

Case Study: BHP Billiton – Mozal aluminium smelter in Mozambique

Background

BHP Billiton's Mozal aluminium smelter is located in the Maputo province of southern Mozambique. The project began in July 1998 and with a budget of US\$1.18 billion, was the first major development in Mozambique for 30 years and the country's largest private investment ever.

Mozal is one of the largest smelters of its kind, producing more than 500,000 tonnes of aluminium per year. The operation currently employs more than 1,100 people.



Students at the Nelson Mandela Secondary School in Matala Rio.

During two construction phases, the project contributed more than US\$160 million to the local economy, principally through the employment of Mozambican labour and the use of local contractors and suppliers. Since operations began, expenditure in the local economy has grown to over US\$180 million per annum.

Business contribution

In addition to environmental and public health initiatives targeting malaria and HIV/AIDS, the Mozal Community Development Trust (MCDT) placed a heavy emphasis on improving educational infrastructure and opportunities.

In a joint project with the government and local communities, Nelson Mandela Secondary School was constructed, the first high school in the area. A new primary school was also built and 12 other primary schools in the region received facilities upgrades.

The Look of Hope project donated 52,000 exercise books to disadvantaged children annually and support was provided for teacher training.

To help ensure that Mozambican workers had the skills to execute their duties in a safe and productive manner, Mozal provided funding to establish local training facilities for mechanical, electrical maintenance and construction workers in conjunction with the Mozambique Department of Labour. Several Mozambican industries are now recruiting graduate trainees and sending technical staff to these centres for training.

During construction of the smelter, almost 10,000 Mozambicans received training in various construction disciplines, which resulted in over 70 percent of the construction workforce being drawn from local communities. Presently, more than 90 percent of the smelter's permanent staff are Mozambican.

Other initiatives to enhance employee competency and promote career opportunities include an Operators Development Program, Supervisory Capacity Building Program, 'MY' Development Program (self-driven competency-based training), Assisted Education Program (degree and post-graduate education), and a Graduate Development Program.

Innovation

As part of its contribution to sustainable development in the region, BHP Billiton created the MCDT to facilitate projects that would improve the quality of life of the communities surrounding the smelter site.

To achieve its mission, the MCDT operated under four key policies:

- Aligning development initiatives with those of national, provincial and local governments;
- Acting as a catalyst and facilitator in establishing pilot projects that could be replicated;
- Forming partnerships with stakeholders to achieve sustainable results;
- Involving relevant stakeholders from all levels of government, non-government organisations (NGOs), communities and the private sector, as well as Mozal employees.

Approximately 200 projects and programs have been initiated by the MCDT, with expenditure exceeding US\$10 million.

Benefit to community and the business

Commitment from the joint venturers, the contractor and subcontractors and the Mozal operations teams has delivered significant achievements.

Both project implementation phases were completed well under budget and ahead of schedule. Harmonious industrial relations were experienced and during the phase 2 construction period, no days were lost due to industrial action. Operational performance has exceeded design and is running at benchmark levels.

The Mozal region and the country have benefited from needs-based infrastructure, social and community development projects.

Overcoming obstacles

From its earliest days, the project presented a number of significant challenges for the company and its venture partners:

- Mozambique is one of the world's poorest countries, emerging from 17 years of civil war and making the difficult transition to a market-oriented economy.
- The country is hampered by fragile legal, financial and institutional structures and capacity. There are limited numbers of people with the training and skills required for the construction and operation of such a smelter.
- When the project began, malaria was widespread and debilitating to the local communities from which Mozal would draw most of its workforce, it was also a threat to attracting expatriate managers and skilled workers.
- HIV/AIDS was prevalent, with infection rates exacerbated by the influx of construction workers from neighbouring South Africa.

The way forward

Mozal's ongoing projects and programs are reinforcing the principles of sustainable project implementation.

The International Finance Corporation, an investor in the smelter project recognised for its rigorous social and environmental guidelines, says that Mozal has set a precedent for future resource projects in Mozambique.

The Mozal experience demonstrates that it makes good business sense to invest not only in the venture but also in the host community.