then obtains a 50-year title to the land, and the community has no further influence. Once the community has a certificate, any potential investor has to negotiate with the community, which in practice "owns" the land, and the government is not involved. The 2000 technical annex on delimiting community land makes clear that communities are free to enter into contracts for economic activities on their land. In practice, there are very few examples of this having been done and they all seem small, for tourism, a game farm, mining of semi-precious stones, and small farms by outsiders. A confusing change in policy followed by a partial reversal means communities can still relatively easily do delimitations which guarantees their rights to the

BOX 5: LUXURY HOUSES IN A GAME RESERVE

Conflict between the community of Quewene in coastal Inhambane province and the operators of the private Vilanculos Coastal Wildlife Sanctuary and the Dugong Beach Lodge highlights many of the issues raised when land is ceded to wealthy foreign investors. A private company, Santuário Bravio de Vilanculos, has the rights to the São Sebastião peninsula (areas are reported variously as 25,000 ha, 30,000 ha, 40,000 ha and 22,000 ha plus 8,000 ha of marine habitat). It is a protected area and will be maintained as a reserve with new game animals introduced, and restricted to high-end tourism with 54 private residential sites and 3 commercial lodges (starting at USD 500 per person per night).[52] The South African company Leisure & Wildlife Properties is offering the 1 ha private house sites for USD 325,000 each and the third lodge, Moyeni, for USD 2.4 million.[53]

Alfredo Gulamo, the chief of Quewene, told the Maputo daily *Notícias* (September 16, 2011) that the promises made by the investors in 2001 have not been carried out. Up to 2,500 people had been moved from the reserve and were promised compensation, new houses, water, schools and other assistance, but these promises were not kept; 120 families are still living in the reserve area and refuse to move, Gulamo said. The local primary school director pointed to the poverty of the local people beside the luxury of Dugong Lodge, and said people would not have been as poor if the investors had kept their promises.[54] A report from one of the hotel development projects admits "not dealing with this community was a development oversight."[55]

When the Inhambane province governor, Agostinho Trinta, visited the area he agreed the promises had not been met, but blamed local leaders. "Here there is no unity between community leaders. Some in the dead of night contacted the investors and, in exchange for favors, advised them not to keep their promises."[56]

The project has been controversial from the start. One 2003 study argued "Despite the progressive land law, Vilanculos is just one example of the government focusing more on encouraging investment than on implementing land rights. In this sense, the area is being treated more as pure "state land" than as a communal residential area. Despite the "consultation," the community does not have rights to negotiate."[57]

The project was also controversial because of the role of John Kachamila, Minerals Minister from 1995 to 2000 and Environment Minister from 2000 to 2005, who had the initial concession to at least some of the land.[58] Land concessions were granted in 2000 and 2003 (Council of Ministers decisions 4/2000 and 2/2003). Santuário Bravio de Vilanculos was then established, 25 percent owned by Kachamila, and 75 percent by a South African company, East African Wildlife Prop Ltd, registered in Mauritius (and is said to be 5 percent owned by Kachamila).[59] In the next step, David Herbert who had developed a US business in the late 1970s promoting tourism in apartheid South Africa organized USD 15.5 million from the US Overseas Private Investment Corporation (which, as the name suggests, promotes investment by US companies), for Gametrackers Management (his own company) and Mercury Investments (which is the owner of Dugong Lodge) to develop the lodges. In 2009 East Africa Wildlife was replaced as 75 percent owner by a South African company, The Sanctuary Owners Association, which manages the Sanctuary,[60] apparently in collaboration with Bonita Lda[61] (initially set up to sell clothing) and its owners Helga and Guillaume Van Wyk. The South African company Legend Lodges is also involved.[62]

land, but will find it more difficult to obtain formal DUAT titles, which may make contracts more difficult. Some investors may refuse to sign a contract with a community that only has a delimitation and not a full DUAT title, while few communities can produce the development plans needed for DUAT titles without the support of outsiders.

This is linked to the often poor quality of the "consultations" carried out by potential "investors," who range from Mozambican officials and elites wanting a piece of land, to large international companies. Many studies and reports show that consultations are done badly, in the most cursory way,[50] and do not take communities seriously. Often a delegation of senior officials and investor representatives arrive in a community and try to sell the project. Grand but vague promises are made, particularly about jobs. *Regulos* (chiefs) are sometimes lured or co-opted with promises of jobs, or pressured to support a proposal which comes from above. Reports (*actas*) of consultations tend to be very vague and don't contain many of the promises that have been made, and there are widespread reports of promises being ignored. An examination of agrofuels investments in Mozambique by the International Institute for Environment and Development (IIED) reported a a lack of genuine and enforceable partnership agreements between investors and communities. Some consultation minutes did refer to the creation of jobs and social infrastructure,

Putting in the pump to irrigate fields, Emvest Limpopo in Matuba

though usually with rather open wording (without clear timeframes, for instance)."[51] This problem was apparent recently with the community of Quewene in the coastal Inhambane province which is in dispute with the Dugong Beach Lodge and a privately run game sanctuary (See Box 5).

"Local communities continue to lose and investors nearly always win," said Sérgio Baleira of the CFJJ. Alda Salomão, director of *Centro Terra Viva* (Living Earth Centre) and a leader on land issues. He says that all the large investment projects have caused conflicts with communities and some, like ProCana (see next section), have caused significant "social turbulence." Salomão warns: "eventually we will have problems as people learn their rights and the value of their land."

Concern over the poor quality of consultations led the Council of Ministers to approve a change in consultation procedures in August 2010. A single meeting has been replaced by two. The first is simply to give information about the project and the land in question. The second is for the community to respond and to say if it is prepared to give up land. Meetings should be given adequate publicity to ensure "effective participation." But it is not clear the changes are enough to make a difference. The structure is still to inform the community and gain its agreement, not to make it an active participant or promote negotiation. District administrators retain a central role, and are often caught in the middle. On one hand, many want to support their local communities, and would like to defend communities in conflict with would-be investors. On the other hand, district administrations often receive mobile telephone calls from senior party people, at the provincial or national level, saying "find land for X," who may simply be the relative of someone important in Frelimo, or who may be a serious investor.

Push for and Resistance to Land Privatization

IFIs, the United States, and some members of the elite regularly call for an end to state ownership of land and for some form of land privatization and land mortgages as a way of obtaining investment capital. This has been resisted by peasant organizations, peri-urban cooperatives, and many in the ruling party Frelimo. They argue that landlessness in Brazil was created by freehold tenure and mortgages, which led to people losing their land when they could not repay debts after bad seasons. Land privatization was promoted and then rejected in the drafting of the 1990 constitution and again for the 1997 land law. It was raised again in 2001 when Agriculture Minister Hélder Muteia said "I think the time has come to begin the discussion about a land market compatible with our reality"[63] and by the World Bank and the United States at the donor Consultative Group (CG) meeting in Maputo, October 25-26, 2001. Darius Mans, World Bank Country Director for Mozambique, demanded that the government "facilitate the use of land as collateral" and said that "land use rights need to be clarified and monetized, so that land can be used as collateral and so that, in time, a given stretch of land will be used by the most productive users"[64] – in other words that less productive peasants should be removed from their land. James Smith, USAID Acting Deputy Assistance Administrator for Africa, told the CG that "Our recommendation to the [government of Mozambique] is to consider the possibility of privatizing arable agricultural land"[65] while USAID Mission Director in Maputo, Cynthia Rozell called for "privatization of some portion" but not all rural land. Land "appropriate for commercial agricultural exploitation by companies and individuals" could be fully privatized. Community land should be owned by the community, not the state.[66]

The debate was firmly settled at the Frelimo Eighth Party Congress in June 2002.[67] The Thesis for the Congress declared in a bold heading that "The party reaffirms the principle that land remains the property of the state." And goes on to state that "Frelimo party policy over land is to guarantee that the Mozambican people do not lose their most valuable resource – land" and that the government would "encourage and aid peasants to obtain titles, prioritizing legitimate traditional occupants of the land."

The World Bank has been sharply split on land. In April 2002, World Bank land expert, Hans Binswanger (sector director for environmental, rural and social development, Africa), visited Mozambique and contradicted Darius Mans' line.[68] Mans seemed to be quoting the Bank's 1975 *Land Reform Policy Paper,*[69] but in a 1999 paper Binswanger had recanted: "The 1975 World Bank land reform policy recommended that communal systems be abandoned in favor of freehold titles and the subdivision of the commons. Today it is recognized that some communal tenure arrangements can increase tenure security and provide a (limited) basis for land transactions in a way that is more cost-effective than freehold titles."[70] The paper goes on to argue that "removing the restrictions on markets for land sales may not be the most urgent requirement for increasing efficiency – and may have a negative effect on equity." In areas of low population density an "alternative is to award property rights to communities, which then decide on the most suitable tenure arrangements" – exactly the situation in Mozambique.

In June 2003 the World Bank issued its new policy document on land, *Land Policies for Growth and Poverty Reduction*, which firmly dismissed the demands made on Mozambique by USAID and the Bank's Darius Mans, and explicitly reversed some of the recommendations made 28 years earlier. "It is now widely recognized that the almost exclusive focus on formal title in the 1975 paper was inappropriate," the new report said, and went on to dismiss "an often ideological stance in favor of full private ownership rights."[71] The report explicitly praised the Mozambican system for securing tenure rights without the need for complex and expensive individual titles.[72]

The United States, however, has continued to push for land privatization. A USAID 2007 report "Land Use Rights for Commercial Activities in Mozambique" complained about "the fact that neither agricultural land itself nor the land use right for such land can under Mozambican law be readily used to secure loans" and therefore asks "whether it is not time for the 1997 Land Law to be amended."[73] And in 2011 the US Millennium Challenge Account made transferability of DUATs a condition of further aid to Mozambique. But the government continues to resist.

Land Seems Cheap

Given that land belongs to the state and cannot be sold or rented, and because a lease or DUAT title is effectively just a permission to use the land, land is valued cheaply in Mozambique. The argument in favor of the system is that investors can only obtain land if they make an investment proposal and that they must move quickly to implement that project – within two years for foreign investors – and land concessions have been revoked when this was not done. Thus the investors are expected to use their money to develop their project, create jobs, and pay taxes, rather than make an initial payment for the land.

Mozambique does charge a land tax, but it has been kept very low. Because a land tax is normally per hectare, a higher land tax would not only raise revenue but it would also provide an incentive to make more productive use of land, while not hurting small farmers with a few hectares. But many in the elite hold medium size plots (hundreds or a few thousand hectares) which they are not using, and they do not want to pay significant land taxes. By 2005 some in the World Bank were already concerned that land was being given away too cheaply, noting "the government is foregoing significant rents for access to and the use of resources without achieving any clear benefits in return." It called for land rents of USD 50 million per year by 2015.[74]

In January 2011 land taxes were finally raised by 150 percent. The tax on normal farmland increased from Mt 15 (USD 0.55)[75] per ha per year to Mt 37.50 (USD 1.37), and for grazing land and permanent crops from Mt 2 (USD 0.07 – 7 US cents) to Mt 5 (USD 0.18) per ha. But this remains very low, and will not raise the USD 50 million called for by the World Bank.

This creates the impression that land in Mozambique is "free" while it must be purchased elsewhere else in the world. The open question is whether the money that would have been used to acquire land is actually invested, leading to more development in Mozambique. The issue came to a head when Mozambican Agriculture Minister José Pacheco was in Brazil in April 2011. The Brazilian newspaper *Folha de São Paulo*[76] quoted Carlos Ernesto Augustin, president of the Mato Grosso Cotton Producers Association,[77] as saying "Mozambique is a Mato Grosso in the middle of Africa, with free land without environmental restrictions" compared to Mato Grosso itself where land is "extremely expensive" and it would be impossible to obtain permission to clear land. His statement was also playing on the name of his state, Mato Grosso, which in Portuguese means "huge bush" or "massive uncultivated land."

