

Mozambique's mining boomtown

Labour and development in Tete

Recent mineral and energy resource discoveries – particularly coal and gas – have raised Mozambique's profile in global energy markets and could potentially transform its economy. Widely regarded as a post-conflict success story, Mozambique has emerged as a star in the 'Africa rising' narrative, registering economic growth rates of around 8% in recent years. But this impressive growth has yet to translate into significant gains in poverty or health indicators, writes **Joshua Kirshner**.

At the centre of the resources boom is the province of Tete, once a remote outpost but now a hub of power generation for Southern Africa, as the site of the Cahora Bassa hydroelectric dam. It is now also an emerging centre of global investment in coal extraction.

Tete is not a historically important mining site. In the past decade, the combination of rising international coal prices, increased global demand, and geological surveys confirming vast seams of high-value coking coal has attracted some of the world's largest mining companies to Tete province in western Mozambique. Coal became the country's second-largest export earner during the first six months of 2012 while coal exports could rise to around 100-million tons annually at peak, making Mozambique one of the top ten coal exporters in the world.

Mining giants Vale and Rio Tinto have invested nearly US\$12-billion in mines in Tete since 2008, directly employing some 7,500 workers and sparking a

sudden transformation of the region. Industry analysts describe Moatize basin as the world's largest untapped coal reserve. The growth of China and India in recent decades has repositioned demand for coking coal, used for steel production, towards South and East Asia.

These developments coincided with Mozambique's post-socialist transition to a market-led economy, facilitated by International Monetary Fund (IMF) and World Bank-led reform programmes and embraced by state elites. The resources boom has created particular sites and spaces of development in Tete, suggesting shifts in relations between the state, capital and communities. Tete city, the provincial capital, shows heightened social divisions, as some groups are integrated into global circuits of production while others suffer displacement and dispossession.

LABOUR MARKETS, LINKAGES AND ENCLAVES

Open-pit coal mining is normally capital-intensive, dominated by

a handful of players, and creates few employment opportunities for directly affected communities. According to the Ministry of Mineral Resources, the coal industry directly employs just 7,500 Mozambicans. In the short run, mine construction could create up to 25,000 temporary jobs. When a mine opens in a particular area in Tete, residents have high hopes for jobs but the reality usually falls short, with jobs limited to a small number of technical positions, private security or chauffeurs.

Mining companies rely on expatriates, recruitment from Maputo and Beira and the use of short-term contractors, while blaming the low skills base among locals for their lack of employment. This situation has not dampened Tete's attraction for domestic and trans-border migrants, lured by the region's reputation as Mozambique's *El Dorado*. Many arrive from other districts of Tete province, and from neighbouring Zimbabwe and Malawi. Others come from further afield, including India, Pakistan and Somalia.

Labour importation, rising income disparities and the perception that better educated workers from southern provinces and abroad are gaining favourable terms of mining employment, beyond reach for most Tete residents, have created tensions, although an explicit backlash has not yet occurred. The pattern risks fuelling ethnic divisions, as majority Nhungwe-speaking residents increasingly view ethnic Shangaan and Ronga from the southern provinces as unwanted 'outsiders'. In response to the rising tensions, several mining companies have begun to offer training programmes geared to the local labour market. Rio Tinto, for example, has created a partnership with *Instituto Superior Politécnico de Tete* (ISPT), a technical training facility in Tete city founded in 2010, to offer courses geared to the coal industry's requirements. In 2011, Rio Tinto also opened a training centre and placed 700 local workers with contractors to build the facility, which is visible on the EN 103 road to Moatize.

On its website, Rio Tinto noted 'more than 28,300 people have registered for employment with Rio Tinto Coal Mozambique, of which 1,172 candidates were given on-site training and assessed in various building and civil trades'. According to an on-site training manager, 15% of the original recruits were women, a figure that had risen to 40% by 2012. In 2013, Vale reported it employs

400 workers from Tete among a workforce of 1,400. The company is also recruiting a further 300 local workers for training, a third of which are earmarked for jobs in the second phase of its Moatize project, set to begin in 2015. The weak job creation reflects a shift from direct employment to outsourcing and use of contractors, some of whom fly in for six-week shifts.

