

Alternative tenure and business models for locally controlled sustainable land use and forest management



“There is an almost limitless number of small scale farmers, but there is only a limited amount of land for large scale plantations. And if such land is available, it is often under pressure with claims by surrounding communities.”

Komaza

The case for alternative tenure and business models

The financing sector tends to focus on supporting large-scale companies, taking as a starting point the assumption that ownership and use rights exist and have been legally obtained. The Working Group looked into a number of projects and funds that are financing alternative and innovative land related activities with smallholder

farmers and local communities, and scoping interviews were carried out with, the Dutch Development Bank FMO, and two companies, Komaza in Kenya and Mali Biocarburant SA. The most important learning points from the interviews are summarized in following three points.

There a limitless numbers of small farmers but only a limited amount of land for large scale investments

Collaboration with small scale farmers offers to the financing sector a *business opportunity* with enormous untapped potential to reach scale on the principle and through which landownership and access to land can be established, confirmed and strengthened. The *alternative business* cases reviewed in this scoping study demonstrate that collaborating with small scale farmers is a feasible option for investment, involving an alternative and collective mitigation of risk, a good *rate of return*, and a positive contribution to and impact on economic development and local livelihoods. *Inclusive investments* result in a better understanding of local land issues, landownership and land claims, potential conflicts, local policy, politics and corruption. Working with small scale farmers means that they can be part of the of the risk mitigation strategy and in doing so, will help to ensure the sustainability of the investment.

Full participation of small scale farmers in investment projects as shareholders based on *good counter partnership*, and with possible participation in the fund structures, is a successful formula for constructive collaboration and the development of trusting relationships. This implies co-responsibility, co-investment and co-benefits by small scale farmers, so it must be obvious to them what they gain socially and economically from such a joint endeavour, including if and how their land rights are strengthened. A communication strategy using means of communication adapted for local communities such as through *information centres*, local radio, text messaging, etc., is important. And it should also be two-way, allowing an adequate way for communities to air views and possible grievances and so help to quick resolve potential conflicts that may arise.

'Good enough' tenure

Land governance and particularly land ownership is an important criterion in the investment decisions of financing institutions, in which usually only the formal juridical framework is taken into account. However, in many countries and their communities, other non-formal mechanisms exist in which land use is arranged and agreed. The IFC¹ standard and the VGGT² guidelines state that companies have the responsibility to respect human rights and land ownership rights. This study noted that compliance with these standards and the establishment of a land administration system does not automatically lead to the strengthening of land ownership by local communities and smallholders. In fact, focusing solely on formal juridical ownership and official documentation may work against existing local systems that already guarantee use rights.

Smart bundling of efforts

Interviewees in the scoping study expressed that no one situation is the same, and that the context largely defines the design of each project. An in-depth understanding of the local situation is critical for the development of funds and projects that work. Financing institutions tend to make little use of the vast knowledge and expertise that has been built up over the past decades in the context of development cooperation on developing countries, local situations, land conflicts, local communities, foresters and farmers of all shapes and sizes. 'Smart PPPs', or the intelligent use of local knowledge in the development of public-private partnerships, can offer important contributions to the bundling of knowledge, expertise and networks that strengthen and scale up successful alternative business models.

The political, juridical and financial environment of a country largely determines the choice of whether or not to invest. In many countries, these framework conditions are uncertain and constitute a risk beyond that which is usually acceptable. To prevent the risk of non-investment due to the absence of required government policy and land rights for *smallholders*, additional measures are needed, such as risk mitigation and guarantee

Experience shows that solving land issues must be considered and solved in the context of existing arrangements within and between local stakeholders and communities. Alternative business models show that when expressed in the right way, investors understand that risks around land rights can be managed in ways other than just the strict application of and international standards. Here, we see how to build upon the innovative 'fit for purpose' approaches and methods for land administration that have recently been developed and applied. Long term security for all parties involved is the result, and governments have an important role to play in facilitating this.

instruments, to make or keep intended investment attractive.

To effectively address problems and opportunities regarding alternative tenure and business models involves the following.

- Mobilize and share the specific expertise of managers, staff and local consultants, and knowledge about local realities, land ownership and land governance, and the needs and interests of smallholders and local communities.
- Promote the integral collaboration from the outset, between environmental, social and governance officers, and investment officers in financial organizations.
- Develop financial knowledge and expertise, building on existing knowledge on development processes.
- Building partnerships between organizations working in development cooperation, and financial institutions, to create an enabling environment for investment, including the development of mechanisms for risk mitigation and guarantees.

¹ IFC Performance Standards on Environmental and Social Sustainability

² Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security

The "Alternative tenure and business models for locally controlled sustainable land use and forest management" working group is a joint initiative of Tropenbos International, FMO – the Dutch Development Bank, HIVOS and KIT – the Royal Tropical Institute – for knowledge sharing, learning together and collaboration. It was established in the framework of the Multistakeholder Dialogue on Land Governance, initiated by the Netherlands Ministry of Foreign Affairs. These findings are the result of the working group and the views expressed can in no way be taken to reflect the views of the participating organizations.

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