Oil and gas investments in Palma District, Mozambique

Findings from a local context analysis

By Shared Value Foundation and LANDac
February 2019

Shared Value Foundation and LANDac conducted an 8-week in-depth field research in communities neighbouring the Liquefied Natural Gas (LNG) investments in Palma district, Northern Mozambique from February to April 2018. The aim of the study was to understand the local context of the communities in Palma district and examine the direct and indirect socio-economic impacts of the LNG investments on their livelihood. In addition, the research explored opportunities for the investments to be more inclusive of the neighbouring local population groups. This report shares the findings of the research project.¹

Large gas reserves were discovered in 2010 in the Rovuma Basin off the coast of Cabo Delgado province in Northern Mozambique. Now, Mozambique is on its way to becoming the third largest exporter of Liquified Natural Gas (LNG) in the world. Two leading operators; Anadarko and ENI are preparing to conduct offshore gas drilling, with onshore supporting facilities for LNG production, storage, and transportation. The entire facility is estimated to take up to 3,600ha within the government-allocated DUAT (the right to use and benefit from land) of approximately 7,000ha. However, progress on starting con-

¹ Information in this info brief builds on a detailed community research report. This research report is available through Shared Value Foundation.

Main Points:

• The discovery of large gas reserves in Northern Mozambique in 2010 has attracted LNG investment companies to the district of Palma. It is expected that the project will impact over 10,000 people.

• Results of an in-depth 8-week field study by SVF and LANDac, show that the investments have offered employment opportunities to some community members and that it will develop the, currently lacking, infrastructure. However, the study also emphasizes that potentially negative impacts related to communities’ loss of or reduced access to main sources of livelihoods, increased land scarcity, marginalisation of women, and potential conflict between communities and investors due to unmet expectations, are likely to outweigh the positive impacts which are being experienced at the moment.

• Companies, the government, and increasingly, communities and CSOs, are actively engaging with one another to minimize the negative impacts of LNG investments in affected communities. At the same time, the research shows that information and communication is insufficient.

• Recommendations to facilitate more inclusive LNG investments include: community-fitting compensation arrangements, enabling of community investment in sustainable futures, better community representation, and continuous stakeholder collaboration and engagement to improve information sharing between companies, government, CSOs and communities.

Recent LNG investments are part of an investment boom in Palma district; including investments in eco-tourism, limestone mining, and other projects. The cumulative impacts of these projects might therefore be stronger than their individual impacts. The LNG investments should therefore be viewed within this broader context.
Investment has been slow with only one of four LNG mega projects having reached the final investment decision (FID), which was made in 2017.

These investments are taking place in Cabo Delgado, a province in Northern Mozambique where socio-economic development is low. To make way for LNG exploitation, Mozambique LNG expects that the project will affect 10,034 people. Out of this group, 556 households are expected to be physically resettled and another 952 households are expected to lose access to their agricultural land or fishing grounds. A study by Mozambican think-and-do tank WAZA found that the livelihoods of these farming and fishing communities will be greatly affected by the LNG investments. However, the study found a notable lack of information and preparedness among stakeholders to address the negative impacts that are likely to emerge from the investments. Therefore, Shared Value Foundation (hosted by Utrecht University) and LANDac complemented and further elaborated on the WAZA study by conducting an in-depth research in Palma district. The research explored the nature of livelihoods in communities close to the LNG investments, and how different population groups are (to be) affected by the recent investments in their area. In addition, the research also explored possibilities of how LNG investments can be more inclusive of the different local population groups. All respondents were aware of the two main LNG investors (Anadarko and Eni) present in the area and of the general contours of the project plans that they intend to develop. Therefore, in this info brief, any reference to ‘the LNG project’ refers to common plans of Anadarko and Eni, unless stated otherwise.

Recent developments and current impacts in the surveyed communities

The process of LNG investment and development has already started in the communities within the project’s DUAT. Visits to Quitupo, Maganja, Senga, and Monjane further affirmed the existence of steps in an ongoing LNG development process. This section briefly discusses the ongoing resettlement plans and developments in the four surveyed communities.
**Quitupo**

The Quitupo community is to be fully resettled from their current location to Quitunda; a zone in Senga community. Quitupo holds approximately 2000 people. SVF researchers interacted with 27 residents (including 10 women), about the state of their current and expected livelihood in the backdrop of the LNG investments.