Augustin said that land in Brazil ranges from USD 3,000 to USD 20,000 per ha, while land in Mozambique was extremely cheap because it only had a tax of just over USD 1 per ha. "The price of land there is too good to ignore," he added.[78] Susan Payne, CEO of Emergent Asset Management, notes that "In South Africa and Sub Saharan Africa the cost of agriland, arable, good agriland that we're buying is 1/7th of the price of similar land in Argentina, Brazil and America. That alone is an arbitrage opportunity. We could be moronic and not grow anything and we think we will make money over the next decade." Pedro Marques dos Santos, head of business development at Quifel Natural Holdings, said the company was switching from Brazil to Africa because land was too expensive in Brazil, and because Brazil in 2010 imposed a 5,000 ha limit on new land concessions.[79]

Roberto Albino, director of CEPAGRI and one of the most vociferous proponents of large-scale foreign investment in Mozambican agriculture, underlined this when he told an international conference: "just for your information, the actual cost of one hectare is about one coffee. So the amount that you pay here for one coffee, you pay in Mozambique for one hectare lease per year. It's about 60 to 80 cents a hectare per year. So, it's nothing."[80]

Transfers

A linked issue is the transfer of land. The land law and regulations try to balance the need for a simple system to guarantee land rights to occupants while also allowing outside investors to obtain land, and thus try to bridge two systems, customary occupation and more modern formal land registration. But this created at least three inconsistencies in the use and transfer of land.

> The first is that the law and regulations have been interpreted to mean that communities cannot simply lease land and that even sharecropping is not acceptable. Instead, a community must be an active participant, which is surely better for longer

term development, but can leave land underused and limits the short-term earning potential of communities.

The second is that land cannot be sold or mortgaged, but buildings and improvements such as irrigation systems can be. Although it requires formal government approval, it is assumed that the DUAT follows the buildings and improvements.

The third is that land cannot be sold, but companies can be, which means that once an investor has actually obtained a DUAT title, the company can be sold and the DUAT goes with it.

In a recent example, the Indian company Tata Chemicals bought the South African company Grown Energy for USD 1.1 million in 2010. In 2009, the Mozambican government granted 15,000 ha in Chemba district for a sugarcane agrofuel project to Grown Energy. By buying the company Tata effectively bought prime land for USD 73 per ha, and the founders of Grown Energy gained USD 1.1 million for negotiating a land concession.

Obtaining a provisional DUAT is not expensive, but it is enough to sell the company (and thus the land) as happened with Grown Energy. An alternative is to use the DUAT as a basis to promote stock market investment – often as a pyramid, using the land to attract a small amount of investment to try to then gain a large loan, as happened with ProCana. This is the world of hedge funds and private equity, in which the DUAT is passed to companies further and further distant from the land, based entirely on the potential "value" of the land.

Private Sector and Foreign Investors Must Lead

From the late 1990s, the IFIs and other western donors stressed that development and poverty reduction depended on foreign investment. In 2002, the then Agriculture and Rural Development Minister Hélder Muteia, said "We have to be able to respond to an investor who flies in and says 'I want 10,000 ha to grow soya and my plane leaves in two days.'"[81] The belief that such investors exist, and that Mozambique will benefit from them, has been central to creating opportunities for land investments.

"Our policy is to attract foreign investors who bring capital and do not need Mozambican banks in order to invest. The investor has access to markets and brings know-how and even staff in order to train Mozambicans," explained Roberto Albino, then director of the government's Commercial Agriculture Promotion Centre (CEPAGRI), in 2006.[82] And he cited sugar, which accounts for more than 60 percent of Mozambique's irrigated agriculture, and was developed entirely by foreign investors.

In the same year, Aiuba Cuereneia, Planning and Development Minister and a member of Frelimo's Political Commission, said the state should stress three areas.[83] "Priority must be given to human capital. ... The state must invest in giving people capacity." The second is improving infrastructure – energy, water, roads – especially to support agricultural marketing. The third area is reducing bureaucracy and creating the conditions for business. "The government can create the conditions, but [economic development] must be left to the market," he continued. Business "has to grow by itself." Mozambican business people start from a very low base because there has been very little accumulation of capital. That means, he concluded, that "unfortunately" most investment will be foreign.

Mozambique moved to provide a range of legislative guarantees to investors:

- Legal protection on property and intellectual property rights;
- No restriction on borrowing and payment of interest abroad;
- Unrestricted transfer of dividends (payments to shareholders) abroad; and
- Arbitration according to international rules for the resolutions of disputes on investments (such as those framed by the International Chamber of Commerce).

Also, Mozambique is a member of the World Bank's Multilateral Investment Guarantee Agency (MIGA), so foreign investors are insured against certain risks. In mid-2011, MIGA had seven active guarantees in Mozambique, the largest (by far) were for natural gas projects.[84] Only one was for agriculture, a 2007 takeover

The myth of unused lands

of the guarantee for a 2001 loan for the rehabilitation of the Sena Sugar Estates[85] (which did not involve a new land concession). The guarantees cover risks of currency transfer restriction, expropriation, war and civil disturbance for ten years.

In 1998 Mozambique negotiated a Bilateral Investment Treaty (BIT) with the United States which came into effect in 2005, and guarantees US investors national treatment status, unrestricted repatriation of profits, the rights to employ necessary expatriate technical and managerial personnel, and binding third-party arbitration in the event of an investment expropriation dispute. Mozambique has also signed BITs with Algeria, Belgium, China, Cuba, Denmark, Egypt, Finland, France, Germany, Indonesia, Italy, Mauritius, The Netherlands, Portugal, South Africa, Sweden, Switzerland, The United Kingdom, and Zimbabwe. Double Taxation Treaties have been agreed with Portugal, Mauritius, Italy, and the United Arab Emirates. BITs tend to follow a generic template, which outlines broad obligations for the host state relating to the treatment of investors – typically guarantees to investors including compensation in case of expropriation, "fair and equitable treatment" and the free transfer of capital. The terms of these obligations are often vague – making it difficult for host states and investors alike to predict their respective rights and obligations. BITs are important in the context of FDI and land grabs because their terms enable foreign investors to enforce their rights via international arbitration tribunals.

But failures by investors have become an increasing problem, as shown in the next section. This has led, in turn, to a rethinking of policy toward foreign investors and the temporary halting of land concessions. Section 5 looks at the current rethinking.

Secrecy and Elites

One problem with the whole land process is that of secrecy and lack of transparency. Contracts between investors and government are secret, which means there is no way of checking what the investor told central government it would do. At the top level, with the Council of Ministers, provisional land concessions of over 10,000 ha are immediately announced after the Tuesday meetings and posted on the government website.[86] But the Council of Ministers also passes Internal Resolutions, which are a kind of declaration of intent to approve a plan, given to the company but not formally made public. And there is no public land registry. Smaller land concessions are much harder to track down – even those in the 1,000 to 10,000 ha range made by the Minister of Agriculture. Thus maps, spreadsheets and tables of land concessions, such as those made available on the OI website[87] and in the *Mozambique Political Process Bulletin*,[88] are obtained informally by journalists and researchers. It is not so much that they are secret, but rather there is no formal system to make them public and no single central data base, and thus release is entirely dependent on the good will of cooperative officials. Also, lists supplied by various people are often significantly different. During the months this report was being prepared, despite repeated requests by the OI research team, Ministry of Agriculture officials refused to provide a list of recent land concessions, suggesting that the total embargo on land concessions may have ended in mid-2011.

The debate about land privatization at the turn of the century reflected a growing interest by investors in Mozambican land. During the 1981-92 war, many of the elite began to obtain land, often in areas which had been abandoned during the war and were inaccessible. Some in the elite had expected privatization of land and obtained land solely for the intent of selling it later – a hope that was dashed by the 1997 land law. But much of this land remains unused, or kept only for weekend hobby farming. Some of the best farmland with good access to roads remains unused – along the main road from Chimoio to Vila Manica, or near Naamacha in the South – once-productive farms held by the elite were never brought back into production after the war.

In 2005 the World Bank had become concerned about elites and secrecy. "On account of the way in which land is allocated, many of the concessions are under-used. Since the system of acquiring land rights lacks transparency and allows the well-connected to obtain large holdings at virtually no cost, rent-seeking behavior is encouraged."[89] The Bank continues, that "rights to large areas of land are being acquired or transferred on the basis of expectation about its value in future uses, while the land itself is not being farmed or used for other purposes."[90]

In the late 1990s, there was a largely domestic elite attempt to obtain land near the capital, Maputo, and along main roads. Also, there were increasing applications for farmland in productive areas in the north of the country, which caused concern by civil society, leading to the land campaign and more open discussions about land.

Mozambican elite land holdings are not, for the most part, very large. In the first decade of the 21st century, there was increasing elite demand for land, and district administrators found themselves under party pressure to find land for party and government officials, and often took land for farms for themselves. Consultations were often perfunctory.

3. LAND CONCESSIONS - FORESTS

The colonial government began planting trees to supply local timber needs, and by independence there were 20,000 ha of pine and eucalyptus in seven provinces: Manica, Niassa, Zambézia, Tete, Maputo, Gaza and Inhambane.[91] The Mozambique Company contract on its huge land concession expired in 1941, but it continues to operate in Mozambique, Portugal, and Brazil as Grupo Entreposto.[92] In 1964 Entreposto created MOFLOR, Moçambique Florestal, which currently has four Eucalyptus plantations with 2,300 ha in Manica province and four concessions to harvest native forest of 41,000 ha in Manica and Sofala provinces.[93]

Shortly after independence two key international agencies, MONAP (Mozambique-Nordic Agricultural Program) and FAO (UN Food and Agriculture Organization) put an emphasis on forestry, and by 1992 there were 42,000 ha of state-run forest plantations. As part of this program, the government established Ifloma (Indústrias Florestais de Manica) to expand colonial plantations in Manica province to plant trees and manage existing forests for sawn timber and chipboard.[94] In 2004, 80 percent of Ifloma was "privatized" to Komatiland Forests, a subsidiary of the South African government owned South African Forestry Company (SAFCOL); the Mozambican government retains the remaining 20 percent. Ifloma has 23,600 ha, but in 2010 it applied for 73,000 ha to plant pine,[95] which so far has not been granted.

Attempts to attract private foreign investors in the 1990s were unsuccessful, and forestry projects with SONAE (Portuguese), SAPPI (South African) and MONDI (South African) were announced but all failed to go ahead.[96] In the first years of the 21st century, there was serious interest by foreign investors in land and agriculture, triggered both by the end of the war and mine clearance which made land accessible, and by rising commodity prices. Figure 1 shows the major jump in sugar areas, for example. Political elites who had been holding land since the 1990s began to try to rent it out (illegally) to foreign investors, and became involved in joint ventures with foreign companies applying for land.

Between 2004 and 2009 Mozambique granted concessions to foreign companies for nearly 1 million ha, of which 73 percent was for forest. More than half of Mozambique is covered by forest (see Box 1), with substantial natural woodland with sufficient forest density for forest production and management. There is extensive logging, both of valuable hardwoods for local use and export, and of less valuable woods for construction. Local communities make extensive use of forest for firewood, food, medicinal plants, animals, and a range of other goods. Charcoal is the main cooking fuel in urban areas, and there is substantial charcoal burning.

