

# Applying a Market Systems Approach to stimulating land titling in Mozambique

Introduction to Land Tenure Security in Northern Mozambique

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# APPLYING A MARKET SYSTEMS APPROACH TO STIMULATING LAND TITLING IN MOZAMBIQUE

## Introduction to Land Tenure Security in Northern Mozambique

The Swiss Development Cooperation (SDC) is seeking to drive inclusive economic and agricultural growth in Northern Mozambique. Land is one of the primary resources in agribusiness development. Having a community land delimitation certificate or an individual land leasehold is an essential step to encourage smallholder farmers (SHFs) to make agricultural investments and to safeguard these investments. A delimitation certificate shows what a community's land looks like in terms of topography; a leasehold provides the farmer with the formally recognised right to use the land into the future. In case of land dispute, SHFs with a land leasehold are less likely to lose the use of their land and will be given opportunities for negotiation and greater compensation. Yet land leaseholds or certification is rare in rural Mozambique, leaving most smallholder farmers at risk.

Over the past five years, the demand for land has increased significantly nationwide, particularly in the Special Economic Zones such as Mocuba in North of Mozambique. Land has been used for many large-scale investments (thousands of hectares each), including in mining, agriculture as well as forest activities<sup>1</sup> and are impacting many thousands of rural households and communities. Some of the projects include the natural gas liquefaction plant in the Afungi Peninsula in Cabo Delgado, pine and eucalyptus plantations carried out by Portucel in Zambézia and the New Forest of Malonda in Niassa and in parts of Nampula and Zambezia, as well as the expansion of corporate agricultural farms producing a wide array of crops in all provinces.

Numerous issues are creating risk for both investor project implementation as well as the communities' security. When investor companies engage authorities at the provincial and district level, authorities are not always prepared to deal with the legal and practical procedures to facilitate the operations of private companies. Because of this, many companies have begun operating without land leaseholds and have planted/used land outside their legally registered areas. In addition, these investments have often resulted in resettlement and loss of SHFs' land. The resettlement areas are sometimes regarded as less productive, creating conflict on whether compensation (when it has been put in place) has not reflected the loss to the SHF.<sup>2</sup>

To address this, the Government of Mozambique's (GoM) National Land Policy has a process for land certification and issuing of leaseholds to secure the rights and use of land and natural resources by smallholders, as well as, to promote investments and growth in the communities. Since all land in Mozambique is held in trust by the government for the use of its citizens, the land law (Lei de Terras no. 19/1997) provides for two types of registration for land security; it can be via acquisition of a land certificate (delimitação or delimitation) or a land leasehold (demarcação or demarcation). The land certificate is issued for a given community once the general delimitation of boundaries has taken place. Land leaseholds can be issued for individuals or farmer groups (e.g. associations), and this requires presentation of a land use plan, as well as a land demarcation process. These systems of registration under the law give farmers the means to protect the access to their land and a position of strength in negotiation with potential investors. The Government of Mozambique (GoM) is trying to speed the delivery of certificates and leaseholds through various programmes<sup>3</sup>. But these government driven programmes are generally considered by stakeholders to be highly ambitious and likely not to be achieved.

With a formal process in place for land registration and a strong incentive for farmers to ensure their land security, the question is "why are farmers not registering their land"? What are the systemic challenges that they face securing land registration and how can they be overcome? The Innovations for

1 See Mozambique to 2018, Managers, Mediators and Magnates, Chatham House, The Royal Institute of International Affairs. Available at: [http://www.chathamhouse.org/publication/mozambique-2018-managers-mediators-and-magnates?gclid=CMO19s\\_718YCFXQatAodrWYCSA](http://www.chathamhouse.org/publication/mozambique-2018-managers-mediators-and-magnates?gclid=CMO19s_718YCFXQatAodrWYCSA)