At the time of the research (March 2018), no resettlements had taken place in Quitupo yet. Two representatives of the Community Resettlement Committee (CRC) explained that actual resettlement would start in the summer of 2020. The project had conducted three public consultations to agree on the location of the resettlement village, the resettlement house design and size and financial compensation for lost land and crops. However, interviews with community members and a review of documentation revealed that the groups engaged in the public consultations were far too big for any real participation by attendees and that community members are often coerced into agreeing to government and companies’ plans. “We agreed because government pushed us and we’re weak in comparison to them.” (Female respondent, 40 years old, focus group discussion, Quitupo). When paid, financial compensation for land and crops owned by families were transferred to men, who often excluded women and youth from the proceeds. Many community members who already received the compensation had used the money to buy desired consumer items such as motorcycles and bicycles for transportation. However, the majority of residents in Quitupo had not yet been compensated and were unsure when, and sometimes whether, this would occur.

**Senga**

The community of Senga (Quitunda zone) will host the resettled households from Quitupo for whom approximately 560 new houses will be constructed. The research team interviewed 46 Residents (including 22 women) from Senga about the recent and expected developments in their community. Several households and their farmlands within Senga, as well as a number of people with only farmlands, need to be resettled to make space for the Quitupo households. We interviewed nine households who had already been moved and had received compensation for their lost food crops and trees. It was found that several important aspects of their resettlement...
were still unclear. For example, households did not know if they could keep both the temporary replacement houses and the official resettlement house and whether a replacement plot of land to cultivate would be provided. Overall, the majority (25 out of 30) of the respondents were happy with the construction of a replacement village in Senga citing several reasons, including promises made by the LNG project to develop the community in return for their land through the construction of schools, hospitals, roads, and so forth. Those who were unhappy about hosting the Quitupo community had concerns about unclarity regarding the impact of the move, the lack of clear communication from their leaders, and a feeling of exclusion. One female respondent (43 years old, focus group discussion, Senga-Mangala) stated in response to the question whether she was content with the situation: “Not happy. They get money. We get nothing. [And] we don’t know what their impact will be”.

Monjane

Monjane is a community of 2,176 people. While Senga will host the houses of the resettled Quitupo community, farmland, in principle totalling up to 1640ha will be acquired from Monjane. However, the process was still in early stages, and no payments for the land had been made. Researchers interviewed 21 residents from Monjane (7 of them women) about the state of their community and their plans and expectations for the future. They reported that in return for their land, the project promised infrastructural developments including a road, mosque, hospital, and several other socio-economic facilities and services, which would be realized prior to taking the land. In addition, individuals who are now cultivating the land would be compensated for the crops and trees in the area, and for now were still allowed by the project to continue planting short-term crops until the land is officially demarcated. According to our respondents, no alternative land will be provided by the project. Instead, they will have to look for other areas in Monjane to clear and start cultivating. The chairperson of the Community Resettlement Committee reported that this is still possible: “There is still free land. You can even get it tomorrow if you wanted to” (Committee chair, Monjane). However, this assumption might underestimate the complexity associated with not one or two but a large number of residents suddenly searching to acquire agricultural land in the area. It also overstates the amount of land available for Monjane residents to occupy, given increased pressure from immigrants and companies who are looking for opportunities with the LNG project. Overall, most respondents from Monjane responded positively about the Quitupo community receiving farmland in their community, highlighting the promised benefits by the project. Nonetheless, a number of respondents were more concerned and explained that...
they were unhappy with people coming from another community to take up their land, adding that the compensation arrangements were still very unclear.

**Maganja**
The community of Maganja hosts 2,642 people, is situated along the coast, and is thus characterized by a combination of fishing and farming activities. All the farmland cultivated by the residents lies within the project’s DUAT. Researchers talked to 13 people in Maganja (including 5 women) about the current state of affairs in the community, and their expectations for the future.

All Maganja residents owning agricultural land within the project’s DUAT are to be compensated financially for the loss of land and crops, and will also be given up to 1.5 acres of replacement farmland in Monjane. During four public consultations in the community of Maganja, stakeholders agreed that both land under active use (crops and trees) as well as land not under active use (fallow and bushland) would be compensated. At the time of the research, farm owners and users could still cultivate their fields but were prohibited from planting long-term crops such as cashew nuts and mangoes, as the project finalises arrangements. In addition to impacts on accessing farmland, people of Maganja will be unable to fish for 1 to 2 years, due to temporary disturbance from the noise and turbidity during installation of the pipeline and other LNG facilities. Affected fisherfolk will have to fish in areas further away and are to be given refrigerators to preserve their catches. Also, any time when fishermen/women are completely unable to go fishing would be financially compensated by the project.