Significant areas of forest have been degraded by logging and farming, and in 2006 the Ministry of Agriculture circulated a discussion document on reforestation.[97] It said that Mozambique had 7 million ha where forest planting of fast growing species was possible – Niassa (2.5 million ha), Zambézia (2.1 million ha), Nampula (1.5 million ha), Manica (860,000 ha) and Sofala (120,000 ha). Global demand for wood was increasing and this could be a profitable export, the document argued, and suggested that 2 million ha of trees for industrial uses be planted over 20 years, by 2026. This would also create 300,000 jobs in the forestry sector and related industry. Finally the report notes that "governments throughout the world are all reducing their direct involvement in forest plantation management. Mozambique's government was a pioneer in developing forest plantations 50 years ago," but now this is being privatized and the private sector must take the lead.[98]

New plantations are generally for industrial uses, replacing natural heterogeneous forests with lumber farms of fast-growing exotic species like eucalyptus and pine, and hardwoods like teak. They are grown for lumber, poles, railway sleepers, and semi-processed wood for tannin, pulp (particularly for paper), cellulose products, and wood chips. Wood has always been the basis of the most common fuel, charcoal. But wood is also being looked at for other kinds of agrofuels. For example, improved technologies such as Rapid Thermal Processing Technology (RTP) converts wood chips into Pyrolysis oil (or bio-oil) and hydrocarbon fuel for blending with fossil fuel at refineries.[99] Increasingly wood chips and wood pellets are also used in power stations; one station operator in the UK estimated that it would require at least one million ha of tree plantation to feed a 299 MW power station.[100]

One of the largest land concessions has been to Portucel, which on 22 December 2009 received 173,324 ha in Ilé and Namarói districts in the north of Zambézia province, for what it describes as "an industrial project combining forestry production, eucalyptus pulp, and energy."[101] Portucel is Europe's largest maker of bleached eucalyptus kraft pulp,[102] used to make paper for grocery bags, sacks, envelopes and other packaging. It is 75.7 percent owned by Semapa - Sociedade de Investimento e Gestão, a Portuguese holding company.[103] On 22 January 2010, Portucel issued a statement under the terms of the Portuguese Securities Market Commission Code announcing the Mozambique Council of Ministers resolution conceding 173,327 ha. They continued to say that Portucel had been "notified by the Investment Promotion Centre of Mozambique" that Council of Ministers Internal Resolution number 7/2009 of 22 December 2009 "also includes the right to use and exploit an additional area of 220,000 ha, in the Province of Manica, as soon as the ongoing formalities are concluded."[104] This would be the largest single land concession in Mozambique and it is controversial, because it is in an area with significant population and agricultural potential (but also, as with Ifloma, with plans for an expansion of forest plantations). Internal Resolutions of the Council of Ministers do exist, are secret, and are used by the Council of Ministers to say that they approve of an investment, which seems to be supported by the reference to "ongoing formalities." But the "right to use and exploit an additional area of 220,000 ha" is a DUAT, which can only be issued by a published Council of Ministers resolution, which has not happened. The weekly *@Verdade* in February 2011 suggested that there were ongoing problems representing more than formalities; it reported that more than half the land Portucel wants has been claimed by local people and in public consultations the project was rejected.[105] Portucel refused further comment to the OI research team,[106] so the position remains unclear.

Another major timber company, SAPPI (originally South African Pulp and Paper Industries), decided not to go ahead with a 150,000 ha Eucalyptus plantation in Zambézia province; half was to be an outgrower scheme and half a SAPPI-run plantation. The project began in 2008 in Gurué, Alto Mol cue, and Gile districts, just north of the area selected by Portucel. There were trial plantings. But the project proposal admitted that "most of the area is currently used by local communities for small-scale farming (beans, cassava, tobacco, bananas, maize, and rice) and charcoal making. There are also tea plantations and other forestry plantations in the larger project area."[107] The study "identified some practical issues which made the project unattractive and the project was discontinued" in March 2010, according to SAPPI.[108] "Two of the three districts (Gurúe and Alto Molócue) that we have targeted for our plantation development are high potential areas for agriculture. As a result of this they are densely populated, and the current land use clearly shows that they are important areas, both at a local and national level, for food production. ... As a result any plantation development (own operations and outgrower) would be in direct conflict with agriculture." In addition, high population densities in these areas and the spread of settlements mean that plantations would require "large-scale resettlement of people." In the less populated areas such as Gilé, “the land cover is generally Miombo in one form or another (ranging from low to high bush); this correlates strongly with areas that are less suited to optimum tree growth. ... At the Sappi Board meeting held in May 2010, the decision was taken that the risks relating to food security, socioeconomic stability and environmental impacts are too complex and great for the project to proceed.”

BOX 6: SWEDISH GOOD INTENTIONS FAIL TO SATISFY COMMUNITIES

Malonda Foundation was set up by the Swedish government in 2005 on the model of Sweden’s own regional development funds of the 1950s. Responding to the difficulties communities have in forming joint ventures with investors, the idea was that the Foundation would obtain the rights to the land and the profits would go to the community. It was given land originally assigned to Mozagrius, a failed South African attempt to resettle white farmers in Niassa in the 1990s. Malonda has a board appointed by the Swedish embassy and the Mozambique state holding company (IGPE), with no local representatives. A 2008 study of the project found “serious levels of community dissatisfaction and potentially explosive conflict, in areas where the initial clearances and planting of new plantation seedlings has restricted local land access and put at risk local livelihoods strategies. Hence, Malonda has run into problems.”[109] Local people “now feel extremely threatened and harmed by the first actions taken by the investors, who in some areas are actually surrounding the villages and dramatically restricting the population’s access to the land they need to be able to maintain their crop rotation/fallow land system and other central features of their traditional production.”

Again, the problem was with consultations. The study noted “a trend towards working with traditional leaders only and at the highest level instead of favoring grassroots leaders and those more linked to the different villages and families resulted in the marginalization of the population which is becoming increasingly afraid of the impact of the plantations on their access to the land they need to maintain their extensive production systems.” In particular, communities did not have a clear understanding of the investors permanently taking up large tracts of land.

Malonda in its newsletter said that an April 2010 meeting agreed that “radical changes” were required. Malonda quotes a government spokesperson who said “we must consult communities” and “it cannot be permitted that community leaders take decisions on their own without telling the community.”

The Nordic Land Grab

A key piece of colonial history was the depopulation of Niassa province in northwest Mozambique. Approximately 1 million slaves were shipped from Mozambique during the 1800s, and to the present day Niassa remains relatively empty, with a 2009 population of 1,309,000 and an area of 129,056 square kilometer (km), meaning just 10 people per km (This is 13 million ha with fewer than one person per ha.) This leads to proposals for Niassa that involve large tracts of land for game parks, safaris and hunting, and for forestry. From independence, the government tried to attract foreign investment into Niassa, but largely failed – because of the remoteness and lack of infrastructure which made it the least developed province. Thus some donor countries, particularly Sweden, focused on Niassa, and tried to attract the interest of Nordic forest industries. But this only came to fruition in the first years of the 21st century.

At the moment the three largest investor groups (or investors) in Niassa and elsewhere in the north are Malonda Foundation (at least 285,591 ha), Swedish and Norwegian churches (85,272 ha), and the Norwegian Green Resources (135,900 ha). Both Malonda and the churches have come into conflict with local communities (see Boxes 6 and 7) and were forced to make major management changes. Both are also planning large expansions.

Malonda Foundation (Fundação Malonda) was set up in 2005 by the Swedish government, to try to create public-private partnerships in Mozambique in which the local communities would have an interest. It started with land that had previously been set aside for a failed resettlement attempt for white South Africans in the 1990s. Malonda has over 75,591 ha of its own, and is in partnership with at least two outside companies. Florestas de Niassa has 210,000 ha and is 80 percent owned by Rift Valley (Mauritius registered & Zimbabwe based) and 20 percent by Malonda. The Foundation is also in negotiation with the Norwegian company Green Resources (see more below), for forest development in Niassa. Malonda has run into problems. A 2008 study found “serious levels of community dissatisfaction” with people being displaced from the land. At an April 2010 meeting they agreed to “radical changes” including more involvement of communities. (See Box 7 for more details.) Rift Valley also now controls a company dating from the colonial era, Madal, which has substantial farmland. Malonda says the five forest companies working in Niassa hope to occupy an area of 597,000 ha, of which 322,500 ha will be plantation and 274,500 ha for conservation. They hope to create 22,000 jobs.

The Global Solidarity Forest Fund (GSFF) is a Sweden-based private equity, ethical investment fund focused on the forest sector in southern Africa. Its 2007 prospectus says "the Fund develops forest-based investments with high potential returns and a strong ethical, environmental and socio-economical profile, including community development." It was founded by the Diocese of Västerås, Lutheran Church of Sweden and the Norwegian Lutheran Church Endowment (Opplysningsvesenets fond, OVF), later joined by one of the world's largest pension funds, Stichting Pensioenfonds ABP, a pension fund for teachers and Dutch government employees, which has now become the majority owner.[110] In 2008 it said it aimed to have 400,000 ha of forest in Mozambique[111] and stressed the additional potential for "ecosystem services such as carbon sequestration, biodiversity and conservation."

GSFF controls four projects in northern Mozambique. It owns 53 percent of Companhia Florestal de Messangulo and of Ntacua Florestas da Zambezia. The remaining shares of Massangulo and Ntacua are owned by Diversified International Timber Holdings - DITH (A US fund believed to be owned by Harvard University[112]) 35 percent, Diocese of Niassa (Mozambique) 10 percent, Silvestria Utveckling (Sweden) 1 percent, and Margaret Rainey (Sweden, CEO of GSFF) 1 percent. Messangulo was renamed Massangulo, and proposed 17,000 ha of pine and eucalyptus and 17,000 ha "set aside as protected or responsibly managed native ecosystems"; it appears not to have received any large land concession. Ntacua has 9,005 ha in Zambézia province, and aims for 35,000 ha of pine and eucalyptus, and 35,000 ha "set aside as protected or responsibly managed native ecosystems." Tectona Forests of Zambézia had 1,007 ha and on October 6, 2011 was given a further 19,540 ha for a teak plantation; its shareholdings are GSFF 59 percent, DITH 30 percent, Diocese of Niassa 10 percent, and Silvestria Utveckling[113] 1 percent. Chikweti Forests of Niassa is the farthest advanced of the four projects, with 28,970 ha out of a proposed 140,000 of which 68,500 ha will be pine and eucalyptus. Again GSFF is the majority owner and DITH has a minority share,[114] while over 10 percent of Chikweti is Mozambican owned, by institutions such as the Anglican Diocese of Niassa (about 9 percent), Malonda Foundation, and Eduardo Mondlane University, with a total of about 1 percent held by Mozambican individuals.

Chikweti has run into serious conflicts with communities, detailed in Box 7. The conflicts became so serious that they were raised in a visit in September 2010 by Prime Minister Aries Ali. An investigation by the National Directorate of Lands and Forests (DNTF, Direcção Nacional de Terras e Florestas) for the visit of the Prime Minister said Chikweti was occupying another 32,000 ha illegally. As stated in a Maniamba administrative post, "Chikweti invaded the land of local people, promising to compensate them, but failed to honor their promise." Chikweti is planting pine and eucalyptus and was only supposed to use degraded land, but the DNTF study reports: "Chikweti when it negotiated the establishment of its plantations, said it would only plant in marginal areas, but it has actually invaded productive farmland" as well as local pastures. DNTF also found that Chikweti was clearing dense native forest to plant new trees. The report also accuses Florestal de Messangulo of illegal occupation of land.[115]

The four companies were originally created as a joint project with Swedish and Mozambican churches, with three components: commercial plantations; protection of an equal amount of native forest; and community development. The Anglican Bishop of Niassa, Mark van Koevening, was chair of the four GSFF companies in Mozambique but he resigned in protest in 2010, saying only the first commercial part went ahead, and it has become "a standard foreign investment." He continued: "Mozambique's attractiveness to investors is that land is cheap, and they did not want to increase the cost by giving shares to Mozambicans."[120] He admitted, "we were naïve. It is the shareholders who decide, not the stakeholders." For the Bishop, the priority is to increase the bargaining power of local communities, to make them more equal in negotiations with investors, and to gain more benefit from the investments.

BOX 7: NIASSA: PEASANTS *VERSUS* NORDIC CHURCHES[116]

Despite possible good intentions and green claims, forestry plantations by "ethical" funds and even churches in Niassa have gone though massive problems. When Prime Minister Aires Aly visited Niassa in May 2010, local people complained about the timber companies. Aly ordered an investigation, and the report became available in late 2010.[117] It was harshly critical of one company, Chikweti Forests of Niassa, owned by the Global Solidarity Forest Fund (GSFF), a Sweden-based "ethical investment fund" which also aims to produce high profits. It was established by the Swedish and Norwegian churches but now the main investor is a large pension fund for Dutch civil servants and teachers, Stichting Pensioenfonds ABP, and plans to invest USD 100 million.

Chikweti has been given 30,000 ha, with another 14,000 ha in process. But the investigation by the National Directorate of Lands and Forests (DNTF, *Direcção Nacional de Terras e Florestas*) says it is occupying another 32,000 ha illegally. In a Maniamba administrative post, "Chikweti invaded the land of local people, promising to compensate them, but failed to honour their promise." On some of the illegal land, Chikweti was given permission by local *régulos* (chiefs) without consulting the communities, as required by law, or applying to central government for the land. The DNTF investigation says Chikweti sometimes hired local community leaders, creating a conflict of interest which led to consultations being carried out poorly.

