

Title: *The return of Company Rule in Mozambique: the case of irrigated biofuel production in the Elephants-Limpopo river* by Alex Bolding
(contact: alex.bolding@wur.nl)

In the Elephants-Limpopo river basin of southern Mozambique, a scramble for water and land is going on, spearheaded by foreign based companies mobilizing capital from Green and Aid funds with the explicit aim of producing biofuels. This revival of the company model of rural development has led to new forms of exclusion and marginalization of smallholder farmers.

Based on recent field work, this paper first of all empirically substantiates the transformation processes occurring on the ground, by presenting three case studies of large scale irrigation schemes along the Limpopo river: (1) the PROCANA 30,000 hectare high-tech sugarcane estate promising to become the biggest ethanol producer in southern Africa, owned by a big cobalt and copper mining company; (2) the 20,000 hectare Chokwe irrigation scheme, once the granary of Mozambique, that is slowly being taken over by a variety of foreign financed companies; (3) the 9,000 hectare Baixo Limpopo irrigation and drainage project, where small scale food producers are ousted by a group of entrepreneurial farmers sharecropping for a foreign based company.

Secondly, the paper traces the origins and convergence of three trends that foster the revival of Company Rule in Mozambique. First, it delves into the legacy of company rule by chronologically assessing the Foreign Concession Companies (1892-1942), colonial Colonato policy (1961-74); post-independence 'socialist' State Companies (1975-87) and subsequent privatization & mega projects under neo-liberal investor friendly policies aimed at increasing Foreign Direct Investment rates (1987-). Second, it is shown how Frelimo has subjected the country to an ongoing process of state capture by a tiny political *cum* business elite. Third, it is shown how the World Bank's neo-liberal policy emphasis on the promotion of private, commercial agriculture and concurrent transformation of smallholder farmers into agricultural entrepreneurs (WDR 2008), has helped to avail Aid funds to create infrastructural and marketing conditions that are conducive for foreign companies.

What these converging trends amount to in terms of agricultural development strategy is the further marginalisation of smallholder farming and ongoing promotion of big business in the agricultural sector. What lacks is a viable model of including smallholders in economic growth and poverty alleviation initiatives. The tie-in of the local political elite with foreign business interests combined with the economic 'success' of Mozambique, precludes the exploration of potential avenues that involve smallholder peasants in the increased production of both food and bio-fuels (e.g. through smallholder outgrower schemes). Rather the recent activities of PROCANA in the lower Limpopo basin threaten to capture the scarce water, which is presently used by a mixture of commercial and smallholder irrigators in the Chokwe irrigation scheme, for the sake of private profit.