**Summary**
The LNG project is already having an impact on the communities in the project area. Community members have or will lose houses, farmland and (or) access to fishing grounds. The project has promised to compensate affected residents financially, through building schools, hospitals and other community services, in addition to replacement farmland and fishing facilities. However, the compensation arrangements have remained unclear to large shares of the local population. A lack of frequent and open communication between Community Resettlement Committees and the rest of the community was cited as an important reason. In those cases where compensation arrangements were clear, several community members are not content with the agreed conditions. For instance, where it is provided, replacement farmland of 1.5 acres is much smaller than the area which many of the farmers will lose and is not sufficient for large families. The monetary compensation on the other hand is given before the replacement land, increasing the likelihood of beneficiaries spending the money on consumer items such as vehicles (as was seen in Quitupo) instead of investing in agriculture and other income generating activities. In addition, the money is normally handed to men, who are the most recognised land owners, running the risk of excluding women. If the promises by the project are unmet, as has been widely documented in other large-scale investment cases in Mozambique and other African countries, where communities lose their land and livelihood with the expectation of socio-economic proceeds that do not materialise, affected communities in Palma could be worse off than they were before.

**Current and potential impacts of the LNG investments in the communities**
The long life-cycle of oil and gas investments and their potential socio-economic and environmental impacts in the neighbouring communities makes it imperative to take careful stock of potential impacts and possible mitigation and/or minimization mechanisms. In an underdeveloped region like Palma, impacts, whether positive or negative, could be considerable as the investments would introduce a vast amount of changes in the communities. This research shows that there are major concerns about the impacts of the project on the livelihoods of people in the affected communities, discussed below.

**Increased land scarcity and pressure on natural resources**
Communities will lose approximately 6.785 ha of land to the LNG investments, of which 1.116 ha is currently in productive use. The remaining land is fallow land, however this doesn’t mean that it is not in use; fallow land is either kept aside by communities to retain or restore its fertility, for future generations, or identified as bushland or community land where communities currently collect firewood, fruits and other resources. Losing access to this land by local communities will not only limit their livelihood

---

sources, but will also put increased pressure on the surrounding land (as well as water, firewood etc.) where communities will be resettled or where replacement land for agriculture will be located. However, the terms and conditions of the compensation arrangements do not seem adequate to restore and sustain community livelihood and in some instances, have remained unclear to affected community members. Standardization of compensation where all farmers who will lose farmland are to receive up to 1.5 acres, irrespective of the size of land one previously owned, is likely to be problematic especially for large families. Moreover, the timing and sequence of compensations where financial compensation has been issued before replacement land for cultivation is provided, is limiting beneficiaries’ opportunity to reinvest in agriculture. Finally, unclear communication about the terms and conditions of compensation, for instance around the question whether community fallow land and fruit trees are to be compensated or not, is also a notable challenge.

**Loss of (or reduced access to) main sources of livelihoods**

Related to the issue of increased land scarcity and pressure on natural resources above, communities are to lose their farmland and access to fishing grounds due to the operations of the LNG Project. However, there has been a delay in the project offering replacement farmland. And even when this is availed, affected communities will have to travel up to 10-15 Kilometres to the replacement farms and/or fishing grounds. Another avenue to partly offset the livelihood opportu

lost through the LNG operations is through employment of people at the LNG project. To facilitate this, the project initiated a vocational training school, named ‘Capital’, to give free training in technical skills to increase the pool of people who can be hired by the project. Over the years, youth employment by the company (for work such as housekeeping, security, traffic control, etc.) in all four surveyed communities has increased. “[So far] 20 youth have been given employment already” (Chairperson, Maganja). However, the number of people (mostly men) who have been employed is not even close to meeting communities’ expectations. Additionally, most of those who have been employed from the communities only managed to get manual or semi-skilled jobs due to low education and lack of more specialised skills, whereas more skilled labour is often from other provinces, for instance Maputo, or from other countries. Furthermore, fewer women as opposed to men have been hired reportedly due to the physically demanding nature of work during the construction phase which is more suited for young men. Consequently, project operations so far have not been able yet to adequately restore community livelihoods, and if not handled appropriately over the course of the project, could have a negative impact on income, food security and stability in the affected communities. Nonetheless, the project is still in its early stages, with opportunities to adapt operations to address some of these concerns.

