

## Mozal – enabling business by doing business

BHP Billiton

It would be difficult to overstate the importance of the Mozal project's accomplishments in Mozambique, a country still recovering from two decades of civil war. The opening of the Mozal smelter near Maputo created a buzz in political and business circles around the continent. Not only was it Mozambique's biggest industrial investment, it was also one of Africa's biggest direct investments, completed ahead of schedule and under budget. And this after having had to cope with delays caused by lack of public infrastructure, poor geotechnical conditions and torrential flooding in February of 2000.

BHP Billiton established the Mozal aluminium smelter in Mozambique in 2000, integrating it into the full social, institutional and economic transformation of Mozambique. The smelter investment was seen as a catalyst for development within the country. But a lot of challenges had to be overcome for this to happen. At the outset, issues such as fragile institutional structures, poorly developed infrastructure, bureaucratic and inefficient public services and few skilled people risked hampering progress. Additionally, the prevalence of HIV/AIDS and widespread malaria was debilitating the local community, Mozal's prospective workforce.

As a result of the investment, some 740 permanent jobs were created. Vocational training means that 93 per cent of permanent staff now are Mozambican – and the number of indirect jobs created from the project is expected to reach 2,500. Over 5,500 Mozambicans were trained in the construction, and issued certificates to help them obtain construction work on future projects.

But with job creation and poverty relief as primary goals, Mozal had to do more. The Mozal Community Development Trust (MCDT) was established to link the smelter with its local community and enable projects to improve the quality of life of surrounding communities. 200 projects have been initiated so far, with expenditure exceeding US\$10 million. A few of these are outlined here.

This is an area where malaria is endemic, but the community does not have adequate resources to develop infrastructure and facilities to deal with the problem. Andre van der Bergh, of BHP Billiton SA, commented, "How do you operate successfully knowing the debilitating impact that malaria has on your community, as well as on your business? With particular challenges in the community, when you consider what success looks like, it is much more than simply a question of financial success."

A practical plan was therefore put in place to tackle malaria infection. By June 2001, with a programme using controlled public health spraying techniques, average malaria infection rates had been reduced by 40-50 per cent in treated areas. Before the programme commenced, baseline surveys showed malaria infection rates in children of up to 90 per cent locally. The effectiveness of the malaria control programme over the next five years will be assessed by the incidence of malaria and its effect on job creation, risk perceptions and other sectors such as tourism. Upgrading local clinics also provided better healthcare in the region. A team of 50 health workers was trained in the fight against HIV/AIDS and provided with bicycles to assist in their work as community health advisers.

Despite good salaries, many employees experienced difficulty buying homes, a factor that affected the stability of the workforce. Under a Land Use Management Plan, a residential site was selected nearby and houses built on it. This was followed by support to construct a new primary and the first local secondary school using local labour and recycling materials from the Mozal smelter operation, as well as, critically, the training of teachers.

However, the real development potential lies not in Mozal's spending on social projects but in small business development and the business it offers local suppliers. So, developing a business skills training programme for local traders helps local SMEs compete successfully for work and execute contracts. From a position where almost all procurement was sourced from South Africa, local procurement is slowly shifting the balance from a level of US\$2m to now US\$9m monthly.

Mozal's sustainability required significant infrastructure development. To meet the project's supply needs, the transport infrastructure in the area had to be improved and increased. Roads and bridges, potable water supplies, electricity supplies, telephone services, sewage treatment works, housing units and general amenities buildings have all been developed and so attract new business into the area.

This commitment to ensure the sustainability of the business and its host community has delivered significant achievements, economically and socially for the local community. Prior to Mozal coming on stream, Mozambique's annual export earnings were about US\$220m. The first phase of Mozal tripled that value and subsequent expansion raised the number to US\$1bn.

All these social investments will be tracked over time, to measure the business return on investment for BHP Billiton.

At the opening of the plant in 2001, Prime Minister of Mozambique, Dr. Pascoal Mocumbi, told partners involved that, "your presence here encourages us to continue our ongoing efforts to improve the quality of life of our people." Five years later, Andre van der Bergh adds: "This is in no way a trade off; to be successful as a business, we need to play a role in partnering with all relevant stakeholders to ensure economic growth in the developing countries in which we operate and thus enhance the benefits for both business and the community."

The positive impact the project has had on the region might be regarded as remarkable. Quality of life has been improved on virtually every level, and in such a way that the advantages can be sustained over time.