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# COAL VERSUS COMMUNITIES:

Exposing poor practices  
by Vale and Rio Tinto  
in Mozambique

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Southern Africa Resource Watch

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Mozambique has attracted two of the world's largest mining companies - Brazil's Companhia Vale do Rio Doce (Vale) and the Anglo-Australian multinational Rio Tinto - to extract coal from the huge fields in Tete province. In 2010, Vale and Rio Tinto were the second and third most valuable mining companies on earth - worth US\$169 and US\$83 billion respectively.

Vale has already developed a US\$1.3-billion Moatize coal mine in Mozambique and made its first shipment of 2,200 metric tons of coal in August 2011 through the port of Beira. Rio Tinto is expected to start exporting coal in 2012 from its Benga project, which has an annual capacity of 2.4 million tons. Rio Tinto PLC (RIO) has also recently completed a US\$4 billion acquisition of the Mozambique-focused mining company, Riversdale Mining Ltd.

## Total lack of transparency and accountability

**T**hese two projects – if properly taxed – would provide Mozambique with additional revenues to fund its budget and help the country to escape the aid trap. However, the impact of both companies’ investment on local communities remains problematic and there is no guarantee that these massive coal extraction projects are going to genuinely benefit the people of Mozambique.

Indeed, Vale reportedly paid US\$123 million dollars for the mining rights but the money has never been registered with state agents. If this is correct, Vale’s presence in Mozambique – far from benefiting citizens – is undermining revenue transparency and accountability.

Furthermore, it is not easy to assess what impact these mines will have on the Mozambican economy in general and mining communities in particular since there is not much publicly available information about the companies’ activities. There is no access to development agreements, while contracts between the government and mining companies are confidential. So civil society groups and citizens do not know the contractual terms agreed to by their government and the two multinationals.

This refusal to make mining contracts public exposes the lack of transparency and accountability in Mozambique’s extractive sector. We hear that the Mozambican government wants to renegotiate mining contracts but it is not clear when this will happen. And even if the government does decide to go ahead with renegotiation, civil society will not be in a position to contribute since the original contracts are inaccessible.

## Vertical integration is undermining local entrepreneurship

The two investments have provided a new lease of life to Tete Province. There are new economic activities opening up and an influx of people descending on the town. But beneficial links between the extractive companies and local communities do not really exist.

Firstly, only foreign companies are benefiting from the procurement of services and goods. The involvement of local entrepreneurs is non-existent. Most companies involved in providing services to these big projects come from Brazil and South Africa. According to Mozambican civil society, everything that the two companies use is imported – from food to construction materials. If this is correct, it contradicts Vale’s PR spin that it is seeking to stimulate and develop local suppliers of products and services for Moatize. However, Vale is said to be carrying out a

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*“The impression that this model gives is that uneducated and unemployed members of a community can be dumped anywhere.”*

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survey of small- and medium-sized companies in the Moatize district and the wider Tete province in an attempt to identify potential local partners and then capacitate them.

And secondly, civil society organisations in the capital, Maputo, and Tete Province are concerned that the few Mozambicans who do possess the necessary expertise are still not being considered for employment with these two companies, which prefer to employ expatriates.

## Poor corporate social responsibility

These investments have also disrupted the way of life of many local communities through resettlement and by impacting on people’s livelihoods and access to natural resources (land, water and flora). These issues have not been properly handled and pose a serious threat to the long term image of the two projects.

A Southern Africa Resource Watch (SARW) research team visited three communities resettled by Vale and Rio Tinto – Mualadzi,

a Rio Tinto resettlement compound located about 40km from the original Capanga village; Cateme village, a Vale resettlement compound with 720 families from the villages of Chipanga, Mitete, Malabue-Gombe and Bagamoyo; and 25 de Setembro, another Vale resettlement compound housing people from the same four villages. Vale deliberately divided the communities in two with employed villagers moving to 25 de Setembro since it is closer to Moatize and the mine. The unemployed were sent to Cateme, 40 km from the town.

Vale has also used the resettlement process to divide communities into those with formal and those with no formal work. The impression that this model gives is that uneducated and unemployed members of a community can be dumped anywhere. It also suggests that these people or their children will never need to be able to access formal work. The 25 de Setembro compound is a vivid and ongoing example of discrimination and the unjust, unfair and deeply problematic resettlement programme undertaken by Vale.

The SARW research team also visited the original Capanga village, where a queen and some members of her community are refusing to be moved to Mualadzi, where Rio Tinto is building houses. The queen said that there was so much pressure being exerted on them to move and join the 40 families that have already been resettled but she does not want her people to be moved in small groups. She wants the entire community to be moved together – but only after all the construction work has been completed and basic services such as water and electricity are in place. Resettlement should be based on mutual agreement and consultation. But clearly the community’s desire for collective relocation has been ignored by the company.

