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The Blind Spot: International Mining in Angoche and Larde, Mozambique

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POLICY POINTS

Foreign investors should

identify & engage all stakeholders in the early stages of the project. Negotiations over CSR compensation should be informed by community consultation.

Guidelines should be

given to mining companies reinforcing the local social structure, religion, and culture to increase ability to build a sustainable future.

Chinese authorities should

encourage enterprises to solve disputes by increasing operational and CSR transparency and working together with CSOs.

Chinese enterprises should

engage the public in an open manner. CSR program implementation should be treated as a crucial social space.

The Blind Spot: International Mining in Angoche and Larde, Mozambique

Sergio Chichava, Shubo Li and Michael G. Sambo

THIS STUDY PROBES THE SOCIAL IMPACTS OF HEAVY SAND MINING by international companies in Mozambique, looking specifically at how disputes are negotiated between companies, municipal and provincial governments, and civil society organizations (CSOs) representing local communities. Disagreements on compensation to local communities, resource depletion, and labor relations are the primary source of controversy and tension. These are then exacerbated by municipal and provincial bureaucracies' administrative negligence, and the investors' blind spot when it comes to engagement with local communities. In terms of scale, Chinese companies in the mining sector are not comparable to multinational mining companies. Chinese firms have yet to accumulate knowledge and expertise dealing with overseas operations' risks and challenges, particularly those involving managing environmental impact and negotiating with local communities.

BACKGROUND

THIS STUDY FOCUSES ON MINING OPERATIONS in the Nampula province in northern Mozambique, specifically the Chinese company, Haiyu Mozambique Mining Company (HMMC), operating in the Angoche district and some comparisons to the world's biggest player in heavy sand mining, Irish Kenmare Resources PLC, operating in the Larde district. The local population have been heavily dependent on the natural resources surrounding the heavy mineral sand deposits. The major source of income in the area has been small-scale commercial fishery and services, complimented by subsistence agriculture. They relied on fish from the sea, as well as yams and fruits that flourished in the sandy area for nourishment and they used the abundantly available grasses for shelter.

In 2011, HMMC obtained their first mining concession in Sangage and the second in Cerema. When the first mining concession was issued, HMMC signed a US\$ 2.01 million Corporate Social Responsibility (CSR) memorandum at the Provincial level with the Nampula Provincial Directorate of Mineral Resources and Energy.

Mozambique has an intricate structure of government that consists of four layers of administration: provinces (Nampula), districts (Angoche and Larde), localities (Cerema and Sangage), and communities (Murrua and Sangage). By sorting through existing materials, we identified compensation, environmental concerns and resource

depletion, and labor issues as the main sources of tension over the HMMC project.

FINDINGS

OUR FIELDWORK REVEALED THAT local community exclusion and problems with labor relations were in part due to the important and problematic roles played by the provincial, district, and community level governments. Derelict in their duties to the people, the Angoche district government (ADG) deliberately excluded the community of Murrua from the compensation negotiation process. Unfortunately, HMMC also has itself to blame for not actively engaging with the local community, instead dealing exclusively with the ADG, believing it to be the most authoritative representative of local people's interests. Kenmare also faced dysfunctional government and tense community relations issues; however, they were better able to manage those tensions.

MARGINALIZING LOCAL COMMUNITIES

FROM THE VERY BEGINNING OF THE HMMC PROJECT, government administration at multiple levels was incapable of correctly identifying the communities that were meant to receive compensation. Although one of HMMC's mining sites and factory is located in the community of Murrua, the people of Murrua were never included in the initial community consultation process. As such, the local residents described HMMC as having "parachuted" into the area. We learned, for example, that neither Murrua's local administration nor the ADG sent notice to the community about HMMC's arrival.

HMMC and the ADG agreed that, out of the total US\$ 2.01 million CSR fund, the first US\$ 1.32 million tranche was to be transferred to the Nampula provincial directorate of Mineral Resources and Energy, and then reallocated to the ADG, which would be in charge of disbursing it into various CSR programs. The ADG told local media to expect 27 kilometers of electric power lines, a 10-kilowatt hydro power station, road construction, fresh water provision, 800 new jobs, and the construction of a hospital.