**Community services**

The companies have constructed and, where needed, improved the roads leading to all the four communities visited (figure 4) and also contributed to the construction of a hospital in Ma-
ganja. This was highly appreciated by community members as it provides the communities with better access to other communities and towns such as Palma, which have more social and economic services. Once fulfilled, promises by the project to improve other social services such as schools, hospitals, water sources, and so forth in the directly affected communities could contribute to a higher standard of living of the community members. The houses to be constructed in the resettlement community particularly align with communities' desires for better and stronger houses. “They asked us about what design we wanted for the house. They have made a sample and everyone went there to see it. It is nice only that it is small for us but they said to increase it, so we will see” (Female respondent, 35 years old, Quitupo). Also, to process compensation payments, the residents need to be registered in the national registry. Many reported not to have been registered before the arrival of the project. Now, with Anadarko’s help, everyone has been registered and given a national identification card which they can now also use to access financial services in banks and other areas where necessary. Therefore, some positive developments following the initiation of the LNG Project have been realised on the ground, and more are promised. However, there seems to be a lack of common understanding of what social services and infrastructure will actually be delivered by the companies. Also, community members did express their concerns regarding the fact that LNG-related infrastructure and facilities were constructed at a much faster pace than the construction of infrastructure and social services for communities (roads, schools, hospitals).

Gendered impacts
Throughout the research, women seem to be most severely impacted by the investments in different ways. Under the land law of Mozambique of 1997 and the Family Law of 2004, women and men have equal rights to administer, transfer and inherit property including land. However, in practice, we found that most women acquired land through clearing bushland and renting from landlords. The majority of men on the other hand acquired their land through inheritance. Therefore, more often than men, women do not have (customary) rights to land and their land is rarely demarcated, which may exclude them from compensation arrangements. Additionally, women who are part of polygamous families may also be left out when a family receives only one plot of land as compensation land. Interviews with female respondents across the four surveyed communities revealed that the husbands are more likely to share the one plot of land with the ‘favourite’ wife while excluding the rest. In a similar way, youth who cultivate their family’s fields but are not necessarily recognised as formal owners of the land are also likely to be excluded from compensation proceeds.

If women are able to benefit from replacement farmland, since they do most of the work on farms, they may have to walk for longer hours to the new locations of the farms following resettlement, thus reducing their productivity and reducing their available time with the family and their children. Moreover, as introduced above, regarding project employment, women have lower chances of being employed compared to the men, due to the physically demanding nature of work, thereby alienating them also from the new livelihood opportunity. Women and youth are therefore highly marginalised in the affected communities and the project is likely to only elevate this imbalance if these two vulnerable groups are not actively and consciously involved in the project’s activities.

Potential conflict between communities and the companies
All through the research, it became clear that several promises of positive outcomes of the LNG project for communities affected by and/or neighbouring the investments, have been made by the government and representatives of the project. These have further elevated communities’ expectations of their individual and communities’ development. In part, these expectations have contributed to the agreements related to community resettlement processes.

If expectations are not managed or met by the project, conflict between the communities and the companies could result. In May 2018, about 100 young men protested in the town of Palma, voicing dissatisfaction with companies regarding employment. Experiences of unmet expectations of employ-ment were found to be a large contributor to tensions in other studies conducted by SVF and LANDac of unmet expectations of employment were found to be a large contributor to tensions in other studies conducted by SVF and LANDac5. Several other studies (e.g. 5 Betsema, G. Namaganda, E. and Santpoort, R. (2018) Synthesis Report: Learning Platforms on inclusive business, Land Governance and Food security. Utrecht: Shared Value Foundation. Available at: http://www.landgovernance.org/resources/learning-platforms-on-inclusive-business-land-governance-and-food-security/
Green and Otto, 2013 have documented cases (for instance regarding the mines in Tete Province) in Mozambique where unmet expectations of employment and skewed benefit sharing of project proceeds have resulted in discontentment in neighboring communities and culminated into protests. Related to this, there are strong concerns of poor community representation and engagement in the resettlement and LNG development process. Decisions regarding the project’s activities in the communities are generally made through the Community Resettlement Committees (CRCs); a group of 10 – 15 community members representing other community members during discussions with the LNG Project representatives. However, respondents reported not to feel sufficiently represented by the CRCs, who are said to be financially compensated for their time by the companies, thereby biasing them towards the project. Inclusion and appropriate representation of community members during discussions with the project is an important issue that needs to be reviewed by stakeholders and properly addressed.

Competition between natives of the affected communities and in-migrants from other areas for a limited number of jobs and other scarce resources, and cultural and political unrest following resettlement, are other potential sources of conflict to be aware of. A related point of concern is that different stakeholders, as well as the research teams’ own experience, showed that government stakeholders were extremely difficult to contact about any of the issues mentioned above. This lack of government accountability could only further magnify potential conflicts.

The above-described issues and impacts can have severe consequences for both communities and the project, unless active measures are put in place to mitigate them. This analysis is based on intensive field research examining ongoing processes in different communities, broad stakeholder consultations, and experiences from other communities that have hosted large-scale investments. Illumination of the (potential) negative impacts of the LNG project on neighboring communities at such an early stage of the project presents interested stakeholders with an opportunity to find possible solutions to adapt their plans early on.