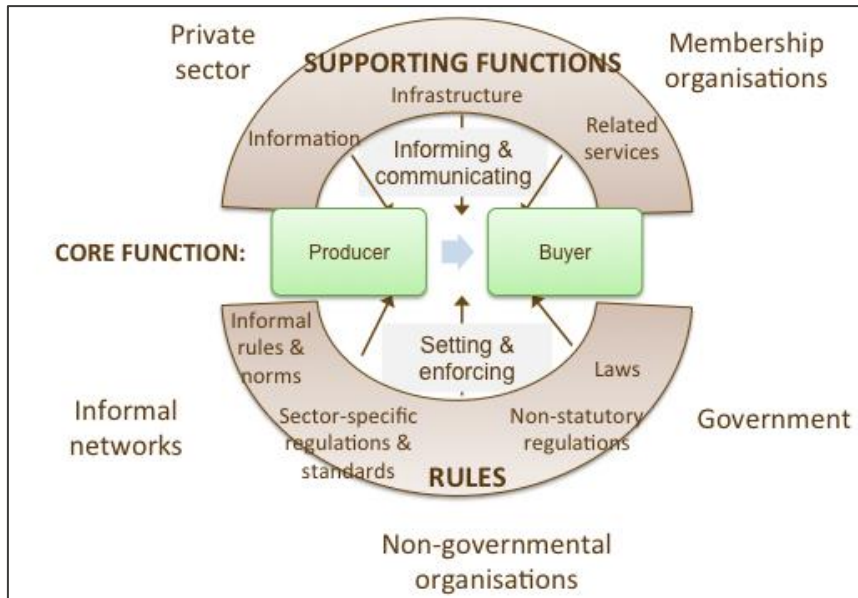
2 An example of this is the Hoyo Hoyo dispute in 2012, when a large Investor (Hoyo Hoyo commercial farm) displaced more than 300 farmers who did not have clear title to the land they were farming.

3 The Terra Segura programme has a goal of securing 5,000,000 land titles (demarcações) and 4,000 land certificates (delimitações).

Agribusiness (InovAgro) project is the SDC’s leading market systems development project in Mozambique, and the SDC tasked InovAgro with finding a market systems solution to this challenge.

## InovAgro’s market system approach to increasing land security for farmers.

### Understanding the transaction: demand and supply constraints limiting land tenure security



**Figure 1 Market systems analysis of the demand and supply constraints**

InovAgro uses a market systems development approach to addressing developmental problems, including land tenure. Applying a market systems approach, starts with defining the transaction (who is the supplier and who is the demander/buyer) and the participants in the transaction. It then seeks to understand how well the transaction is proceeding, or not, and then analysing the system to identify the market failures and to understand the underlying causes of those market failures. These market failures generally take place in either the supporting functions (information, infrastructure or supporting services) or the rules (formal and informal) that enforce the market

system. Ideally, if the market failures are understood, then they can be fixed leading to more sustainable and self-driven system permitting the transactions to occur without external support.

With a clear definition of the market system, we should be able to define a vision for how the market should be working, and then develop strategic approaches to make it work better and more efficiently, especially for SHF.

The supply of land tenure certification (from the government) to the farmers (buyers of – demand for - the land security) is a market. This supply and demand equation requires deeper analysis to understand why it has not been occurring on its own in a regular fashion, to identify the market failures on the two sides of the equation to help determine how it can be done more sustainably and at lower cost. In reality, accessing land registration is a cumbersome transaction with many interdependent steps and many actors to engage. Annex 1 provides the 14 detailed steps in the process of getting land leasehold, which lays out why it takes so long and can be so expensive.

There are issues on both the supply and the demand sides of the transaction related to the government’s capacity to issue the certificates or leaseholds, the rules governing the process, and the farmers’ and communities’ awareness of the process, awareness of the value proposition or their capacity to access the registrations.

