

# Raising Mozambique: Development through Coal

## **Tete 2012 Case Study**



© Neissan Besharati  
Research Associate  
SAIIA, 2012

# Big Questions

- What is the contribution of private sector?
- Role of extractive industries in Africa?
- Can FDI break cycle of aid dependency?
- Is mining sector new engine of growth for Mozambique?
- Will the billion dollars investments trickle to the poor?

# Corporate Social Responsibility Framework

Local empowerment  
& Development

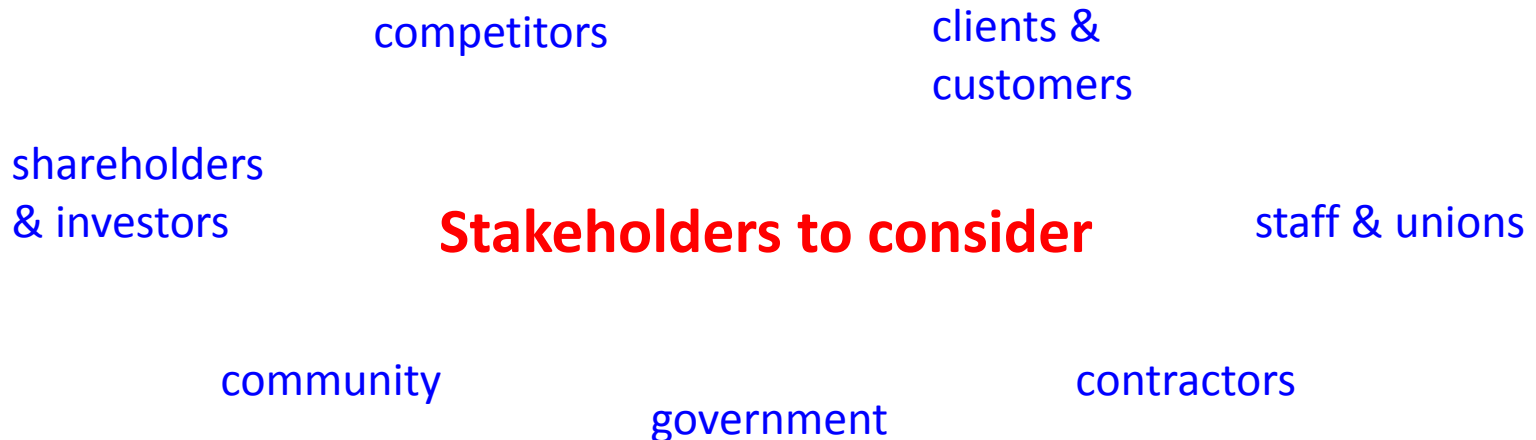
1. Direct government revenue (tax, licenses, concessions)
2. Employment & training Labor standards
3. Support to SME through SCM/procurements
4. Community social initiatives (CSI)
5. Infrastructure development (big stuff)

Participation, consultation  
& Engagement

Environmental consideration

# Why corporates care?

- Law, permissions, licenses
- Marketing, public image, window dressing
- Want to genuinely (& naively) do good (& feel good)
- Enlightened self-interest



# Local context: Tete Province

- Tete: average province of Mozambique – poor & rural, low HDI, aid dependent.

## Some Tete Stats

- 56% illiteracy
- 5% of households access to electricity and and tap water



**Coal boom and investor influx caught everyone unexpected**

**Tete = another Luanda?**



# Tete Coal Mining Operations

- Like rest of Africa – wealth of Mozambique in its underground – gas, oil, minerals
- 67.5% of FDI is in extractive industries - Coal 61% of Moz mineral commodities
- 2<sup>nd</sup> largest exporter of coal in Africa
- Tete reserves: Moatize and Mucanha-Vuzi
- 20-30 million tonnes extracted by 2015
- 25% of world's coking coal by 2025
- \$1,5 billion yearly revenue
- Concessions to 40 companies
- Big guys – Vale, Rio Tinto, Asians



# Infrastructure development

Electricity, roads, bridges, water, telecoms

To service foreign investors but also benefit local population

## Impact of Tete coal mining on local infrastructure

Main coal transport – Train/Ship Beira Corridor

Brazilians Projects – Nacala Corridor

- Vale construct Nacala railway (912 km)
- Nacala port coal terminal - \$4.4 billion (Brazil government)
- Pro-Savana (Agriculture project)

Relocating Tete Provincial Airport so Rio Tinto can access coal seams in Benga and Zambezi.

Zambezi River

- Jindal and Rio Tinto want to use river to transport coal
- Oppositions by local authorities – environment concerns and push companies to develop land infrastructure.



# Local Economic Development

- Employment

- Lack of skilled and qualified personnel locally
- Mostly foreigners (home country) workers or best from Maputo & Beira

- Training

- Collaboration with universities, colleges.
  - Vale – Eduardo Mondlane University
  - Rio Tinto – polytechnics and technical schools in Tete and Maputo, own training centers for trades, construction & engineer skills.