André Calengo of Lexterra, a lawyer who is involved with forestry projects in Niassa, says the forest companies "are just like the old colonists. They buy the *regulo*, with money or jobs for his children." He went to one community meeting on Chikweti and he said local people stood up and accused the *regulo* of "selling our land." Criticism was so intense that the *regulo* fled the meeting, Calengo said. A World Bank report also points to forestry companies in Niassa giving preference for jobs to families of *regulos* and civil servants.

Community consultations are a big issue. One district administrator is quoted by DNTF as saying "community consultations are often intentionally falsified, for example with two signatures that are actually by the same person. Local officials interviewed by DNTF were critical, and one district administrator accused Chikweti of arrogance and a "lack of social responsibility."

Numerous land conflicts are reported, due to plantations taking over or degrading farm land. Chikweti is planting pine and eucalyptus, fast growing non-native species. The DNTF study reports: "Chikweti when it negotiated the establishment of its plantations, said it would only plant in marginal areas, but it has actually invaded productive farmland" as well as local pastures. DNTF also found that Chikweti was clearing dense native forest to plant trees. In Sanga there was "large-scale felling" of a forest fruit tree, *massuku*, used by local people. Locals are also losing access to other forest products, such as firewood and medicinal plants.

Local communities have been resisting the project in different ways. There were serious fires in Chikweti areas before the 2010-11 rainy season, and the company accused local people of sending in cattle to destroy newly planted trees. In April, peasants chopped down 12 ha of newly planted Chikweti trees in Sanga district, claiming Chikweti had occupied their land; 12 people were arrested.[118]

In the DNTF report, Chikweti is given the chance to respond, and in most cases says that the statements made by DNTF investigators are not true. In Maniamba, for example, it says people left their farms spontaneously and of their own free will. However a study done by students of Mälardalen University in Sweden, with the cooperation of Chikweti, concluded that "Chikweti's managerial services are dysfunctional." There is a "high turnover of personnel" and "Chikweti has difficulties in trusting the employees."[119] In 2011, the messages got through, and Chikweti and GSFF managements changed substantially.

Forestry has created more than 3,000 jobs in Niassa, the Bishop said, and more investment is needed to create even more jobs. But these are nearly all at minimum wage. The agriculture and forestry minimum wage is 2,005 meticais (USD 65) per month; many work six days a week. Even for minimum wage jobs there is a huge demand, but Bishop van Koevening worries that people are not being paid enough to compensate for the lost food production from their farms.

> He added that the forestry companies are explicitly trading jobs for land. But most jobs are in the first three years of a project, when land is cleared and trees planted. "People give up land for a lifetime in exchange for 3 or 4 years of work."[121]

Forestry investors want to obtain Forest Stewardship Council (FSC) certification, which restricts the replacement of native forests by newly planted trees. But this is having an adverse effect in Niassa, putting pressure on the farming system. To obtain non-forest land to plant trees, the companies are using land left fallow by farmers. Farmers, in turn, must go further away to find new land, often felling trees. So FSC certification may be promoting indirect deforestation.

In mid 2011, the GSFF responded to the criticism and totally restructured the management. Margaret Rainey, formerly of the World Wide Fund for Nature and a vice president of GSFF, became CEO of GSFF, and Chris Bekker was named as a new CEO of the four Mozambican subsidiaries, based in Lichinga, Mozambique. The new GSFF website admitted: "During our initial operating phase there have been some difficulties with planning and on-the-ground implementation which resulted in weak management systems. We have now entered into a process of change to increase the quality of our performance and this has involved significant changes to management. During 2011, new management was appointed for both GSFF and the subsidiaries and changes were made in the boards. Local management has also been strengthened. Processes around community engagement have been prioritized and new systems have been put in place. For example, a central management has been established in Mozambique for all four forest projects to ensure that GSFF's company policies are strictly and consistently applied and implemented. In addition, we now actively employ a majority of Mozambicans in management roles."[122]

The Diocese of Vasterås, with the Mozambican Anglican Church (Diocese of Libombos), owns LevasFlor, which has 46,240 ha in Sofala. LevasFlor reports that the timber species available in the largest quantities in its concession "is the lesser-known *Msasa* (Brachystegia spiciformis), which is quite common in Mozambique but almost unknown on the international market. Because of Forest Stewardship Council (FSC) certification, rigid quality selection and improved processing, Msasa flooring is now available on the European market."[123]

Another large Nordic firm, UPM was in negotiations with the Malonda Foundation in 2009, to invest up to USD 1 billion in the forestry sector in Niassa,[124] and is looking for 200,000 to 400,000 ha of land. UPM (formerly UPM Kymenne) is a global, Finnish-based paper and wood products company which currently owns 920,000 ha of timberlands in Finland. It claims that as "the frontrunner of the new forest industry, UPM leads the integration of bio and forest industries into a new, sustainable and innovation-driven future. Our products are made of renewable raw materials and are recyclable."[125] In Finland in 2006 UPM tried to dismiss its remaining 300 forestry workers and shift to using contract companies to do the work; threats of strike action forced it to set up a new subsidiary company Silvesta, which took over the forestry work.[126]

Green Resources is another prominent corporate Nordic investor. It describes itself as "a plantation, carbon offset, forest products and renewable energy company. The company was established in 1995 and is a private Norwegian company with over 70 shareholders."[127] Green Resources has 126,000 ha of forest plantation in Nampula province "for carbon sequestration, as well as producing wood for building materials, energy and pulp." It says it will assist in the establishment of 54,000 ha of forests by local smallholders and companies. World Bank's International Finance Corporation (IFC) has provided USD 18 million to Green Resources for projects in Tanzania, but IFC has not directly invested in forests in Mozambique. Green Resources has a USD 3.5 million loan from Norfund. The managing director of Green Resources is Arlito Cuco, who was formerly the Director of the National Directorate of Forestry and Wildlife in the Ministry of Agriculture, which was responsible for this sector.

Green Resources also owns 80 percent of Malonda Tree Farms in Niassa where it currently manages 906 ha of Malonda forests in Sanga district, and intends to expand to 4,800 ha of Malonda land. It expects to obtain carbon certification and carbon credits for areas where there is avoided deforestation. A World Bank study[128] also identifies a Green Resources project in Sanga district called Greenleaves (and it is not clear how this is linked to Malonda Tree Farm), which is specifically billed as a carbon credit project. The project area is 4,800 ha, and the Norwegian TreeTops is the majority shareholder with 80 percent. The Swedish Fine Forests Foundation is also involved. The project is using land of the former Unango state farm and displaced peasants who were cultivating the land. The World Bank study warned: "Of more serious concern is the potential longer term threat to local livelihoods. Already the plantation has reduced the area readily available for cultivation near to people's homes. Several people interviewed said they had managed to find alternative plots of land for their fields, but that these are much more distant from home and could take hours to get there. This increasing problem of distance – as the plantation takes up more of the previous land used for farming near to the town or villages – is likely to impact food security in the future." Also, consultations are "unbalanced in all aspects because communities are weak in relation to investors." The Bank reports that in December 2009 the community threatened forestry company workers with knives. The report called for new consultations, with "community members as co-holders, with a leadership legitimately identified and representative."

Conflicts Over Trees

The largest land concessions in Mozambique have all been for forests – mostly new plantations of fast growing exotic trees, but often mixed with some conservation and mixed use management. The major investment groups are Nordic and the Portuguese. Nearly all of the large concessions have run into conflict with local communities. Two Nordic programs have been forced by local protests to make management changes, and a South African company decided not to go ahead with a project rather than confront local people.

Some land seems more suitable for trees than for other kinds of agriculture, but the problem is that to be profitable, forestry requires good land (as with profitable agrofuel production, as noted in the next section) and foreign investors are not interested in poor quality land. Promoters of forestry investments in Mozambique argue they are good for the climate (earning carbon credits) and support sustainable local development, while also being highly profitable. Experience over the past decade raises serious questions about this model, as the pressure for high profits has put the companies into conflict with local communities, which in turn are raising questions about the validity of trading farmland and access to forest resources in exchange for a limited number of low paying jobs. There have been some experiments with community and individual contract forests, but so far these have depended on aid funding or dubious carbon credit schemes.

Thus it is still unclear if big forest plantations in Mozambique can be made profitable, green and good for development.

4. LAND CONCESSIONS – AGROFUELS AND OTHER CROPS

Mozambique adopted a policy calling for "large-scale" production of agrofuels in 2009 (see Box 8), in response to unstable oil prices, environmental concerns, Mozambique's history producing sugar and alcohol, and the perceived availability of land and water. During the first decade of the 21st century, Mozambique was deluged with proposals for land for agrofuels, and several large projects were approved (see Figure 5). One ethanol project, ProCana, failed disastrously, while others were speculative, potentially fraudulent or stock market scams. There were conflicts with communities over land, growing concerns about competition with food production, and also worries that investors were underestimating potential problems. The slowdown in investment proposals from the second half of 2008,[129] due to the global economic crisis, and concern about implementation of approved projects, led to extensive debate, and the government approved its new agrofuels policy in May 2009, which called for a "gradual" move forward, initially aiming at 400,000 ha of agrofuels, and stressed food production and prevention of conflicts with communities. Two crops were highlighted in the new policy, sugar which is a long-standing local crop (see Figure 6) for ethanol to be added to petrol (gasoline) and jatropha, which had been promoted by President Armando Guebuza, for biodiesel. In particular, food staples including maize, cassava, groundnuts and sunflower were not allowed to be used for agrofuel. In June 2011 the government announced that petrol sold in Mozambique must be 10 percent ethanol and diesel 3 percent biodiesel starting in 2012. This could reduce fuel imports by USD 22 million per year.[130]

Eugenio Buquina of Prospectus Consultoria Lda told a CEPAGRI agrofuels seminar on August 31, 2011 that a recent study showed that "most biofuel projects are at an intermediate stage of development, using only 50 percent of the land acquired. They are yet to run at full steam." The seminar was also told that in some cases vast swathes of land remain idle, and the Ministry of Agriculture has decided to reduce the size of the land granted to the investors or simply revoke the DUATs.[131]

Sugar

Sugar production was developed in the colonial period in Mozambique and peaked in 1972/73 at 325,000 tons. During the 1981-92 war all the sugar plantations were attacked and severely damaged by Renamo, and production fell to 13,000 tons in 1992. Since the war there has been substantial investment, and production rose to 200,000 tons in 2002 and 400,000 tons in 2011.[132]

The International Sugar Organization notes that "sugar production costs in Malawi, Zambia and Mozambique are estimated to be some of the lowest in the world, potentially competitive to cost structures in Australia, Brazil, Guatemala and Thailand – considered the most cost effective and competitive sugar producing countries in the world."[133]

The four operating sugar mills (see Figure 6) are owned by three companies:

Tongaat-Hulett is a South African company.

Illovo is 52 percent owned by ABF Overseas Limited which is ultimately controlled by Associated British Foods plc, which in turn is the sole shareholder of British Sugar.

BOX 8: MOZAMBIQUE GOVERNMENT POLICY ON AGROFUELS

"The principal challenges which confront the [agrofuels] industry consist of the attribution and correct use of land without conflicts with communities, balancing production of food and agrofuels, rational use of water, and managing environment impacts," states the Mozambican government Biofuels Policy and Strategy, adopted by the Council of Ministers on 21 May 2009. The policy is based on two threads, one on development and environment, and the other on reducing dependence on imported fossil fuels and improving the country's foreign exchange position. Agrofuels are seen entirely in terms of liquid vehicle fuels that is fuels which can be combined with gasoline (petrol) and diesel. "Large-scale" agrofuel production is foreseen, but production should be introduced "gradually" and "incrementally." Agrofuels are seen as entirely a private sector area, but this does include para-statal companies and can involve public-private partnerships.

On the development and environment side, the policy aims to improve energy security while reducing greenhouse gas emissions, and promote sustainable, integrated agro-industrial development and job creation. In particular, "Mozambique must become an exporter of biodiesel and not of crude vegetable oil" which means processing factories must be established.

The policy stresses the need to "prevent an excessive predominance of monoculture and assure, at the same time, production of other crops, including food" to ensure national food security. Agrofuel production must include medium and small scale actors, including peasants. A zoning exercise based on 1:250,000 mapping is under way to define restricted areas for large-scale agrofuel production.

On the economic side, the first goal is to supply the domestic market in the face of volatile world oil prices. Second is to export. The Policy notes that South Africa, Malawi, Zimbabwe and Zambia import liquid fuels through Mozambican ports, and thus they are the most obvious market. And Mozambique's ports make global exports feasible.