Communities fear that if they continue to be relocated in small groups before all the construction work is done, their legitimate demands will never be met. As they have

learned from the people who have already been resettled in Cateme and Mualadzi, the companies are reluctant to complete projects once communities have been relocated. Rio Tinto moved people to Mualadzi before it had finished building key infrastructure such as school and clinics – and they have still not been built. So children and sick people from Mualadzi have to walk 5km to the Vale resettlement compound of Cateme, where Vale has built schools (primary and secondary) and a clinic. There is also no water in Mualadzi so the community has to rely on a water truck, which distributes water twice a week. However, sometimes the truck does not come. While everyone suffers from this, the community's

not happened even though certain communities have already moved into their new houses. The communities also claim that many other pledges – such as paved roads, running water, ambulances, land for farming and employment – have not been fulfilled. Only the community's anger forced Vale to correct certain things.

Meanwhile, the areas are far away from town with very poor access to the main road. In fact, the inhabitants need to walk 10-15km to reach the dusty and badly-maintained, main road before catching a vehicle to town. It is also difficult for relocated families to make a living, especially in relation to the provision of services and the financing of small-scale

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*“Community members believe that the resettlement has been a scam.”*

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cattle are particularly affected due to the harsh conditions created by the lack of water. It is worth noting that the houses built in Mualadzi by Riversdale (Rio Tinto) are much better than those built in Cateme and 25 de Setembro by Vale. Indeed both companies are investing large amounts in building houses for each displaced family. And the new houses are far better than those left behind. But this is where the good news ends.

Community members believe that the resettlement has been a scam. Vale has been accused of downgrading the quality of the houses by not sticking to the model house design that was negotiated with the government and shown to communities. The quality of the houses is also not what was promised. After just few months of occupation many houses are already cracking. Vale also promised to build a water system but this has

economic projects. Without a carefully-designed approach to stimulate investment, productive economic projects and employment, it is clear that these remote communities are expected to languish in poverty.

But most importantly, the majority of the people who are being relocated to Cateme and Mualadzi are subsistence farmers. But there is insufficient land, even though it is the main guarantor of sustainability after relocation. The land which was allocated by the two companies may be sufficient for housing but it is not enough for the housing and farming needs of the communities. Each resettled family has – or should have – received land for farming, but some families have not received their promised piece of land, while the communities complain that the promised one hectare of land is not enough for effective farming, especially as it is not particularly fertile or productive land.

Furthermore, their new land has its own owners – local people who enjoy the right to use and exploit the land according to Mozambican Land Law. Whatever the two companies might think, there is no such a thing as empty, unused land in this part of Mozambique. There is already open conflict over the land between the newcomers and the original owners of the land. Needless to say, relocated families are finding it difficult to access enough fertile land to cultivate. They have been left poorer than before they were relocated. Indeed, it is unclear how they will cope.

What is clear is that the companies did not seriously consider the question of productive land in the relocated settlements, forgetting that it is imperative for the communities to continue with their agricultural activities. Indeed, access to fertile land might be the biggest single challenge facing these communities.

### Lack of consultation

The two companies have also been accused by the communities of failing to consult them. While Vale and Rio Tinto both claim to have consulted widely, the communities have denied that any serious consultations ever took place. The communities say that government has been doing most of the talking on behalf of the mining companies. According to the communities, the first time they heard that they were about to be resettled was when government officials came to inform them about their imminent move. As one community member put it, “There was no consultation and no agreement on the aspects of the relocation.”

According to community members resettled by Vale, although a discussion on housing did take place, “it took the form of the company informing us rather than asking our views. In fact, the construction of houses started before we were even informed.”

Indeed, communities have no written agreements or minutes of discussions with the companies or the government. Any consultations that did take place were oral and nothing was written down. This makes it difficult for communities to register disputes if – or when – the companies depart from the initial agreement.

In addition, there has never been a discussion on the social, economic and cultural impact of the relocation on communities. The communities claim that government always tells them that mining activities will bring development and employment for them. But one member of the community questioned the wisdom of the government when she asked “we have been moved so far from the mines, how are we going to benefit from any employment?”

Local communities are always excited when they see mining starting in their areas because they expect to be employed by the mining company. But the two companies have moved people far away – up to 40km – from the mine depriving them of any job opportunities. This kind of resettlement is intended to ensure that the communities cannot exercise their right to lay claim to some of the benefits of the mining that is taking place on their land, such as employment and other social benefits.