Mining and construction labour for Vale and Rio Tinto is often housed near the mines in self-contained camps, equipped with cafeterias, soccer fields and other recreational areas. The workforce is mostly male and under 40, while the camps are fenced in, guarded by security personnel and not signposted or visible from major roads. This arrangement serves to segregate mining company employees from ordinary residents in a separate enclave. Nevertheless, mining employees interact in various ways with the host economy, for instance in shopping in new commercial centres on the main road between Tete and Moatize.

Apart from mining employment, the coal mega-projects also have downstream effects, generating flows of goods and people into Tete province. The arrival of several thousand workers employed in mining has set a platform for jobs in agriculture, food supply and construction. These indirect jobs are likely to promote development in

one of Mozambique's most remote and underequipped provinces. The potential for creating wider benefits from the coal rush rests in local procurement and linkages, yet such linkages do not 'happen automatically' in private investment projects. They will require guidance from local and provincial state institutions to foster small and medium enterprise involvement and to mediate between the interests of capital and labour.

Rio Tinto has led efforts to foment local participation in the coal value chain, particularly in transport and catering. It reportedly spent US\$120-million on catering and other services in 2011, with 80% of contracts going to Mozambican firms. Rio Tinto boosted local spending to US\$160-million in 2012 and opened a business centre in Tete to facilitate local supply chains. The centre registers suppliers in a central procurement system. Yet contracts for purchases above US\$100,000 are issued as international public tenders. Vale, in turn, has surveyed businesses in Moatize district and in Tete province to identify local partners and offer capacity-building. Despite these efforts, civil society groups in Mozambique have voiced concern that procurement contracts largely go to South African and Brazilian firms while the lion's share of goods and services used by the mining companies – equipment, uniforms, cleaning and catering – are imported.



Rio Tinto Training Centre in Tete.

Rio Tinto and Ncondezi Coal, for instance, have food flown in from Johannesburg by Servco, a South African catering firm. While there are some efforts to locally source food, the majority of meat, for example, is sourced from South Africa and Botswana whilst some frozen chickens are imported from Brazil to ensure a steady supply with milk and fruit coming from various countries. In 2012, Servco employed 70 workers at the Benga canteen, including cooks, kitchen assistants, housekeepers and servers. The majority are from Tete, including four from the Rio Tinto resettlement community Mwaladzi, and a handful from Zimbabwe and Malawi. A further example of potential linkages is the outsourcing of transport services, with several local companies being engaged for this purpose, including Fleet Services and *Linhas Transportes de Moçambique* (LTM), both based in Maputo with subsidiaries recently opened in Tete. These companies carry workers to and from mine sites, but are closed to ordinary residents.

Neither Vale nor Rio Tinto has been meaningfully involved in knowledge exchange, encouraging business start-ups, or providing venture capital, which are important aspects of embedding development and making it 'sticky.'

URBAN GROWTH AND DISPLACEMENT IN TETE

With 158,000 inhabitants by 2007, Tete city is bisected by the Zambezi River and sits in a low-lying basin with temperatures soaring above 45°C in the dry season. Tete's compact centre features a grid layout with low-lying colonial buildings and villas. At the city's heart, the Samora Machel suspension bridge, completed in 1973, serves as a critical link between southern and northern regions of the country. Tete city was long known as a

'sleepy backwater' on the banks of the Zambezi, and a place for long-distance truckers to stop overnight on their way to and from Malawi and Zimbabwe. Yet, this is changing as the coal investments have sparked demand for mining support services, with dramatic changes in the city centre and its outskirts. Tete city is awash with entrepreneurial activity to meet surging demand for accommodation, catering, transport and telecommunications for expatriate workers and business visitors. But efforts to create a viable economic base outside the mining sector are partial at best.

The focal point of growth is across the bridge from Tete's city centre along the EN 103 road to Moatize (population 40,050), an area that was largely non-existent three years ago. It now hosts numerous mining services and logistics firms along with Rio Tinto's Training Centre. It has been the focus of significant investment, including new hotels (including the upmarket Radisson Park Inn), retail spaces and warehouses. Bank branches, supermarkets and fuel stations equipped with long-distance trucking facilities have sprouted up, often supported by capital from Portugal, Brazil and China. Adding to the mix, many 'white' commercial tobacco and dairy farmers who were dispossessed of their land in Zimbabwe have re-established operations in Tete, including flour mills, tyre shops, and other start-up enterprises. Many of these new commercial facilities adjoin self-built adobe huts and unplanned settlements. There have been conflicts around land ownership, while existing titles are often unclear. Moreover, the majority of economically active residents rely on variable opportunities in the informal sector.