For the Policy, nine possible crops were studied and a decision was made to not use staple food crops for agrofuels. To produce ethanol as an additive to gasoline (petrol), the Policy opts for sugar, for which Mozambique has some of the best production conditions in the world, and which is already a major crop. The second choice is sweet sorghum. This is not currently produced in Mozambique but other forms of sorghum are commonly grown, it would be relatively cheap to grow, and it might be a peasant crop. The use of maize and cassava for ethanol is specifically rejected because they are food crops. For diesel, the policy opts for jatropha, which has been promoted by President Armando Guebuza since his election in 2004. The second choice is coconut, a traditional plantation export crop. The Policy notes that coconut is currently relatively expensive, but Mozambique has long experience with the crop and it has high oil yields, so might be developed for agrofuel. Sunflower, peanut, and soy are explicitly rejected for the production of diesel because they are food crops.

The policy calls for a "modest expansion of production of raw materials for agrofuels," suggesting an initial target of 450,000 ha. This would generate 150,000 jobs, 100,000 in farming and the rest in industry and services. Balance of payments would be improved by USD 450 million, through exports and reduced imports. Any government incentives for agrofuel production must be limited and short term, as agrofuels must generate tax and other revenue for the state.

A National Commission on Agrofuels (*Comissão Nacional dos Biocombustívies*) has been created to implement the policy.

Source: "Política e Estratégia de Biocombustíveis," Conselho de Ministros Resolução nffl 22⁄2009 de 21 de Maio.

Sena Holdings, in 2002 was made up of four Mauritian companies (FUEL Group, ENL/Savannah, Compagnie d'Investissement et de Développement Ltée and Kalua Properties Ltd and Stam Investment Ltd.)[134] and the structure created some management difficulties. Present structure is not known.

Two new sugar companies have been established since 2009:

Grown Energy, with 15,000 ha in Sofala, was set up by a South African firm which obtained the land and then sold the company for USD 1.1 million to an Indian company, Tata Chemicals. It will make an initial USD 15 million investment, and the project could ultimately cost USD 224 million and produce up to 100 million liters of ethanol per year.[135]

Principle Energy is owned ultimately by Principle

Capital, registered in Switzerland, but through a chain of companies registered in or operating from Isle of Man (UK Offshore), UK, Mauritius, Luxembourg, and Switzerland. A take-over battle in 2009 led to some of the owners being formally barred from merger-related business in the UK for three years.[136] The company has 18,000 ha in Sofala province and will initially spend USD 50 million.[137]

Finally, two ethanol projects have collapsed.

ProCana had 30,000 ha in Gaza province. It was established by the London-based Central African Mining and Exploration (CAME), which became Bioenergy Africa, which renamed itself Sable Mining registered in the Caribbean's British Virgin Islands tax haven. On the basis of being given 30,000 ha, CAME raised USD 13 million from investors, and hoped to raise an additional USD 500 million as loans. The project proposal assumed that ProCana would get exceptionally high sugarcane yields and obtain double the ethanol from the sugar, so as to produce four times as much ethanol per hectare as any other producer in Mozambique, which was clearly unrealistic.[138] ProCana did start, including clearing peasants off the land in exchange for the promise of jobs, but suddenly decided in 2008 to abandon agrofuel and return to mining. When the government cancelled the concession on 22 December 2009, Council of Ministers spokesman Deputy Education Minister Luis Covane said "in the two years since the provisional authorization in 2007, only 800 ha of land was cleared. The company made no use at all of the remaining 29,200 ha."[139]

The project faced serious conflict with local people (see Box 9). It used water that rice farmers wanted and it took land from local farmers – particularly grazing land. In addition, ProCana was given land which previously had been set aside to resettle people from the Limpopo trans-frontier park.[140] In *Rising Global Interest in Farmland* the World Bank reports on ProCana that "although few benefits materialized, local people lost access to forest (especially agrofuels) for fuel wood, game meat, fish. Investor uses local water supply and roads without compensation; thus negatively affecting women who gather the water."[141]

SEKAB is a Swedish ethanol producer. It was founded in 1985 and is owned by a regional consortium consisting of Övik Energi, Umeå Energi, Skellefteå Kraft, Länsförsäkringar i Västerbotten, OK Ekonomisk förening and EcoDevelopment.[142] It was proposing a large sugar plantation in Cabo Delgado province, but *Bloomberg BusinessWeek* reported on April 15, 2011 that SEKAB's owners had stopped the Mozambique and Tanzania projects. The project had serious problems with local communities and the consultation process.

FIGURE 5: APPROVED MAJOR AGROFUEL PROJECTS (2009)

Project	Product	Crop	Area (ha)	Province	Projected			Notes
					Investment million USD	Employment	Production million litres/ yr	
ProCana	Ethanol	Sugar	30,000	Gaza	510	7,000	221	Cancelled
Tongaat Hulett-	Ethanol	Sugar	31,175	Gaza & Sofala				
Enerterra	Biodiesel	Jatropha	18,508	Sofala	53	2,042	1	
Grown Energy	Ethanol	Sugar	15,000	Sofala	224	2,139	100	
Principle Energy	Ethanol	Sugar	18,000	Manica	280	1,600	295	
Sun Biofuels	Biodiesel	Jatropha	5,000	Manica	6	3,000		
Deulco	Biodiesel	Jatropha	15,000	Inham-bane				
Deulco Emvest	Biodiesel	Jatropha	1,220	Maputo	1	265		
Total			133,903					

Source: Annex 1 and "Biofuel policy and strategy for Mozambique", Presentation by Marcelina Mataveia, Biomass Energy Department, Ministry of Energy, Government of Mozambique, Brussels, 24-25 November 2009. http://www.compete-bioafrica.net/events/events2/Brussels/S1-3-COMPETE-Conference-Brussels-Nov2009-Mataveia.pdf (accessed August 22, 2011).

FIGURE 6: COLONIAL ERA SUGAR PLANTATIONS

Plantation	Province	Company	Ownership	2002/3 area (ha)	2002/3 production sugar tons	Notes
Marromeu	Sofala	Sena Holdings 75% (a consortium of 4 companies), state 25%	Mauritius	7,880	65,000	Zambézia plantation not restored since war
Mafambisse	Sofala	Tongaat-Hulett 85%, state 15%	South African	7,418	41,000	Being expanded
Xinavane	Maputo	Tongaat-Hulett 88%, state 12%	South African	3,362	35,615	Being expanded
Maragra	Maputo	Illovo Sugar 74%	Illovo is 52% owned by Associated British Foods	6,500	59,000	Being expanded
Buzi	Sofala	Ilovo Sugar				Being restored, not yet producing
Total				24,747	200,615	

Sources: Company websites, author's personal data, and (for 2002/3 data) Anna Locke, "Mozambique sugar industry: overview and outlook", paper presented at the FAO/Mozambique sugar conference, Maputo, Mozambique, 10-12 October 2002, http://www.fao.org/es/esc/common/ecg/115/en/Proceedings2.pdf (accessed August 22, 2011).

Jatropha

Jatropha is a shrub, native to Mozambique where it is sometimes used as a hedge crop because its toxic seeds and leaves keep wild animals and goats away. Oil from the seeds makes it a possible crop for biodiesel, soap, and lamp oil. It was initially billed as a miracle crop because it grows in poor soil with little water, and its toxicity seemed to mean it did not need pesticides. That may be true for peasant production, but to obtain high levels of oil the jatropha needs good soil and water – and it turns out to have pests. It takes 4-5 years for full production, but then produces for up to 40 years.[143]

President Armando Guebuza several years ago in his "open presidency" tours promoted peasant production of jatropha – but a market was never created. *Savana* (June 3, 2011) reported that when the President was in Ribáuè district peasants complained that they had been tricked into growing jatropha and now have storehouses full of it, which they cannot sell. The government told them to grow jatropha, so the government should buy it, they said.

International companies also rushed to grow the new miracle agrofuel, and soon ran into serious problems. There is still little commercial production of jatropha, as investors try to find suitable varieties and appropriate pesticides and fertilizers. The government has stopped granting large concessions for agrofuels, and has counseled investors to start small, under 1,000 ha, and then expand when they find a package that works.

A workshop in 2007 sponsored by the Ministry of Agriculture and Enerterra, one of the new entrants in jatropha (see below), concluded that "jatropha is not as simple a crop as commonly believed, and requires particular care in the first 18 months." Furthermore, processing is complex and expensive. Production costs at that time were seen as higher than fossil fuels, and initial indications were that in Mozambique biodiesel from coconut or cotton seed might be cheaper, and could be produced as peasant crops.[144]

Three companies started by taking over land from other companies:

Charcoal market in Nampula, charcoal is an important forest product

Sun Biofuels is probably the most prominent, having taken over a 5,000 ha former tobacco plantation in Manica province. It initially focused on seed trials but has now cleared, prepared and planted 2,256 ha. Sun is 98.25 percent[145] owned by Trading Emissions, an Isle of Man (UK offshore) incorporated "closed end investment company that specializes in renewable energy projects and emissions instruments such as carbon credits."[146] Sun operates in both Mozambique and Tanzania, and to date Trading Emissions has invested USD 27 million in Sun. Sun exported the first batch of 30 tons of jatropha oil produced from its fields to Germany's Lufthansa airline in August 2011. The same month, the company was reported to have been sold to Highbury Finance, a British-Dutch investment company.

UK Minister of State for International Development Stephen O'Brien visited Sun in Mozambique on March 16, 2011. A press statement by Sun reported: "Stephen O'Brien, Minister for International Development, said: 'One can't fail to be impressed by the progress made by Sun Biofuels. Their determination looks likely to pay off. I have every hope this project will be a shining example for countries around the world as to how to produce green energy which is both good for the environment and the economy. Sun Biofuels are grateful for the continued support of the British Government."[147]

Sun has created 1,500 jobs at slightly higher than minimum wage, although many are seasonal. But there is still some discontent with the project. OI interviewed a young farmer from the area, João Malunguisse, who noted that seasonal workers live in and around the plantation, where previously tobacco grew.

> "Thirty years ago, we would have grown food, fruit and vegetables, and then we grew tobacco alongside; now we just grow jatropha," so the farmers have to walk some distance to produce their food close to the small dams in the area. The jatropha plants extend right into the cemetery area regardless of local traditions.

Malunguisse also argues that the seasonal workers apply pesticides which flow into the dams when it rains and poisons the fish which the locals depend on for protein. According to João, the few available technical jobs are filled by Zimbabweans who can speak English and not by locals.[148]

Seci Api Biomasse (SAB) Mozambique started off as Inveragro, which obtained 6,334 ha of a former cotton plantation in Inhambane for jatropha (which may have included another 5,500 ha). It was then bought by ESV Group, a Dutch company with largely Ukrainian interests, for USD 1 million in 2007.[149] ESV then sold it in 2009 to SAB, a joint venture of two Italian energy companies, Api Nova Energia and Seci Energia (in turn part of Gruppo Maccaferri) for USD 4 million.[150] Api reported that in 2010 it had 83 full time staff and 1,000 seasonal workers; its goal is to plant 40,000 ha of jatropha by 2020. The company also has plantations in Brazil and is trying to obtain land in Ghana.[151]

Energem appears to have closed down and gone bankrupt. It bought 70 percent of an existing agrofuel company in 2007, apparently from Deulco, obtaining 2,000 ha in Gaza province and 15,000 ha in Inhambane, including 650 ha already under jatropha.[152] Energem Resources was formerly known as DiamondWorks, and was involved in trading "blood diamonds" from African civil wars in the 1990s, according to *The Telegraph* (London). It re-launched as a "green" African agrofuels business - called Energem Resources, but was put into administration in Canada after it could not recover USD 54 million owed by companies linked to its deputy

BOX 9: DISREGARDING COMMUNITY CONSULTATIONS- PROCANA

At the launch of the ProCana project, the Mozambican President, Armando Guebuza, assured everyone that "agrofuels development will not dislodge Mozambican farmers from their lands." According to him, currently underutilized or empty lands would be utilized for agrofuels and it would "avoid using lands used for food production." Mauricio Huo, director of the district service for economic activities in Massingir, explained in an interview that the area granted to ProCana was almost non-inhabited and was not being used for agricultural production, but rather for "charcoal production by squatters." When the research team visited the area, however, it encountered several villages (Chinbangane, Chitar, Zulu, Mahiza and Mocatini), some even with health centers and schools.