#### On the supply side:

- » GoM claims to have limited resources (e.g. budget to meet fuel and technician allowances) for land *delimitation* or *demarcation* activities and public consultations;
- » There are few technicians to facilitate either the *delimitation* or *demarcation* of land (GoM has only 2 technicians in Gurué for all surveys) and there are districts with no technicians;
- » Disbursement of funds from the centre to relevant government departments is slow, which results in challenges regarding costs for fuel and technician allowances;

- » Both *delimitation* and *demarcation* can take more than one year (as opposed to the theoretical 90 days) which acts as a disincentive for many smallholder farmers (described below in the cost and process analysis);
- » Government technicians often have limited understanding of *delimitation* and *demarcation* policy, which affects their effectiveness as authorities responsible for ensuring appropriate land management;
- » Government data-collection and registration systems are weak, causing long lead times to find files (capacity failure);
- » Work culture at the provincial services for geography and registration (SPGC) is low, with no incentives to work efficiently.
- » The costs that are linked to the processing of both the land certificate and the land title are high. Consultation with NGO actors revealed that the cost for certificates for community land *delimitation* ranges between USD \$8,000 to USD \$10,000 (for 5,000 to 10,000 ha), whereas the cost for land *demarcation* is on average USD \$2,000 (for a 5ha title).

### *On the demand side:*

- » Many farmers do not understand the value proposition of *delimitation* and *demarcation*, resulting in few farmers requesting the land certification or titling (information failure about the potential);
- » Ancillary transaction costs associated with the above are high for many smallholder farmers (up to MZN 9,000 (\$300) for technicians and transport);
- » The regulations and transfer procedures are not simple or easy to follow. Since smallholder farmers have little or no information on *lei de terras* and the certification and titling application processes it is difficult for them to follow (information failure);
- » Application forms are not easily accessible for all smallholder farmers (resource failure).

The most important issues on the demand side of the transaction are i) the cost/level of financial investment required to secure land leasehold<sup>4</sup> and ii) the low willingness to pay because of weak understanding of the value proposition. A significant amount of the total costs linked to both *delimitation* and *demarcation* can be attributed to the logistical expenses for government officials who oversee the processing of the land certificates and leaseholds.

As seen above, the cost of the *demarcation* per ha is far greater than the cost of a *delimitation* per ha. But even so, in cases where community land *delimitation* is conducted, this is often viewed as a public good exercise by the beneficiaries. These beneficiaries include smallholder farmers who are usually unwilling to invest their individual resources for a community level activity.

Another major constraint (contributing to the heavy cost associated with the process of both *demarcation* and *delimitation*) is the shortage of skilled technicians and other supporting service providers to carry out the services of mapping, community organization, and advisory to the farmers on the process.

## The InovAgro Intervention

Faced with this context, SDC and InovAgro agreed that a pilot programme was needed to validate the challenges and to understand the availability and capacity of supporting services to make the market work. It was agreed that project's market systems development approach needed to be complemented (specifically for this intervention) by some direct subsidy to cover some of those expenses that should normally be borne by the community or by government in order to test the process. InovAgro compared the two approaches to land registration with an eye towards seeking the intervention that could provide the greatest benefit to the largest population in the shortest amount of time and at the lowest cost and decided to start with developing a smoother system for the *delimitation*. This could also build awareness of the benefits of land tenure, using it as a starting point to gradually drive understanding of the benefits and demand for the *demarcation*.

<sup>4</sup> See findings from SDC hosted governance workshop, held in Nampula, 30 June – 1 July 2015.



InovAgro targeted the pilot to communities where there is a significant level of threat of loss of land security. This significant level of threat also increased the demand and interest from the population to participate.

**1) Support community delimitation in “hot spots”**

InovAgro piloted the *delimitation* for a limited number of communities to be used as a demonstration effect, to offer SDC and its partners’ further options of scaling up *delimitation* activities or upgrading to *demarcation* activities.

InovAgro identified four communities, deemed “hot spots”. A “hot spot” refers to a community that may be under external threats on their use of the land and natural resources are inside InovAgro districts of facilitation; being under threat should stimulate their demand for land titling. Through the pilot *delimitation*, InovAgro was able to increase security for more than 17,200 community members in four target communities in Namarroi and Mocuba districts.