This is a fundamental problem with the resettlement approach used by the two companies. By moving communities – the real owners of the land – far away, the companies are undermining the legitimate claims these communities have over the land, resources and the right to participate in the benefits of mining. The investment that the companies are pouring into the resettlement areas should be regarded as a one-off. After the resettlement programme is completed, companies will turn their back on these communities.

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However, the relocation of these communities will not only leave them impoverished economically. Given the manner in which the relocation was carried out, the resettlement will also undermine structures of authority and respect, and destroy the social fabric of the communities.

## Government must share the blame

The problem in Mozambique is not only with mining companies. The problem is with government.

The central government controls all mining activities rather than decentralising oversight to provincial and local levels. Central government is resisting decentralisation because it believes that there is no capacity at local level and also out of fear that it will lose control over the provinces if they become financially self-sufficient. Government also lacks a clear plan for resource management from exploration to extraction to commercialisation.

For example, it is still not clear which strategy the government will adopt to move the coal from Tete – whether it will use the road to Beira and rail to Nacala or the Zambezi River. Although Vale has used the railway to transport coal from its mine to the port of Beira, experts believe that the railway is not in a good enough condition to support the heavy load. Meanwhile, if the Zambezi River is used, the potential for environmental disaster cannot be ruled out.

Indeed, the exploitation of coal poses serious environmental problems. It needs a decisive government that carefully monitors and evaluates the activities of the companies. The Mozambican government has not been decisive enough so far to enforce proper environmental standards on these companies.

In addition, big projects like these often experience serious labour problems, especially

when the government – as in this case – does not enforce labour standards. According to civil society in Maputo, there is a strike every month in Vale although the media does not report it. This raises serious questions about the nature of the media in Mozambique, which either does not have capacity to cover this critical sector or has decided to side with the company considering its greater resources and influence.

## Necessity to capacitate civil society

Civil society in Mozambique is very young with limited knowledge and technical capacity. It is also not properly organised to monitor the extractive industries, which have such a critical role to play in Mozambique's development. It is for this reason that SARW is training civil society in Mozambique to monitor and report on the extractive industries. SARW also intends to work with communities to help them to engage more effectively with the companies and the government on key issues.

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## Conclusion

The two companies claim that they applied the World Bank's guidelines on involuntary resettlement. However, it seems as though the companies took a few short cuts along the way. And in any case, the World Bank guidelines should be regarded as the minimum requirements – not best practices that can be replicated in every situation. SARW believes that these guidelines are neither sufficient nor just for African communities. This is why SARW is calling for mining companies to engage in an honest consultation with local communities to reach a common ground and agree on practices that may well be markedly different – and more pro-community – than the World Bank guidelines.

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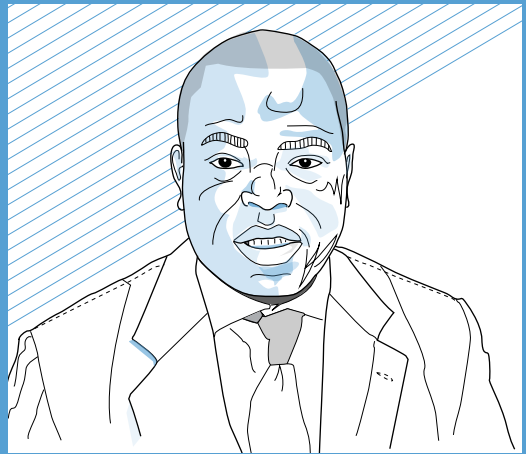
**The mission of the Southern Africa Resource Watch (SARW) is** to ensure that extraction of natural resources in southern Africa contributes to sustainable development, which meets the needs of the present without compromising the ability of future generations to meet their needs.

SARW aims to monitor corporate and state conduct in the extraction and beneficiation of natural resources in the region; consolidate research and advocacy on natural resources extraction issues; shine a spotlight on the specific dynamics of natural resources in the region and building a distinctive understanding of the regional geo-political dynamics of resource economics; provide a platform of action, coordination and organization for researchers, policy makers and social justice activists to help oversee and strengthen corporate and state accountability in natural resources extraction; and, highlight the relationship between resource extraction activities and human rights and advocate for improved environmental and social responsibility practices.

SARW focuses on 10 southern Africa countries but is also working to build a strong research and advocacy network with research institutions, think tanks, universities, civil society organizations, lawyers and communities in southern Africa, the African continent and beyond that are interested in the extractive industries as it relates to revenue transparency, corporate social responsibility, human rights and poverty eradication.

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