In Chinbangane, the research team attained the following testimony from community members:

"There are 61 families in this village. We were born in this village, and so too our parents who were buried in our community cemetery. We produce maize, sweet potato, peanuts, beans and we have quite some cattle... Yes, we were consulted by ProCana and the local government about the relocation site and the new grazing area last May. But we were not convinced. We did not agree. As far as I know other villages also did not agree. We are trying to gather other villages to come together and discuss the matter. We are worried that we will be forcibly evicted from our land despite our opposition. The local government and ProCana people told us there is no irrigation in our land, and that we will be relocated to a place where there are irrigation facilities. Why not put those irrigation facilities here, in our land, if they really wanted to help us? We can even grow sugarcane for ProCana, but we have to stay in our land... We have what we need. This land is ours. We will not leave."

According to the information provided by ProCana's manager, five local communities were consulted: Zulu, Chitar, Banga, Mahiza and Mocatini. Considering the lack of available statistics and information about the area the research team was not able to find out the exact number of people currently living on the land allotted to the ProCana project who would be affected by reallocation. If we take the number of Chinbangane's families (61) as average, at least 360 families will be affected. The actual figure should be indeed much higher given the fact that Chinbangane was referred to as one of the smallest villages in the area. ProCana's project presented additional complexities, since part of the land requested was also claimed by the Limpopo National Park, which intended to use the area for the resettlement of families still living inside this natural reserve. Reverend Dinis Matsolo, General Secretary of the Christian Council of Mozambique that actively assisted displaced communities in the park, explained to the research team that nine communities (Mavoze, Massingir Velho, Bingo, Makavene, Chibatana, Matinga, Machaule, Machamba, Ximange) were still living inside the park and that only one had been resettled. He indicated that the groups settled in the national reserve had been war refugees who were repatriated and resettled in the area which later became the Limpopo National Park. Now they would have to be resettled once again.

The ProCana investment never proceeded – but the example shows how local communities that are already "invisible" or classified as "squatters" are ignored in the negotiation process.

BOX 10: EMVEST GROUP COMPANIES

Mozambique
- Emvest Limpopo
- EmVest Biofuels
- Deep Water Produce

Swaziland
- EI Ranch

South Africa
- EmVest Nuts
- EmVest Evergreen
- EmVest Foods
- EmVest Eastern Cape

Zimbabwe
- Ariston Holdings

Zambia
- EmVest Livingstone

source: http://www.emvest.com/about_us.aspx
(accessed August 23, 2011)

Entrance to the EmVest Limpopo Land Concession, Chokwe

executive chairman Tony Teixeira.[153] The company was already in financial trouble in Mozambique. Energem never produced agrofuels, and 297 workers were not paid in March and April 2010, and then laid off due to the company's financial problems. The Labor Ministry intervened, and the company finally paid USD 136,000 in back wages and redundancy payments.[154]

There are several other new investors in jatropha, two important ones are:

Enerterra has 18,508 ha in Sofala province to produce jatropha. It is 99.99 percent owned by ENR-SGPS and 0.005 percent (1 share) each by Vianney Vales and Juan Miguel Martin Iglesias. Vianney Vales, in turn, is president of SGC Energia, a Portuguese company based in Houston, Texas. ENR-SGPS is a holding company of SGC (which has no website). Iglesias is also based in Houston. The Brazilian mining giant Vale is going into partnership with the SGC Energia and an unnamed US company to build an industrial unit to convert low grade, high ash coal into liquid fuel, according to the Portuguese *Diario Economico* (June 21, 2011).

Aviam is owned 99.99 percent by Avia, an Italian company, and .01 percent to two individuals and was given 10,000 ha in Nampula provice for jatropha in 2009. But provincial governor Felismino Tocoli said in August 2011 that he would push for cancellation of the concession, because it is not carrying out its investment plan. So far it has only planted 150 ha, and local communities were protesting. The development plan also promised a factory, health center, school, and other infrastructure which have not been built.[155]

Other Crops

There has been significant interest in other crops, notably rice, soy, and horticulture. So far, these projects have been smaller, but several have been controversial. They illustrate how farming is attracting the interest of hedge funds and private equity, and how the complex links distance the beneficial owners from Mozambique.

EmVest Limpopo has 1,000 ha in Matuba, Chókwè, in the irrigated Limpopo valley of Gaza province. It says it has 760 ha of land under irrigation, for the production of row crops and horticulture.[156] Production of potato, tomato, and maize began in 2011.[157] EmVest is also involved in agrofuels and in fish farming (of Tilapia) in the lake behind the Cahora Bassa Dam in Tete province. It is involved in four other countries in the region.

(See Box 10) The ownership structure is complex: EmVest Asset Management is a joint venture between GrainVest (part of RussellStone Group of South Africa) and Emergent Asset Management of the UK. EmVest manages Emergent's private equity African Agricultural Land Fund. It is also linked to Deulco through Deulco Emvest, which is a Mozambican registered company owned by Emvest Biofuels (registered in Mauritius).[158] EmVest Limpopo is owned by two Mauritius registered companies, Emvest Chókwe Mauritius Ltd and Pro-Alia Investment 1 Mauritius, Ltd.[159] Through Deulco there is a link to the family of former President Joaquim Chissano: the family company MJ3 Lagoas is one of the owners, with Deulco Holdings, of Deulco Sábie.

Emergent Asset Management is the subject of a special OI report, "Understanding Land Investment Deals in Africa - Deciphering Emergent's Investments in Africa."[160] Emergent describes itself as "an alternative investment firm which offers hedge fund and private equity strategies." Its African Agricultural Land Fund" promises "Target risk-adjusted returns [of] +25 percent per annum from combined soft commodity production yields and land price appreciation," although the fund also promises "socially responsible investing and economic sustainability." They also hope that "sustainable agricultural practices" will lead to "carbon credit generation."

OI researcher meeting with the farmers from the Matuba village

BOX 11: LIOMA: CONFLICT BETWEEN BIG & SMALL, INVESTOR & PEASANT[166]

Land conflicts in Lioma, Gurué district, Zambézia, highlight primary issues and the kinds of players involved. On one side are small commercial farmers backed by both the government's district development fund and the Gates foundation. On the other is a foreign investor who has been given a large tract of land; the investor has limited financial resources but seems to have political backing, and evicted successful local farmers in December 2010.

Lioma was a colonial settlement area (*colonato*) which became a state farm after independence and then was abandoned in the 1980s during the war. After the war, peasants as well as former state farm workers began to clear the thick bush from what is excellent farmland. In 2003 with money from a Norwegian farmers cooperative, Clusa (Cooperative League of the USA) they introduced soybeans into the area, initially with the idea of exporting to Norway, with technical support from TechnoServe, and also promoted the formation of farmer associations. The project was highly successful with more than 5,000 producers across Gurué district in 112 associations. (But they never exported to Norway, because the demand for soy from local chicken producers was so great.)

Then in December 2009 the Council of Ministers awarded 10,000 hectares of the old state farm to a Portuguese company, Quifel, to plant soy as well as sunflower for biodiesel. The land given to Quifel included 490 ha occupied by 244 farmers, who assumed they had a right to be there as they had occupied the land for more than 10 years, and had been encouraged to clear and use the old state farm land by local officials and Frelimo leaders.

Quifel held two local meetings on a single day, involving about 550 of the 15,000 people in the area. It made extravagant promises of jobs as well as for ploughing and clearing 2,500 ha for an out-grower scheme. In the state farm era, Frelimo had wanted to turn peasants into workers, and in Lioma they succeeded – former tractor drivers and other skilled workers backed Quifel because of the promise of jobs; they signed a memorandum of a "community consultation" that day which said they accepted the project. The soy farmers did not, but their views and land holdings seem to have been ignored. Quifel's proposal to the government which resulted in the land allocation is secret, but is said to promise 600 jobs by the third year, as well as a school, health post, water and electricity.

Meanwhile the Clusa soy project continued and support increased. More than 300 ha has been ploughed by the Clusa project in each of the last three years and more by private farmers. There are now six tractors, three purchased with loans from the district development fund (OIIL, *Orçamento de Investimentos de Iniciativas Locais*) and three leased from the provincial agriculture department. Production has risen from an average of 500 kg of soybeans per hectare to 1,040 kg, with some farmers gaining nearly 2,000 kg – probably the maximum possible yield in the area. In the larger Clusa project in 2009-10, 4,500 farmers produced 4,600 tons and sold it for USD 1.4 million. In September 2010 the Bill & Melinda Gates Foundation began backing the program.

For the 2010-2011 season, with Clusa support, farmers began ploughing in September because there is short window in December to plant soy. Then suddenly in December 2010 Quifel rushed to plough 400 ha before a visit by the governor. This was all land which had been cleared in previous years by the Clusa project, and included 40 ha which had already been ploughed by local people. One woman had already planted maize. Quifel planted soy, sunflower and sesame. In September 2011, company officials said they only planned to use the same 400 ha and had no plans to clear more land, for themselves or for the displaced farmers (as had been promised in 2009); by the end of September 2011, no ploughing had started.

Local officials now seem embarrassed by the conflict, simply saying instructions to support Quifel came "from above." Quifel is owned by the Portuguese businessman, racing driver, and aristocrat Miguel Pais do Amaral, and through group Grupo LeYa it also owns the two biggest publishers in Mozambique, Ndjira e Texto Editores, which have published books by prominent Frelimo politicians.

So far, it appears that Quifel does not have the money to farm 1,000 ha. In an invitation to invest in November 2009, it exaggerated landholdings, claiming to have 30,000 ha. Quifel had asked for 23,000 ha of the old state farm, but was given only 10,000 ha by the Council of Ministers.

Lioma is a large and fertile area that stretches beyond the former state farm. Because of the war, some areas have not been used for 25 years, and there seems to be land for both smaller farmers and larger investors. Indeed, several investors have been given 1,000 ha and have cleared new land and started farming, and did negotiate with local communities to avoid existing farms. But in January 2011, a local community rejected a proposal from an investor for 600 ha, largely because of bad past experiences with outside investors.

There is concern about what happens next. About 1,000 farmers in the soy project are on old state farm land, but probably outside the initial Quifel area (they cannot be sure as Quifel did not do a formal demarcation within a year, as required). Will that land also be given to Quifel or other outside investors?

But the land conflict also points to a conflict of development models – between an internationally recognized success of smaller commercial farmers on one side and a very large plantation run by a foreign investor on the other.

Sign board to the EmVest Limpopo project, Chokwe

The project has been controversial and met resistance to the expansion from 1,000 ha to 2,000 ha from the local communities who argue they "need the land to feed their children and graze their cattle.[161] More details on this project are in the OI Land Deal Brief "Understanding Land Investment Deals in Africa: EmVest Asset Management in Matuba, Mozambique" on the OI website.[162]

Bela Vista Rice Project in Maputo province is co-owned by the Libyan state's Libyan African Investment Portfolio (LAP) and the Mozambican company Ubuntu, which is in turn part owned by Environment Minister Alcinda Abreu, who was Foreign Minister 2005-2008. It currently only has 1,800 ha, not in a contiguous block, which is a barrier to installing an effective irrigation system. It wants to expand to 6,000 ha to produce 40,000 tons of rice per year, and then expand further to 20,000 ha. But the daily *Diario de Mocambique* quotes the chief in the locality of Tinonganine, Abel Machango, to say that many people have DUATs covering areas where the project had planned to expand and that some households are refusing give up their fields to the project. Machango supports Bela Vista Rice and is trying to convince the community to welcome the project and hand over part of their land. He argues that they will benefit from 400 jobs and the help that the company is promising to provide as part of its social responsibility.[163] Agriculture Minister José Pacheco said "We are working on increasing the production area and, as soon as some legal aspects are overcome, the consortium will have the additional land it needs to carry out the project more quickly."[164]

Quifel's Project Hoyo Hoyo has 10,000 ha in Lioma, Zambézia province, to develop soy production. Quifel is controlled by Miguel Pais do Amaral, a Portuguese aristocrat and racing car driver. Quifel also owns LeYa which in turn owns two of the most important publishers in Mozambique, Texto Editores and Ndjira, and publishes books by local politicians, such as the recent memoires of former President Joaquin Chissano. Little of the land has actually been used by Quifel since it was granted in December 2009, but the project has already run into a serious conflict with local communities, who had successfully been producing soy on small farms with support from the government's own district development fund, CLUSA (Cooperative League of the USA) and the Bill and Melinda Gates Foundation. (See Box 11 for more details.) Quifel is also active in other African countries – see the OI Land Deal Brief: "Quifel International Holdings in Sierra Leone."[165]

5. ARE RECKLESS LAND INVESTMENT DEALS OVER?

The government of Mozambique still wants private investment in agriculture, but it appears that the large land concessions of 2004-2009, which might be seen as a "land grab" in which foreign companies gained nearly 1 million ha, are over. No new concessions over 1,000 ha had been made after the end of 2009 and the freeze continued until October 2011. Some new land concessions were then made in October, but the intense debate within the Frelimo leadership about land use and large-scale foreign investment have not yet been resolved.