- SME development through SCM/procurement

- Lack of quality service providers locally
- Most goods, materials and services procured through South African, Brazilian, Indian, British and other foreign companies (example CETA)
- Small stuff procured locally: construction, furniture, IT and food.
  
- Vale conducting survey of SMEs in Tete/Moatize
- Rio Tinto in 2011 spent \$120 million 560 local companies



# Corporate social investments

## Health projects

- Clinics in Moatize and Benga
- Jindal malaria prevention in Cahora Bassa
- Vale/USAID partnerships: night clinic and HIV counseling project.
- Construction of parks, parks, watsan systems



## Education projects

- Rehabilitation of nurseries
- Refurbishing and building vocational training centers.
- Construction of primary, secondary and tertiary schools

# Do coal investments make a difference?

- GDP Mozambique = 10% FDI / 20% ODA
- 2012 Rio Tinto Tete sustainable development (CSI) year budget = \$1.8 million
- Community relocation budgets (largest social spending) for both Vale & Rio Tinto = over \$30 million. Jindal = ??
- \* Is relocation CSR or an operational/business cost?
- Comparisons with traditional donors (2010-2011)
  - Big mining companies social projects budgets larger than development aid of Japan, France, Belgium/Flanders, Spain, Portugal (between 2010-2011)
  - Total aid (multilateral and bilateral) to Tete province between 2005 and 2011 = \$25 million a year on average.

# Relocations: The 'Vale village'

- 750 families (5000 people) from Chipanga, Mitete, Malabue-Gombe, Bagamoyo.
- 11 government sites offered, feasibility study on 5, finally chosen 2.
- 25 Setembro urban settlement for villagers working in Vale mines and Cateme rural settlement for the rest of population (40 km east of Moatize).
- Build entire villages from scratch: houses, shops, clinics, schools, police stations, electricity, water, roads, farms, markets, mills.
- 3 state of the art schools in Cateme - elementary, secondary and college
- Vale put lots of trust in contractors for community consultation & building of houses. But also consequences.



# Media attention on Vale

**10 January 2012: major protest of Cateme residents, blocking the railway coal transport**

## COMPLAINTS

- Tight deadlines and rushed work (completed in half time that was planned).
- Communities not consulted properly, not listened to, consultations tokenistic, told what to do.
- Houses build poor quality material, not according to initial plan, against basic architectural rules (no foundations)
- Result: after few months wall started to crack
- Vale had to spend more money to repair and patch up houses while people lived in tents.
- Other issues: tangling electricity lines, not all water pumps working.



**Bad for public image, reputation and business of Vale**

**Public authorities now more cautious now – slow down other mining companies in their relocations.**

# Relocations: the 'Rio Tinto village'

**470 families from Chipanga and Capanga to Mwaladzi (4,5 km from Cateme)**

**Rio Tinto more careful and thorough regarding consultation communities and government. Learn from mistakes of Vale. Supervise more contractors / use own engineers.**

**Improved housing: foundation, drainage, blend in better with environment, keep original trees.**

**Problems: while waiting for tap system to be installed, water brought in regularly in trucks from Ruvubue river. Clinic and maize go to Cateme – twice a day truck service.**