From HMMC's perspective, they fulfilled their duty by completing the payment of the first tranche. The ADG claims that funds were used, under the provincial government's guidelines, to purchase an ambulance for the Rural Hospital of Angoche, rehabilitate a morgue, build a school, and contribute to the construction of a hotel in the village of Angoche. Other actors were unable to confirm whether any of these projects was carried out; meanwhile, locals and CSOs denied knowledge of

the existence of these projects. We suspect that non-fulfillment issues are due at least in part to corruption among state officials who likely diverted funds.

Worse still, there was no warning about possible damages to the environment and changes to their livelihood. The population of Murrua found that their lagoons and ponds had dried up because HMMC had pumped underground water, grasses and fruit no longer grew, roads were damaged by heavy mining trucks driving to the port, and people suffered from conjunctivitis and coughs from the dust produced by mining activities. Murrua's community expected some compensation for their suffering: schools, hospitals, transportation, electricity, and jobs. Instead the local elite and the villagers reported that they had gained nothing. Fed up, in July 2014, angry Murrua residents blocked the road and obstructed traffic flow between HMMC and the port. The government declared the demands from the population unfounded and sent police to disperse the crowds.¹

HMMC quickly realized that promised CSR projects might not have been delivered as scheduled under the government's administration. Facing the furious local reaction and regular denunciations from the Mozambican press, HMMC decided to manage its own CSR projects in collaboration with the Nampula branch of the CSO Solidariedade Moçambique (SM) and the local government. HMMC set up a department, staffed by Mozambican professionals, to deal with community relations and execute CSR programs. HMMC and the Murrua and Sangage communities signed a new US\$ 500,000 CSR agreement in 2017, witnessed by CSOs and governmental representatives, to fulfill the promises previously made by the ADG.

GOVERNMENTAL ADMINISTRATIVE NEGLIGENCE

MOST MEDIA, CSO, AND LOCAL COMMUNITY informants pointed out that local governments were the main cause of the problems related to HMMC. The ADG failed to engage local communities in the consultation and negotiation process. Knowing that HMMC's community consultation was not comprehensive, the ADG gave no indication to the company about their omission and mentioned nothing about conferring with the community of Murrua.² The government office is marked by corruption and nepotism in the eyes of the Murrua community and CSOs.

The ADG deliberately avoided communication with the Murrua community, ignored their demands for consultation, and refused to attend their scheduled meetings. It seems that all levels of authorities deliberately ignored the Murrua

population's demands. The absence of community consultation resulted in HMMC invading sacred sites (without their knowledge) and caused anger and frustration. In many cases, government involvement exacerbated tensions. The government told the media about the ambitious CSR plan, which HMMC had never actually promised, and made false claims about projects (including new hospitals and schools) having been completed.

Kenmare also experienced tensions with local communities due to incorrect boundary demarcations and problematic government guidance. A comparison between HMMC and Kenmare indicates that the dysfunction and negligence of local governments in Nampula province is a key factor in explaining why certain communities are excluded from negotiations and CSR processes. Mr. A, a journalist, also reached the conclusion that the problem with the governmental system is generic and not limited to cases of Chinese investment. In these two Angoche mining cases, the municipal, district, and township leadership did not consider the welfare of the people residing near the mining sites a priority. Instead, they distorted communications between companies, the public, and local people by ignoring and even suppressing communities' demands and providing inaccurate information to the media.

TRUST-BUILDING WITH LOCAL COMMUNITIES

ATTEMPTING TO BE LAW-ABIDING WHILE also seeking to be profitable, HMMC initially regarded Mozambican state bureaucracies and social elites as their primary local connection, closely following instructions and advice from the provincial, municipal, and district governments. Neglecting traditional community authorities, HMMC considered interaction and communication with local people of minor importance and hence learned very little about the structure of social life in the community.

