

Land Allocation Efficiency: Market, State and Others in Mozambique

José NegrãoProfessor of Development Economics at the UEM
Senior Researcher of the *Cruzeiro do Sul* - IID**Summary***(presented at the Land in Africa Conference, November 8 – 9 2004, London)*

This paper is based on two studies about the dynamics of land markets in rural areas and urban centres, conducted in Mozambique by the *Cruzeiro do Sul*. Due to the specificity of the land policy adopted during the mid 90s by the national parliament¹, Mozambique is a country where different stakeholders cohabit in the allocation of land rights throughout the country. Since the approval of a new land law in 1997, the rate of agricultural production is increasing by an average of 9% per year, mainly due to family farmers increasing outputs. There are no landless people or tenants on the lands of absentee landlords, and new investments are taking place in the agriculture sector without any large conflicts. These make Mozambique a rather unique case for the region and, to some extent, on the African Continent.

The rural land market study was conducted for six types of land use, i.e. rain fed food crops (maize and cassava), rain fed industrial crops (cotton and tobacco), traditional irrigated schemes (rice), modern irrigated schemes (maize and vegetables), market value trees (coconut and cashew) and grazing areas (livestock). The urban land study was carried out in three different settlement areas, i.e. the central business district, suburban areas and green belts. In both cases the studies used sequential mixed methods, a quantitative survey with a sample size of 625 interviews per stratum, followed by semi structured interviews to key respondents, focal groups with four main interest groups (elders, women, public and traditional local leaders and private operators) and participatory observation of the daily cycle, conflict resolution mechanisms, natural resources management practices and labour division on the plot. All the quantitative data was cross-checked with the official statistics of the country and other survey results published by the Ministry of Agriculture.

The information collected shows clearly the coexistence of four main forms of access to land indicating four main allocation processes, i.e. the state, customary systems, the market and open access. In the rural areas, customary systems are responsible for more than 45% of the land allocation, followed by open access regimes (30%), the state (15%) and the market with the remaining 10%. In the urban areas the market takes the lead with 65%, followed by the state with 20%, then customary systems with 10% and open access regimes with the last 5%. When disaggregating the rural data by type of use and

¹ This land policy did not allow the privatisation of land but neither did it forbid the transfer of rights over land through markets, thereby forcing the State to recognize the family farmers' rights of occupancy even when they did not hold formal title.

correlating this with each of the four main processes it shows that the state is primarily responsible for the allocation of plots to be farmed using modern irrigation techniques. The market is also present for transfer of land worked using modern irrigation but is much more important for the allocation of land worked using traditional irrigation schemes and where there are plantations of market value trees. Allocation through open access takes place only in the areas where rain fed food crops are grown and livestock are grazed. The customary mechanisms are present for all other land use systems with the exception of the modern irrigation schemes.

In urban areas the situation is considerably different, the state is the main actor in the central business district but the market is important in suburban areas and in the green belts of the medium to big urban centres. Open access areas are found in the suburban and the green belt areas of small towns together with the customary system of land allocation.

Among the objectives of the study were the identification of land market values, the reserve price, the offer price and the relative value of the land, as well as the variables that influence the valuation of land in different contexts and trends since the approval of the new land law. The first main conclusion is that the market value of rural land increases not only with demand, but also with the marginal productivity of labour (MPL) applied on it. Only when the regression between the MPL and the land market value was run it was possible to understand the reason why the value per hectare in the modern irrigation schemes was almost eight times higher than for rain fed food crops, and for or five times higher than for the hectares where the traditional irrigation schemes and market value trees were grown. On the other hand, urban land is valued according to demand regardless of the kind of the building on the land or even land use.

The second main conclusion is around the trends identified. In rural areas customary systems for land allocation are well established and they prevail whenever the MPL is around zero, however they become weaker when it increases and the market tends to become more important. Market allocation also tends to replace open access occupation and the state allocation, except for on land where public funds are used to build productive infrastructures. In urban areas a diachronic analysis based on the purchase date and the size of the urban centres shows that the market is the dominant factor in land allocation processes.

The third main conclusion is that there are two distinct types of markets, one that is subject to registration, normally involving an outsider to the community, and one where title is not a precondition or a symbol of tenure security in market transactions. The last main conclusion is that there are clear preferences for purchasing through the market rather than renting (either rental in or rental out), and for non-registered transactions due to the high transaction costs incurred for registration (bureaucracy and corruption).

The studies also assessed the efficiency of the allocation processes in three main areas: economic performance, social justice in land allocation and environmental conservation. In terms of economic performance the conclusions are clear, the MPL and several other

indicators (use of improved inputs, access to markets, employment, etc.) is much higher whenever the access is through market and in areas where the state has made an initial investment in the construction of productive infrastructures. This is in comparison to other forms of access which did not allow for the privatisation of land but neither did they forbid market transfer of rights over land thereby forcing the State to recognize the family farmers' rights of occupancy even when they did not hold title.

With regard to social justice, measured with the Gini Index and the area per capita, and assessed in depth by the qualitative data collection, state mechanisms for land allocation are the most inequitable. The Gini index of land allocated by the state is around 0,700 mainly due to land grabbing (by members of the political elite). This tends to increase, while the Gini index of the customary and the market remains between 0,200 and 0,400 respectively. Moreover no correlation was found between tenure security and title issued by the state, but a correlation was found between the tenure security and the strength of local institutional frameworks. However, it should be stressed that there are already indications of cases in the rural areas where the market discriminated against women, and in the urban areas it was noted that the market and the open access tends to marginalize towards the poorest, allocating areas that are less than the minimum required for an acceptable quality of life.

With regard to environmental conservation customary systems are the most efficient when compared with the market and the state, if one takes the firewood collection as an exogenous imposition on the household behaviour. In urban areas the market is the least efficient, allocating land in areas, for example of water drainage, green spaces or for social infrastructures.

The conclusions of the studies have several implications both in terms of theoretical reasoning and in relation to policy formulation. The paper stresses the need for a theoretical reformulation of the dualistic rigidity between state and market, and individuals and communities, found in the literature. It suggests an analytical model which takes as main variables the interaction between the private returns, among others assessed by the MPL, and the social externalities measured by the technological knowledge accumulated by poor family farmers, social justice and environmental conservation. It also mentions two GIS by-products of the studies that can be found in the Internet. The model for land management by all stakeholders at the local level, which allows the projection of the present land use patterns in *ceteris paribus*, and the simulation taking in consideration several variables. The second by-product is a model for the simulation of a sustainable urban growth of small and medium urban centres.

Finally the paper presents some main policy formulations in the context of Mozambique. The first main policy formulation states that the privatisation of the land is not a prerequisite for an increase in the productivity of labour and that, if done, it will lead to a tremendous land concentration in the hands of the political elites in the form of absentee landlords. It recommends that market transfers should be monitored by the state and all stakeholders (state, communities, private sector and civil society organizations) should be

involved in the monitoring of the land allocation processes, as a peer pressure mechanism, using, for example, the by-products above mentioned.

The second main policy formulation is that the state, at central level, should not intervene in the allocation processes, leaving the floor to the customary and the local administrative bodies, and legislating and monitoring the processes in order to avoid land grabbing, gender discrimination and speculation by traditional leaders with their communities' land. Moreover it stresses the need for public investments in productive infrastructure as a way to increase the marginal productivity of labour and, consequently the development of the different markets, product, land, labour, capital and insurance.