Mining services and construction firms are flocking to

Tete city, and the streets bustle with 4x4 trucks stamped with company logos. Odebrecht and Camargo Corrêa, two privately-owned Brazilian engineering and infrastructure firms, are involved in a number of public works projects in the region. Several Portuguese firms are supplying prefabricated structures, while new warehousing construction has boomed, reflecting demand for space and rising trade. But residential construction has lagged, prompting mining companies to lease hotel rooms for their staff.

The resources boom and rising cost of living is producing a 'dual economy,' in which non-mining households struggle to afford the steep prices for food and housing. Household spending power has decreased due to local inflation, a reality compounded by the limited job opportunities from mining activity. In a sense, the coal boom has never fully materialised for many Mozambicans. As one restaurant owner explained, 'we had heard there were thousands of Brazilians arriving, and to me, this meant business. But in reality, only hundreds arrived'.

Expatriate workers and those recruited from Maputo and Beira, particularly those on short-term contracts, are likely to direct their spending to their places of origin with limited benefits to the local economy. Further, just a quick look beyond Tete's city centre suggests that any impression of rapid development through the resources boom must account for the growing shantytowns lacking electricity, water, sanitation, and waste services. Tete remains one of Mozambique's poorest provinces, registering among the country's highest rates of HIV and AIDS infection. With its influx of miners, truck drivers and sex workers, many view Tete as a conduit for HIV to enter the country.

Flows of labour and investment have occurred largely without



Building a skills base: Rio Tinto Training Centre, Tete.

long-term urban planning and intervention. Municipal officials are ill-prepared for managing the multiple pressures arising from the coal operations. Institutional capacity for planning and administering development is limited, resulting from years of public sector neglect since the start of Mozambique's post-socialist transition. There are also difficulties in collecting local property taxes, with municipal funds relying heavily on market traders' fees. Inter-agency coordination has also proven challenging. Local authorities hold little sway over foreign investors, and most deals and concessions are negotiated at the ministerial level in Maputo.

The displacement of local communities due to coal operations by Vale and Rio Tinto has been particularly controversial. The Moatize district government suddenly has had to deal with multinational corporations (MNCs) on the resettlement process, overseeing the building of entire new villages. Human Rights Watch found that Vale's

resettlement of 1,365 smallholder rural households to Cateme, a newly-constructed village 40km from Moatize, in 2009 caused sustained disruptions in accessing food, water and work. Rio Tinto has resettled 679 households living near its Benga mine to newly-built Mwaladzi village in 2011, with further relocation envisioned. Evidence suggests that mechanisms for local community participation in decision-making have been minimal, with little effort by the government and mining companies to communicate with resettled communities.

Vale and Rio Tinto's development of open-pit mines, access roads and related infrastructure has displaced thousands of people from local communities. An estimated 500 residents from Cateme protested in January 2012, blocking the Sena railway and flows of coal exports for three days, which met with police repression. The protestors highlighted the blocking of their everyday activities and livelihoods by the coal mega-projects.

CONCLUSION

Despite expectations that an extractive boom could 'lift all boats' in one of Mozambique's poorest provinces, civil society organisations have begun to raise concerns about the social and environmental impacts of the coal rush, including displacement and resettlement of local communities, pollution and carbon emissions. The critique focuses on the failure of the Mozambican government to uphold its resource sovereignty, redistribute the wealth generated by mining revenues, and negotiate favourable terms with investors. It also focuses on the limited job creation and training, and the lack of transparency around the licence agreements between mining companies and the state, which many regard as too advantageous to foreign companies and investors. While Tete is no longer a 'sleepy backwater,' the distance between its citizens and centers of political and economic power will likely remain for some time. ¹⁸

Joshua Kirshner is a researcher in the Geography Department at Durham University, UK.