**Community leaders say they will move to Mwaladzi only once everything is ready (leveraging company).**

**More families suddenly 'appeared'**



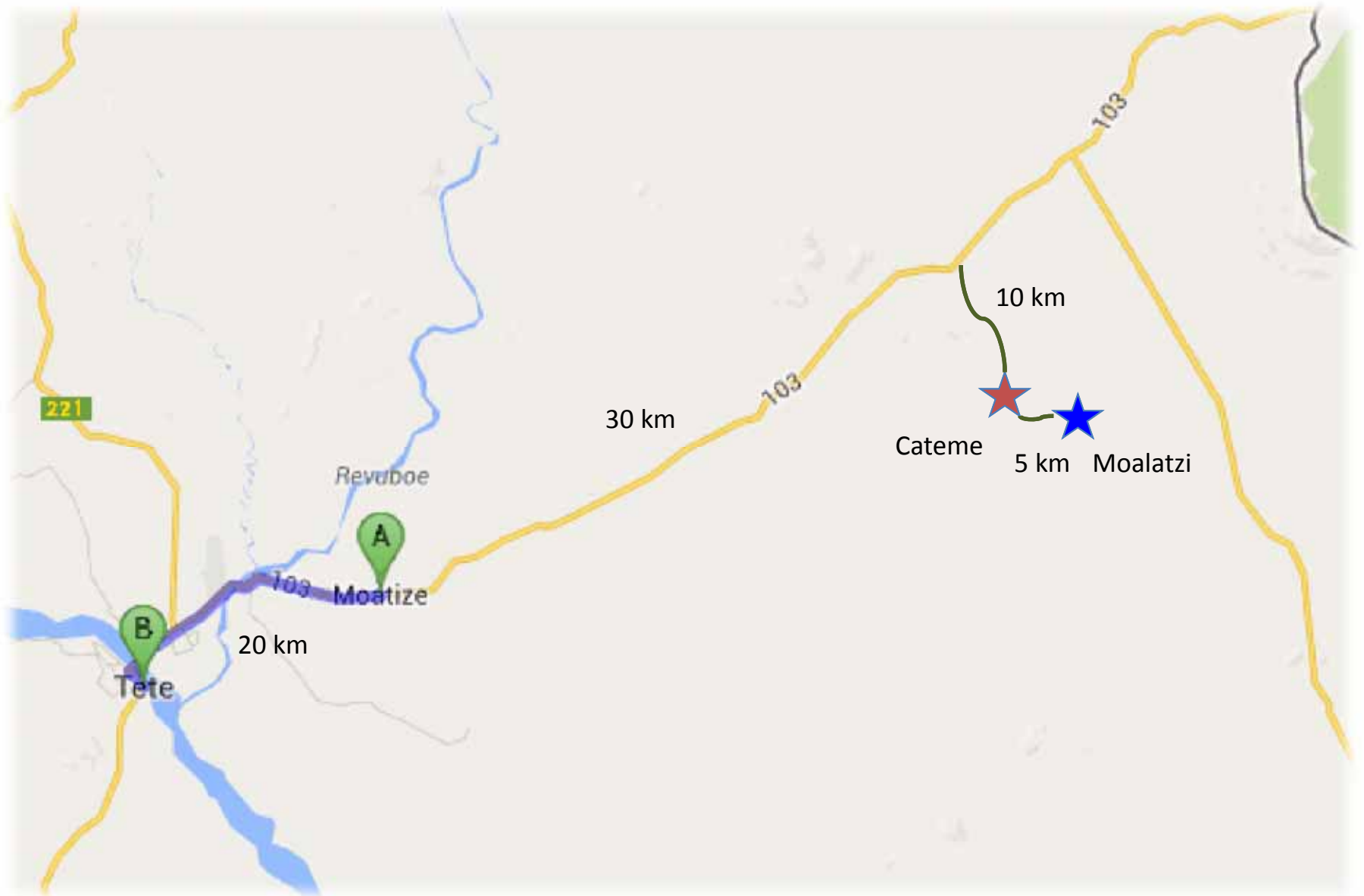
# Relocations: the 'Jindal village'

- 900 families from Marara and Chagara
- World Vision assisting communities – monitoring and consultations.
- Former governor of Tete hired as CSR manager Jindal
- CEO of Jindal made big promises / top class CSR programme.
- Mozambicans skeptical with Indians – reputation poor quality, harsh working conditions, non compliance to safety standards.



- Relocation proposal submitted but authorities hadn't approved yet.
- One local farmer meanwhile sued Jindal for constructing a road to their mine through his agriculture land.

# Geographic snapshot



# Social-economic impact of relocations

**Social services (clinics, schools and water) at door steps.**

**Other psycho-social consequences: family divided for work, distance from original worship areas/grave sites, more distance from capitals and decision-making authorities. Social fabric.**

**Law: relocations within 60 km from original dwellings.  
Cateme & Mwaladzi – 40/45 km from Moatize, 60/65 Tete  
10/15 km dirt road – when it rains impossible to use**

## **Economic consequences:**

**Far from mines, markets and employment opportunities  
New land, rocky, dry and less fertile than previous land.**

**Villagers vegetate far away while waiting for outside assistance**





# Economic interventions

- Land compensation: Vale 1-1 hec, Rio Tinto 1-2 hec
- Provision of seeds & instruments.
- Pilot demonstration farms
- Training on innovative farming techniques.
- SME development – training, material, micro-credit.
- Vale – support to legumes and maize farming (only few families close to river)
- Rio Tinto – support animal farming cooperatives: chicken, pigs, bees, goats, cattle, trees,
- Bakery story (capital investment \$1300 returns \$270 profit every month)
- Rio Tinto impact economic impact evaluation of their CSI.



# Stakeholder Consultations

- Many problems, mistakes made simply because no proper consultation.
- 3 key stakeholders company, government, community (CSOs sometimes)
- Moatize local government = super district office, having to deal with multinational mining giants. Gained experience, capacity and learning.

## Challenges

CSI done ad-hoc basis and not always systematically and strategically linking to long-term development planning

Coordination between different government departments

- National, provincial, local
- Sectors - public works, education, agriculture, health, etc.
- Often mixed messages
- Attempt of provincial relocation commission (2012)

Most concessions and contracts signed in Maputo – little leverage to local government. Poor transparency and accountability.



# Conclusions & Recommendations

- **Policy frameworks for harnessing FDI for development, including guidelines for community relocations and CSR standards.**
- **Transparency and public accountability of contracts, concessions, licenses, tax agreements between companies and government.**
- **Communication, consultation and co-ordination among government departments, companies, communities and civil society - national, provincial and local levels.**
- **Align and integrate their CSI to national and sub- national development planning, promoting ownership and capacity development.**
- **Improve monitoring and evaluation of CSR to promote learning, effectiveness and accountability. Exchange between companies.**