**2) Strengthen community land management committees in project locations**

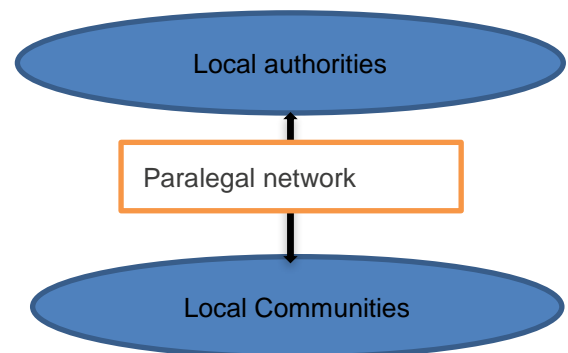
InovAgro used local NGOs/trainers to drive the formation of strong community land management committees so that they can best deliver services to their constituent communities. This included different forms of training: training in land law and regulations, management of local natural resources, building their negotiation skills capacity. These skills would allow the community land management committees to better plan and intervene on behalf of, and for, the benefit of the local community members, especially when engaging with the private sector. These community land management committees were established in the four communities to enable delimitation.



Community sensitization meeting

**3) Develop (in case of no network) or leverage (in case of existing network) community “paralegal” networks in project locations for demand creation activities (promoting ID acquisition and land title by community members)**

To address the problem of awareness of the process, InovAgro helped establish a “paralegal” network. In this context, Paralegals are locals, who are respected in the community and are trained to assist in the protection of the legal rights of community members. The paralegal networks assisted InovAgro’s efforts not just at stimulating demand for land titles in their respective communities, but also for Identity Documents (IDs)<sup>5</sup>. The paralegal officers were trained to understand the various provisions of *lei de terras* including the specific steps that communities’ members needed to follow to acquire IDs.



<sup>5</sup> Most Mozambican farmers do not have IDs, making it difficult for them to claim services from the government, so getting them IDs is also an additional form of security.

As such, the paralegal network would provide services in their communities by bringing:

- » An educational element: reinforcing the knowledge of community members and other related people, who use natural resources, of their rights and responsibilities in respect to the *lei de terras*;
- » Playing a role in conflict mitigation and mediation in their communities regarding land use; and
- » A communication channel for representing the rights and interests of the farmers in communication with the local authorities as shown in the figure.

**4) Facilitate access to information on land tenure systems for protecting farmers in project locations for SDC and its partners**

As this was specifically a pilot intervention, these activities were considered as a first step towards demonstrating a methodology to stimulate the demand for land titling and to create the services to support the SHF and communities to realise that demand. This pilot is able to deliver technical guidance to SDC and other donor partners on feasible interventions that could be considered and also strengthen InovAgro’s voice and input into a prospective direction.

**5) Leveraging economic opportunities into the delimited areas**

Once the delimitation was completed, InovAgro communicated the locations to the leading agricultural input suppliers, produce off takers, financial institutions and other service providers who would be interested in working with the SHFs who were now more motivated to invest in their land. The initiative has helped build the value proposition for the interconnected service providers to start actively marketing their services in those communities.

**The Results – A stronger system for land certification**



InovAgro worked with four communities representing 3,429 households and 12,330<sup>6</sup> ha of land and delivered four community level delimitation certificates. However, more importantly, InovAgro’s support has had an impact at multiple levels of the market system: it has greatly increased awareness of the benefits of land certification and land titling among the communities, it has improved the supporting services for land registration, has simplified the process for land delimitation and demarcation for the government, and it has improved the market linkages between the farmers and input suppliers as well as off-takers. The improved services are bringing increased information and capacity to the communities,

<sup>6</sup> 2847 hectares in Malopa, 5766 ha in Munhacua (Mocuba); 1087 ha in Mutaliua and 2628 ha in Mussano (Namarroi)

bringing down the costs of land registration, while the commercial linkages are strengthening the value proposition for the farmers to invest in land registration.

### Strengthening land registration services increases demand for formal registration

Through InovAgro's support, a network of 57 paralegals were trained who are now providing advice to the farmers directly and in many cases assisting farmers who now see the value proposition of the demarcation with the direct support to access a land leasehold.