One of the few references to foreign investment in the new Agricultural Policy (PEDSA) is "a preoccupation with the underuse of very large areas which have been granted to investors."

At the June 2011 National Land meeting, Agriculture Minister José Pacheco announced that a study had found 2,906 land parcels totaling 914,000 ha which were not being used in conformity with the DUAT on which the concession was based, and which had been authorized up to five years ago. He said that proceedings were beginning to revoke some DUATs (that is, cancel the land concession) or reduce the area of the concession. The most unused land is in Gaza (422,000 ha), followed by Sofala (96,000 ha), Maputo (93,000 ha) and Zambézia (88,000 ha). Mozambicans must carry out the initial plans within five years, and foreign investors within two years. (This does not apply to Mozambicans who claim land based on occupancy.)

The change in mood is also shown by the rejection by the Nampula provincial government of a proposal by an unidentified company for a large plan to grow tobacco in three districts, on the grounds that it would take too much land away from food production.[167]

On the other hand, Foreign Minister Oldemiro Baloi told a Mozambican investment forum in London on December 1, 2010 that Mozambique wanted investment in agriculture and agro-processing: "we need investors to provide know-how and market access, and address our infrastructure constraints." Pacheco added: "capital is needed to unlock our potential." Pacheco was in Brazil on April 27, 2011 for an investment seminar in which he invited experienced Brazilian farmers to come to Mozambique to create the same agriculture boom that they had in Brazil, but also stressed the need to promote employment (as happened in Brazil) and follow Mozambican regulations.

It was all apparently uncontroversial until an article four months later in the major Brazilian daily *Folha de São Paulo*[168] (August 14, 2011) quoted Carlos Ernesto Augustin, president of the Mato Grosso Cotton Producers Association,[169] who was promoting an investors' trip to Mozambique, to say Mozambique was offering 6 million hectares "of free land without environmental restrictions" to Brazilian farmers. This triggered a front page headline in the Mozambican weekly *Savana* (August 19 2011) proclaiming "North of country offered to Brazilians." But there was an angry response from the Agriculture Vice Minister António Limbau saying that "the minister invited Brazilian farmers to invest in Mozambique and did not talk of selling land." He added that Brazilian investors would be treated like any others, but that Nampula province is similar to Mato Grosso and that Brazil's experience with soy could be very useful.[170]

The local media outcry also triggered a strong response from President Armando Guebuza, speaking August 22, 2011 at the opening of an enlarged meeting of the

Council of Ministers and senior officials. Mozambicans' conquest of their land must be preserved and promoted and that land law must be scrupulously followed, he said. In particular, he stressed, the law must be followed "even in the case of those who, in contact with local authorities, attempt to give the impression that they are powerful, or are sent by powerful people, or have been given decision making power by higher authority." Local people should not be intimidated by those who try to use influence to seize land for their own use.[171]

It is a statement that addresses two related but different problems. The first is of elites using their influence to obtain land for themselves. The second is members of the elite serving as agents for investors. In both cases, they put pressure on district administrators and local chiefs to rush through consultations and approvals – often saying the governor or president demands they agree. Thus improper use of influence is increasingly seen as unproductive, leading to land being left idle or not well-used, and hundreds of cases of land conflicts. Current land conflicts reported to the Ministry of Agriculture include 152 in Maputo province, 80 in Zambézia, 63 in Tete and 59 in Cabo Delgado.[172] Land conflicts reflect badly on the ruling party, Frelimo, which does not want this to be an election issue, or become the basis of local disturbances, as has happened in Niassa and Gaza, for example.

But Guebuza then tried to re-establish that delicate balance between investment and land rights. At the closing of the enlarged Council of Ministers meeting, he stressed the need to increase agricultural production and productivity, and said this needed technology and investment. "For land to make a better contribution to the development objectives, we must continue to mobilize investment – public and private; national and foreign; small, medium and large."[173] Mozambicans, he continued, must become accustomed to foreign investment in land.[174]

Guebuza was trying to walk a tightrope between those in the government who promote foreign investments in land and those who do not. And his statement drew responses from both sides. On August 30, 2011, Gaza governor Raimundo Diomba reported that he had taken action against a South African tourism investor who was illegally trying to sell land – indicating that investment is welcome, but investors must follow the law.[175] Helio Neves, biofuel coordinator for CEPAGRI, the strongest promoter of giving large blocks of land to foreign investors, announced on September 1, 2011 that "the government never abandoned the ethanol project in Massingir [ProCana], and launched a tender earlier this year. By the end of the year, we will announce a new investor."[176]

Agriculture Vice-Minister António Limbau walked the same tightrope in September 2011, when he talked about the 1:250,000 agrarian zoning project now under way. So far only one province, Zambézia, has been completed, but final results are due by the end of 2012.[177] He stressed that the government had said that the priority is increasing land use, particularly for food

BOX 12: RETHINKING THE EMPLOYMENT GOAL

Mozambique could irrigate more than 1 million ha of land which could produce food and other crops both for domestic consumption and exports.[179] Large irrigation systems need major investments and skilled management systems. A key question is why isn't development favoring small farmers rather than large companies, like the current sugar plantations. Unquestionably, many Mozambicans are interested in getting jobs – preferably regular, formal sector jobs.[180] The problem is that most jobs which are being created by foreign investment are low wage agricultural jobs, with a minimum wage of Mt 2,005 (USD 65) per month (Mt 2,075, USD 67, in sugar). And many of these jobs are part time or seasonal. In many places, there is huge demand and even competition for minimum wage jobs, but also there are strikes, disputes and absenteeism, because the minimum wage is simply too low to survive on. That means many people in rural areas actually need to complement these low wages with food they grow on their own. The other problem is that plantations of any sort, including forestry and sugar, tend to create one job for each 5 to 10 ha, even taking into account processing jobs in related factories.

The new agriculture policy is expected to switch to smallholder commercial farming, where a farm of 10 to 20 ha might support an extended family, and through intensive use provide more livelihoods than an equal area of plantation, and probably earn more than a minimum wage. This, in turn, requires substantial investment in irrigation, mechanization, and modern inputs, which is seen by government to require foreign investment. But the policy calls for the use of contract farming, as is already done successfully with tobacco, cotton, and to a limited extent sugar and some other crops. Foreign companies would also be involved in marketing and input supply. In this model, foreign investors do not need large tracts of land.

production for local consumption and for export. The zoning exercise is intended to identify priority areas for investment, and government will give priority to those areas for new investment in roads and electricity. He highlighted the Beira and Nacala corridors (road and rail corridors which go west from the two ports) and the Zambeze River valley as the areas with high potential. He also pointed to the Prosavana project, which is promoting sustainable agriculture in tropical savannah regions of Mozambique. In the Nacala corridor, it is linked to a tripartite Mozambique-Brazil-Japan project, which has identified 6 million ha in 12 districts in 3 provinces for development of food production. The initial priority is to increase research and soil testing, and to draw on Brazilian and Japanese technology.[178] But this is creating some tension, as this is the area highlighted for Brazilian investment.

Looming questions arise regarding the balance between food production by Mozambicans and foreign investors. Additionally, what will be the price of technology transfer?

The political tension continues. All land concessions over 10,000 ha are made by the Council of Ministers and are public, and no new ones had been made at the time of writing (late September 2011). But concessions between 1,000 and 10,000 ha are made by the Minister of Agriculture, and there is no public list. We are assured none had been made up to mid-2011. However, OI researchers have been able to obtain lists informally, such as those presented in Annex 2. However, over two months OI has been unable to obtain an up-to-date list, which suggests some land concessions may have been made recently.

There is also a switch in attitude to foreign investors, with more stress on smaller tracts of land that are easier to develop and manage. Agrofuel investors are still welcome, but they are now being told by CPI and CEPAGRI to start at provincial level, applying for 1,000 ha or less, and then applying for more only when the first land given is productive. Similarly, it is being confidentially suggested to some investors that they talk to generals and other members of the elite who hold unused land; these tend to be smaller areas, but often in good locations, and this is also a way of getting good land into production.

The failure of ProCana, the problems of Chikweti and Quifel, the very slow growth of jatropha, and the wheeling and dealing with Mozambican land by hedge funds has put into question the foreign investor plantation model of the first decade of the 21st century. There is a growing realization that foreign investors are not flying in and ending poverty. In particular, Mozambique needs investors who will effectively improve the economic situation and the food security of Mozambicans, rather than speculating in land and companies.

Frelimo remains divided and the debate continues. Some in the leadership continue to support the neo-liberal model where it is expected that the presence of large foreign corporations will develop the country, but they are losing ground to a group which want to promote a smaller scale, more locally focused, commercial farming sector. At a personal level, some in the elite remain in a rent seeking mode, taking their profits by fronting for foreign investors or personally trying to rent out land, but even this group has come to realize it has been giving away land too cheaply and thinking much too short-term.

The pendulum seems to have swung; the era of unquestioned support for foreign investment and the belief that large-scale foreign investment will end poverty is over. The freeze in large-scale land concessions which began at the end of 2009 seem to mark a new era, in which investment proposals are being more closely scrutinized to exclude the speculators, and also to balance alternative land uses. New large sugar and forestry concessions seem still likely in the future, but the balance has shifted – investors are being asked to prove themselves on smaller plots before applying for large amounts of land. There is a new stress on support for smaller Mozambican commercial farmers which will involve domestic support for research, extension, inputs, credit, and marketing, but which also accepts the need for foreign capital and technology.

The debate over foreign versus domestic, and big versus small, continues, as it has for the past five years. But domestic failures and community conflicts of highly touted projects have come at a time when campaigns by international and domestic civil society have been heard. The long-term outcome remains

ANNEX 1 MOZAMBIQUE LARGE LAND CONCESSIONS

Company	Area (ha)	Province	Purpose	Approval	Ownership	Notes & links
Over 10,000 ha						
Florestas de Niassa	210,000	Niassa	Forestry	2006 (CM 1/2006)	Rift Valley (Mauritius registered & Zimbabwe based) 80% & Fundção Malonda 20%	
Portucel	173,324	Zambézia	Forestry	2009 (CM 86/2009)	Portucel, Portuguese pulp and paper company	
Lúrio Green Resources	126,000	Nampula	Forestry	2009 (CM 85/2009)	Norwegian	Also has Niassa project with Malonda.
Fundação Malonda	75,591	Niassa	Forestry	2006 (10 DUATs)	Mozambican-Swedish foundation	May have a further 63,430 ha; one additional concession of 6,955 ha later revoked.
Euromoz	61,200	Sofala	Forestry		Mozambican	
Madal	56,580	Zambézia	Agriculture		Rift Valley (Zimbabwe based; Mauritius registered)	Madal has 150,000 ha from the colonial era
Levasflor	46,240	Sofala	Forestry	2005	Owned by Swedish Churches (Diocese of Västerås) and Mozambican Anglican Church (Diocese of Libombos)	http://levasflor.com
Moçambique Safaris	40,000	Zambézia	Hunting & Game	2007	Not registered in Mozambique; may be part of a South African company, Destination 16 Degrees South	
Sebastiao Dengo e Joel Bauque	29,600	Inhambane	Livestock	2004	Mozambican	
Chikweti Florestas da Niassa	28,970	Niassa	Forestry	2006 (6 DUATs)	GSFF - see note 1	2 additional DUATs for 7000 ha revoked
Tongaat-Hulett Sugar	31,174	Sofala & Gaza	Sugar	2006-2008 (7 DUATs)	South African	7 DUATs for CAM - Companhia Açucareira de Moçambique (Mafambisse) and 1 for Açucareira de Xinavane
Sociedade Agro Pec. Mapulangue Sarl	23,500	Maputo	Livestock	2004		
Gaza Safaris Lda	20,000	Gaza	Hunting & Game	2007 (2 DUATs)		
Muthemba Safaris Lda	20,000	Gaza	Hunting & Game	2007 (2 DUATs)	Mozambican	
Enerterra	18,920	Sofala	Biofuel - jatropha	2009 (CM 60/2009)	Part of the Portuguese SGC Energia	
Mozambique Principle Energy	18,000	Manica	Biofuels	2008 (CM 25/2008)	See note 2	www.principlecapital.com; www.prinenergy.com
A.D. Serviços Limitada	15,000	Gaza	Livestock	2007, 2008		