Kenmare appears to have been more sophisticated in dealing with local governments, as they declined to transfer all CSR funds to the government, instead insisting on maintaining control over CSR project management. Mr. A spoke highly of Kenmare's good CSR practices, praising a number of projects that have helped to leverage the communities' economies, despite the fact that Kenmare's commercial chain ultimately failed due to the lack of governmental cooperation.

CONCLUSION

ALTHOUGH MOZAMBIQUE'S LONG COASTLINE is rich in valuable heavy mineral sands, their exploitation has not

benefitted local communities. Although from a provincial or country-level perspective these projects may represent a common benefit, these benefits might be realized at the expense and sacrifice of the local communities' livelihoods, environment, traditions, beliefs, and local economic structure. That said, the negative impacts of mining on local communities can be decreased through the combined efforts of the three major actors: the government, the mining company, and the affected community. While this research focused on HMMC's impact on the Angoche district, it found government misdirection and corruption to be a major cause of their conflicts with local communities. General lack of communication and coordination between these actors also contributed to ongoing tensions.

Due to the absence of community consultation and misleading information from the government, HMMC and the local community did not communicate properly over compensation and CSR projects, among other issues. As a consequence, Murrua's community members held negative views of HMMC. The villagers had a multitude of complaints. Additionally, workers grew exhausted trying to reason with the company and ultimately gave up on negotiations. It would appear that HMMC reached the tipping point of community disaffection in Murrua such that more and stronger mobilizations against the company could occur at any time if no preventive actions are taken.

Comparing HMMC and Kenmare, it is clear that Kenmare has had a more positive impact in the community. A hospital, schools, markets, and shops were built, and community development projects, soil restoration programs, and a scholarship program for local children have been implemented. Despite these, the people from Topuito still had complaints about Kenmare sponsored initiatives. For example, at our arrival various community members complained about open mining explorations at "mountain Philipe", a sacred site for Topuito's villagers, arguing that this was taking place without their consent. In short, Kenmare still faces challenges. Kenmare's ongoing challenges would support our argument that the controversies and conflicts surrounding HMMC are not about its Chinese investors, but about poor mediation between the actors and deficient management of community expectations.

While the two cases we examined support the notion that the experiences of the Chinese firm is not unique, there are still valuable lessons to be learned. China's Going Global policy and practices must be underpinned by a better systematic and thorough understanding of local social structures and

cultural norms. Chinese organizations, learning from the Chinese diplomatic legacy, tend to rely almost exclusively on liaisons with powerful government figures. For many reasons, Chinese companies tend to shun direct engagement with local communities. They often aim to keep a low profile, allowing their local partners in the government to deal with the local people. However, to Chinese companies' chagrin, working through local government liaisons, especially if government officials are viewed as illegitimate or corrupt, only gives rise to greater mistrust among local communities and the larger host society.

POLICY RECOMMENDATIONS

1. Foreign investors should identify and engage all stakeholders in the early stages of the project, before mining concessions are issued. Negotiation over compensation and agreements on CSR programs should be informed by community consultation.
2. Guidelines should be given to mining companies by the embassies of their own countries reinforcing the local social structure, religion, and culture to increase the ability to build a sustainable future with local communities.
3. Chinese authorities should encourage their enterprises to solve disputes by increasing the transparency of their operations and CSR programs and working together with local CSOs and communities.
4. Chinese enterprises should become more active communicators and engage the public in an open and

trustworthy manner. Implementation of CSR projects should be treated as a crucial social space where integration of the diverse culture of foreign companies and of local people can happen, instead of as a mere formality that can be delegated or outsourced to local authorities. ★

ENDNOTES

1. *Noticals*, "Populares Impedem Saída de Areias Pesadas de Sangage", July 22, 2014, <http://noticias.sapo.mz/aim/artigo/10246222072014125408.html>.
2. Interview with Mr. F.E, Administrator of Angoche, 24. November, 2016.

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