The Community Land Management Committees and Paralegal Network are continuing to function. In addition, these committees have now initiated the process to stimulate demand for 2,000 individual leaseholds (DUAT) of the land using an innovative model<sup>7</sup>. This model allows the committees to collect legal data of the land occupants and assist in the identification of the plot boundaries before the geo-referencing work is conducted by the Government Land Technicians, therefore reducing the amount of time spent on boundary establishment and the related costs, dropping the cost per DUAT by 60%<sup>8</sup>. The paralegals are able to promote increased smallholder farmers' awareness of the land law and tenure security options that they can benefit from, stimulating demand for the DUATs. The paralegal officers also identify and report cases that could result in land disputes to relevant authorities, increasing overall land security to the farmers.



### A virtuous cycle - more commercial linkages stimulates the demand for land tenure

InovAgro has realised that the additional land security can provide an excellent vector for stimulating access to other services. With the increased confidence in their land security, the farmers are now willing to invest more in introducing new technologies onto their fields making them very receptive to commercial linkages and attractive markets for other commercial actors in the value chain. InovAgro has been stepping up efforts to facilitate market linkages between the delimited communities and other agribusiness market actors to promote the members' integration in value chains (for sustainable / profitable land use) and enhance the value of the having officially delimited land. This interest from input suppliers and off takers adds another element to the value proposition, stimulating demand for more land registration by the farmers, as well as increasing demand for leasehold registrations in other communities.

Some concrete examples of the improved services include:

- » *Access to finance*<sup>9</sup>: as of end of 2018, 44 savings groups have been established in the two communities of Namarroi involving the participation of 1,249 community members and one saving group established in Malopa, in Mocuba district, totaling 52 members. The savings groups will be used as a vehicle to enhance the capacity of the community to save resources to purchase agricultural inputs for their production activities.
- » *Access to agri-inputs and demand activation*. Two seed fairs were conducted in the two communities during the reporting period to improve access to certified seed. Agro Trading, an input retail company has now established an input shop in Namarroi in 2018 servicing the smallholder farmers in the delimited communities. Two other seed companies, Phoenix Seeds and Klein Karoo, are currently assessing the feasibility for establishing input retail shops in both communities and starting demonstrations.
- » *Access to Output Markets*. A leading off-taker has established three output buying posts in the two communities to facilitate purchase of assorted output produce.

<sup>7</sup> More than 1095 SHFs have been demarcated and process of DUAT authorization and issuance by the Zambézia Governor's Office and SPGC, respectively.

<sup>8</sup> Under normal circumstances, the cost of receiving a DUAT is about \$50; when using the paralegals, this cost drops to \$21, resulting in a 60% reduction in the cost per DUAT.

<sup>9</sup> There is still a challenge using the DUATs as collateral for financial institutions since it is not an asset which can be seized by banks. Therefore, there has been relatively little stimulation of formal financial services due to the DUATs.



Because of these services, the beneficiary communities are strengthening their participation in contemporary agribusiness value chains. The structures that had been established to promote sustainable land management have taken on board more responsibilities to promote economic inclusion of the beneficiary communities through improved engagement with various private sector actors and service provision such as extension, input retail, output procurement and initiatives designed to promote their financial inclusion in markets. The delimited communities are also being positioned to become learning centers for promotion of market approaches in land delimitation and titling to promote copying by other market actors and expansion of the approaches to other locations.

## Conclusion

InovAgro's work analyzing and understanding the dynamics of land registration in Northern Mozambique and then developing improved systems for land registration are increasing farmer demand for land tenure security as well as promoting greater access to services to increase the value of that land to the farmers. Bringing a market systems lens to the land titling process helped to pinpoint the main market failures and to assist in the design of systemic responses to those market failures. Not only has InovAgro assisted the four communities to delimit their land and get certificates from the government, but the services for the registration and models are now available for other communities to replicate this.

InovAgro's work has also provided the stepping stone for individual community members to more easily move from just having land in the community registration, but also to carrying out the demarcation process to receive their own leasehold.

There is also a virtuous cycle starting to take place – the increased confidence in the land security is leading to greater investment by the SHF in their land, which in turn leads to greater demand for land tenure. The project's promotion of service providers to be active in those communities, thus increasing the availability of services, further stimulating uptake by farmers and greater interest by the range of service providers to promote their services.