Company	Area (ha)	Province	Purpose	Approval	Ownership	Notes & links
Over 10,000 ha						
CETA	12,000	Gaza & Manica	Livestock	2005, 2008	Mozambican; acquired 2011 by Insetec, also Mozambican	
Aderito Augusto Parra	11,000	Manica	Livestock	2004 (2 DUATs)	linked to Mozambican companies Dombe Pecuária and Riva Madeiras and the Portuguese property company Rivatlântica	
Chicualacuala Agri-Farms, Limitada	11,000	Gaza	Livestock	2008 (2 DUATs)		
Exactly 10,000 ha						
Boror Agrícola, S.A.R.L	10,000	Zambézia	Livestock	2006	Mozambican	
Gabriel José Langa	10,000	Gaza	Livestock	2007	Mozambican	
Quifel Energy Moçambique, Lda	10,000	Zanbézia	Soy & other crops	2009 (CM 87/2009)	Portugal	Applied for 23,000 ha, but Council of Ministers only granted 10,000. Claim another 10,000 ha which we cannot find.
Trigos Rancho Lda	10,000	Gaza	Livestock	2005	Mozambican	
Verto Prisma Lda	10,000	Zambézia	Livestock	2004	Mozambican; one of the owners of Deulco Investiments	
Tree Farms As Lda	9,900	Nampula	Forestry	2007	Norwegian	Now Green Resources, Linked to Malonda
Aviam	10,000	Nampula	Biofuels - Jatropha		Italian	
8 hunting & safari concessions each 10,000ha	80,000	Gaza	Hunting & Game	2004, 2005, 2008	Mainly Mozambican	
2 hunting & safari concessions each 10,000ha	20,000	Sofala	Hunting & Game	2005		
Other important concessions						
ProCana	0	Gaza	Sugar for ethanol		UK; owner's name changed twice, from Central African Mining and Exploration Company (CAMEC) to Bioenergy Africa to Sable Mining	30,000 ha granted 2007 and revoked 2009
Ntacua Florestas da Zambezia, Lda	9,055	Zambézia	Forestry	2008	GSFF - see note 1	

Tectona Florestas da Zambezia, Lda	1,007	Zambézia	Forestry	2008	GSFF - see note 1	
SAB Mozambique	6,334	Inhambane	Biofuels - jatropha	2006	Seci Api Biomasse, owned by Api Nova Energia and Seci Energia; Italian	former cotton plantation - may be up to 15,000 ha
Sun Biofuels	5,000	Manica	Biofuels - jatropha		UK	former tobacco plantation http://www.sunbiofuels.com/
Energem	2,000	Gaza	Biofuels - jatropha		Canada	Purchased existing company
Bela Vista Rice	400	Maputo	Rice		Libyan African Investment Portfolio (Libyan state) & Ubuntu (Mozambican company part owned by Environment Minister)	Planned to expand to 20,000 ha but in conflict with neighbours who claim the land.
PRIO Agricultura	9,000	Sofala	Agriculture	2008	Martifer Group of Portugal	Renamed PRIO Foods Mz; claim to have 24,234 ha; http://www.priofoods.com/; http://www.martifer.pt/

Total land	**1,273,681**

Notes

There is no complete land registry in Mozambique. This table has been compiled from a mix of confidential and public documents. It is the most complete and accurate table that we have been able to compile, but it may still contain errors and omissions.

Approval notes

CM = decision number by the Council of Ministers

DUAT = direito de uso e aproveitamento da terra, right to use and develop land - effectively a lease; multiple DUATs mean land has been allocated in smaller units

Ownership notes

1. In 2007 the Swedish-based Global Solidarity Forest Fund (GSFF) owned 53% of Companhia Florestal de Messangulo and of Ntacua Florestas da Zambezia and appears to own controlling interests of Chikweti Florestas da Niassa and Tectona Florestas da Zambezia. In 2007 the remaining shares of Massangulo and Ntacua were owned by Diversified International Timber Holdings - DITH (US - Harvard) 35%, Diocese do Niassa (Mozambique) 10%, 1% Silvestria Utveckling (Norway) and 1% Margaret Rainy (Sweden, director of GSFF). In 2008 GSFF reported it was founded by the Diocese of Västerås, Lutheran Church of Sweden and the Norwegian Lutheran Church Endowment, and that Stichting Pensioenfonds ABP, a Dutch teachers and government employees pension fund was also an investor in GSFF. Despite requests, GSFF has declined to give us more up to date information.

2. Owned ultimately by Principle Capital, registered in Switzerland, but through a chain of companies registered in or operating from Isle of Man (UK Offshore), UK, Mauritius, Luxembourg, and Switzerland. Part of a take-over battle in 2009 that led to restrictions on some share trading in London being imposed on some of the owners.

3. Deulco Emvest is a Mozambican registered company owned by Emvest Biofuels (registerd in Mauritius) and the link to Deulco is unclear. Deulco Mozambique Limited is registered in the Isle of Man (UK offshore) and is South African based. EmVest Asset Management is a joint venture between GrainVest (part of RussellStone Group of South Africa) and Emergent Asset Management of the UK. EmVest manages Emergent's private equity African Agricultural Land Fund.

ANNEX 2 PROJECTS AWAITING DECISIONS AS OF FEBRUARY 2011

Projects awaiting decision of Council of Ministers

No	Applicants Name	Purpose	Location	Area (Hectares)	Date of Transmission	Investment (USD)	Employment
1	**ZAMCORP**	Biocombust (Biofuels)	Sofala	21,500	21.09.10	12.800.000	628
2	**IFLOMA**	Silvicultura (Forestry)	Sofala	73,514	21.09.10	241.600.000	577
3	**Sabie Game Park**	Fazend de Bravio	Maputo	21,270			
4	**UPM**	Silvicultura (Forestry)	Niassa	200,000 - 400,000	n.d (n.a)	2,000.000.000	

Projects Awaiting Decision by Ministry of Agriculture

No	Applicants Name	Purpose	Location	Area (Hectares)	Date of Transmission	Investment (USD)	Employment
1	**SAP-Sociedade Agropecuaria, SARL**	Pecuaria (Livestock)	Maputo	4,136	28.09.10		
2	**Manuel B. Medeiros**	Pecuaria (Livestock)	Maputo	9,800	08.11.10		
3	**Mozambique Inlhavoka**	Agricultura (Agriculture)	Maputo	4,143	18.01.10		
4	**Acucareira de Xinavane**	Agricultura (Agriculture)	Maputo		29.10.10		
5	**NTC**	Pecuaria (Livestock)	Maputo	7,000	19.11.10		
6	**Gestor, Lda**	Eco-Turismo (Eco-Tourism)	Maputo	7,500	06.01.11		
7	**Companhia Acucareira de Moçambique**	Agricultura (Agriculture)	Gaza	6,141	27.05.10	180.000.000	2,200
8	**Isabel M. F. Lopes e A. Lopes (Herdeiros)**	Agro-Pec	Gaza	1,250	20.01.10		
9	**Investcom**	Fazend de Bravio	Gaza	10,000	23.04.09	1.000.000	42
10	**Zefanias E. Oguane**	Pecuaria (Livestock)	Gaza	3,000	24.11.10		
11	**Agostinho F. Lissane**	Pecuaria (Livestock)	Gaza	3,000	24.11.10		
12	**Soc. A.D. Serviços, Lda**	Pecuaria (Livestock)	Gaza	5,000	29.11.10		
13	**Miguel João Mondlane**	Pecuaria (Livestock)	Gaza	4,000	05.01.11		
14	**Francisco J. Gonçalves**	Pecuaria (Livestock)	Gaza	10,000	12.01.11		
15	**Juma Juma F. Ussene**	Pecuaria (Livestock)	Gaza	3,000	12.01.11		
16	**Ofelia Jose Mausse**	Pecuaria (Livestock)	Gaza	5,000	12.01.11		
17	**Omar Cassamo**	Agricultura (Agriculture)	Inhambane	2,905	06.02.10		
18	**DPA – Inhambane**	Pecuaria (Livestock)	Inhambane	2,500	19.11.10		
19	**Justino M. Novela**	Pecuaria (Livestock)	Inhambane	5,000	15.12.10		
20	**Azevedo Suege**	Pecuaria (Livestock)	Inhambane	1,667	29.11.10		
21	**Companhia do Buzi, SARL**	Agricultura (Agriculture)	Sofala	6,214	28.09.10	29.900.000	670
22	**NIQEL, Lda.**	Biocombust (Biofuels)	Sofala	10,000	16.07.10	210.200.000	84
23	**Sociedade Dambaera Safaris, Lda**	Fazend de Bravio	Sofala	10,000	19.11.10		

24	**Moby Agro, Lda**	Agricultura (Agriculture)	Sofala	2,000	05.01.11		
25	**CETA, SARK**	Pecuaria (Livestock)	Manica	2,000	08.11.10		
26	**Maria F. de R. Rohomodja**	Agricultura (Agriculture)	Manica	2,000	08.11.10		
27	**Empreendimentos Agrarios de Moçambique**	Pecuaria (Livestock)	Manica	4,007	19.11.10		
28	**Jose Pinto Matavel**	Pecuaria (Livestock)	Manica	4,052	19.11.10		
29	**Mozbife, Lda**	Pecuaria (Livestock)	Manica	10,000	26.11.10	14.000.000	300
30	**Raimundo Uahala**	Pecuaria (Livestock)	Zambezia	3,975	28.09.10		
31	**Grupo MADAL**	Agro-Pec	Zambezia	6,753	16.07.10		
32	**Sociedade Cha de Mugoma**	Agricultura (Agriculture)	Zambezia	3,545	15.07.10		
33	**Sociedade Cha de Mugoma**	Agricultura (Agriculture)	Zambezia	1,645	15.07.10		
34	**Companhia Agricola de Muroa**	Agricultura (Agriculture)	Zambezia	4,765	19.11.10		
35	**Sociedade G.M.C.**	Expl.Mineira (Expl. Mining)	Zambezia	3,300	19.11.10		
36	**River Rivasdale Moçambique**	Expl.Mineira (Expl. Mining)	Tete	4,560	19.11.10		
37	**Companhia Industrial do Monapo**	Agricultura (Agriculture)	Nampula	2,000	27.08.10		
38	**Malema Organica**	Biocombust (Agrofuels)	Nampula	10,000	20.01.10	220.000.000	
39	**Versus Moçambique, Lda**	Agro-Industria (Agro-Industry	Nampula	8,000	29.10.10		
40	**Paraiba Moçambique**	Expl.Mineira (Expl. Mining)	Nampula	2,880	19.11.10		
41	**C Industrial de Monapo, SA**	Agricultura (Agriculture)	Nampula	1,200	29.11.10		
42	**Floresta do Niassa, Lda**	Silvicultura (Forestry)	Niassa	2,275	07.02.10		
43	**Neotech, Lda**	Agricultura (Agriculture)	C. Delgado	10,000	06.07.10		
44	**Sociedade Muangaza Safaris, Lda.**	Pecuaria (Livestock)	C. Delgado	5,000	27.12.09		
45	**Hunters Mozambique Lda**	Fazend de Bravio	C. Delgado	9,445	27.02.09		
46	**M'tsewa**	Fazend de Bravio	C. Delgado	10,000	27.12.08		
47	**Luis Antonio Mondlane**	Agricultura (Agriculture)	C. Delgado	10,000	10.01.11		
Total				**244,658**			

Source: CEPAGRI

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