



# The Extractive Industry in Mozambique

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# Presentation Structure

- ▶ Background
- ▶ Macro Impact
- ▶ Local Impacts



# MOZAMBIQUE'S NATURAL RESOURCES POTENTIAL AND INVESTMENTS

Bacia do Rovuma – Gas (and oil?)

Gold and Pedras preciosas spread all over the country

Moatize Coal (CVRD)

Benga Coal (Riversdale/Rio Tinto)

Forestry spread all over the country

Heavy Sands in Moma, Angoche e Mogincual (Kenmare)

HAMC Tantalite

Gas in Pande and Temane (Sasol, CNH and IFC)

Heavy Sands in Chibuto

Sea resources, stones and sand for construction spread all over the country



Mozambique

Source: Selemene, Thomas (2010)

# Macro Impacts

- ▶ Exports: US\$178m in 2008 from US\$100m in 2005
- ▶ Fiscal revenues: In ITIE report for 2008 6 mining companies declared having paid around US\$ 8.1m (4.5% of exports), government declared that received around US\$ 3.7m (2%). Discounts of 50% in IRPC for mining during five years and of 25% for oil during 8 years. Also the possibility of individual negotiation of fiscal regime. Removed in the new legislation.
- ▶ Employment in exploration phase: Sasol 200, Moma 568, VALE 900: averaging more than US\$ 1m for each job created.
- ▶ Weak productive linkages and limited access to infrastructures developed around EIs for the rest of the economy
- ▶ Contribution to GDP: the sector contribution to GDP is under 2% of GDP but is projected to increase to 5% in 2011.
- ▶ Environment, socio-cultural aspects and other productive capacities

# Local Impact of extractive industries

## ▶ Resettlement

- ▶ Moma (Nampula, Heavy Sandy Project by Kenmare) and Moatize (Tete, by Vale project and Riversdale)
- ▶ The enterprises have been creating conditions to resettle the population although within this process there are some emerging problems related to the quality of the houses, number of beneficiaries, what can and can not be resettled etc. The population is forced to move from their places of origin to host the mega projects.
- ▶ According to Centre for Public Integrity (CIP) report, Vale in Tete presented to the government a model house for the resettled families but the families have not been provided the designs of houses firstly submitted. (CIP, 2010)
- ▶ In case of Children that lost their parents during the process of resettlement, Vale denied the allocation of houses that had already been registered on behalf of 11 orphans (CIP, 2010)
- ▶ By the middle of the resettlement process emerged 50 new families, resulting of newly married that, at the beginning of the process of resettlement, were part of the household of his parents. Vale refuse the responsibility of this natural situation, stating that this was responsible only for the families that existed in 2007, when the resettlement process began.

# Local Impact of extractive industries (cont.)

- ▶ Cemeteries also were resettled. For example, the process of exhumation in Moma implied smashing the bones in units of about 40 cm each, to fit in the smaller bins that were used for their packaging. And for the shifting of the graves each family received 5.775 meticaais ( USD150).
- ▶ In addition to transferring the thousands of people living within their concession areas, and the cemeteries that are there, for example the Riversdale plans also to transfer the Tete airport (better known as Airport Chingozi) to another location yet to be identified.
- ▶ After the resettlement, the new district continues with various problems (the same ones that had on the date of its creation): lack of water, sanitation, distant markets and schools, no conditions for grazing cattle nor for the practice of agriculture (the livelihood of almost all, if not even all, families resettled). The population also complaint about jobs creation where, according to the companies, the populations have created expectations on the jobs which can not be sustained because most of them are illiterate (CIP, 2010).

# Local Impact of extractive industries (cont.)

## ▶ Fund for Social Responsibility

- ▶ What has been retained in the form of funds and social local projects remains small: less than 1% of the trade balances of major projects, and just under 1.5% of the financial outflows. If similar tax regimes were implemented on the incomes of major projects so around one third (33%) of the value they now move to the outside (in the form income, private transfers, etc.) could be retained in national economy, rather than the current 1.5%;
- ▶ In addition, many activities and social projects are defined and implemented without the participation of local communities; And, although partially regulated, the participation of community in the benefits of the projects is not organized.
- ▶ Moreover, the responsibility of collecting and redistributing revenues into the economy, to promote a more articulated, widen and diversified development, belongs to the Government, not to multinationals corporations. Therefore, besides being small, the social funds activity shouldn't substitute neither the payment of taxes, nor the economical, political and social responsibility of the Government.

# Local Impact of extractive industries (cont.)

## ▶ Environment

- ▶ The mining activity has a very large impact in the areas where it is occurring with respect to pollution and soil erosion which affects the lives and wellbeing of people.
- ▶ Companies that are located in Tete are studying ways to transport the coal until the port and they suggest that transportation of the coal is made by the Zambezi River.
  - But they need to dredge the river (Dredging of the river in a width of 50 to 100 meters and a depth of 3.5 to 5.0 meters)
  - navigation of barges with a total length of 300 meters and a width of approximately 30 meters
  - Transportation of a total of 6 million tons of coal per year (WWF, 2011)

The question of navigability is discussed in several dimensions in terms of impacts on coastal populations. Communities living along the river are directly dependent on this resource to their subsistence activities (fishing and farming subsistence).

Dredging the river imply changes to the environment and geomorphology of the river:

- and it may happen that some people may lose farmland
- Lose of the soil fertility
- restrictions on access to water
- increasing human-animal conflict

# Considerations

- ▶ Exports are important but need to explore more the domestic market potential
- ▶ What to do to move the economy away from the natural resources dependency: the strategic role of the natural resources
- ▶ Participation and transparency: ITIE is important but need to broaden its coverage (not only minerals, gas and oil, not only direct taxes paid, include contracts transparency, etc.)
- ▶ Need to increase the communication, information exchange within Government, Multinational and Communities.
- ▶ Need of Stratification of the evaluation of Socio-economic and environmental impact and take into to account the cumulative impacts
- ▶ Renegotiation of contracts is crucial.

# References

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# Thank You

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