### The district of Palma: An imminent investment hub

Beyond LNG investments, it is important to emphasize that recent LNG investments are part of an imminent investment boom in the district of Palma. The researchers conducted field visits to other investments (and held discussions with village leaders where visits where not possible) in the district, including eco-tourism, limestone mining, hospitality projects and timber exploitation.

In a formerly government-managed forest in Quionga (approx. 24 kilometres north of Palma town), Safari-Namoto holds a DUAT of about 9,500 ha (larger than the LNG DUAT) for eco-tourism purposes. Through interviews with local leaders, the owner was identified to be a foreigner who acquired the land from and with the help of the Government of Mozambique, but without adequate community consultation. Also in Quionga, Afrimat, a South African mining company which was contracted by the LNG companies to provide all the building material for the resettlement villages, acquired and opened a limestone quarry in the region. Like the eco-tourism project, community consultation prior to acquisition of the land did not take place. At the time of writing, a few months into the mining, respondents report negative impacts, such as flying rocks during the blasting process hitting nearby houses and dust ‘suffocating’ crops on the nearby farms. However, no initiative has been taken by the managers of the investment to address the negative impacts of the company’s operations.

Considering the entire province of Cabo Delgado, the cumulative impact of investments is even stronger, with several large-scale mining sites around the town of Montepuez (another city in the province, about 400km from Palma) and outside Pemba (the provincial capital of Cabo Delgado, also about 400km from Palma). So far, all these investments use thousands of hectares of land, without providing local people with adequate opportunities to equally benefit from them.

### Ways forward

This info brief has presented main findings from research by SVF in collaboration with LANDac. The LNG investments in Cabo Del-
gado are part of a larger picture of investments and have the potential to contribute substantially to development and livelihood improvement of communities in the province and beyond. At the same time, negative impacts (including loss of livelihoods, increasing scarcity of land and other resources, companies-community conflicts and marginalisation of women) are also foreseen. Based on this research, and in comparison with other experiences with extractives in Mozambique and other countries, it was seen that a substantial part of discontentment with such projects stems from the inability of projects to deliver the immense promises made to communities and that communities do not share the benefits of the projects in the long term. This relates to the issue that communities are often insufficiently informed about the potential negative impacts of the project. To address this and other challenges, and better align the LNG investments with local priorities, several steps can be taken:

Adequate communication by the LNG project representatives and government of both the potential positive and negative impacts of the project, emphasizing what communities can and cannot expect. Often a somewhat stronger emphasis is put on communicating the potential positive impacts, especially promises regarding employment, of the investments to communities, therewith not fully informing communities of potential negative impacts of the new developments. Several means for instance through the community radio, which is currently not often used, can be explored to communicate progress on LNG investments. Increased public communication by the government and the companies could help with managing expectations in affected communities, as well as improving open communication lines between government and other actors. There is also a clear role for NGO’s and journalists who can serve as independent ‘watch dogs’ to address conflicts and challenges on the ground. It is the responsibility of the government to make sure that these parties have a safe space to work in.

Action to ensure community-fitting compensation arrangements. Compensation should be adapted to the needs of different population groups, and well-planned so that households have land to invest in following compensation. This requires a strong bottom-up approach, including close communication with community members to identify most pressing needs and priorities for different groups. In addition, given that affected communities are losing a substantial part of their livelihood, alternatives need to be expanded. Steps have already been taken. For instance, a vocational school (Capital) that was initiated by the project for community skills training, is a step forward to provide people with
employment. However, efforts to involve more women in the skills training and employing them afterwards also need to be strengthened.

Adequate community representation in the LNG project development process should be in place. The existing Community Resettlement Committees do not sufficiently represent all groups in negotiations with the project. A restructuring of the current committees or formation of new ones, during discussions with the different communities, may need to be examined. Some of the NGOs in the area reported to have expertise in setting up well-functioning local structures for community representation in other parts of Palma district. A concrete opportunity to address some of the challenges and recommendations above is to set up a structure for continuous stakeholder collaboration and engagement. One way of doing this is bringing together different actors currently involved in activities in Palma district, together with people from within the different communities.

Direct interaction and exchange offer the possibility for learning and closer monitoring of what is happening on the ground. It will be crucial for such a platform to be trusted and transparent, while also offering space to bring in different groups and marginalized voices from communities in the LNG investment area. Before such a platform can be effective it is therefore important that envisioned participants are consulted and there are measures in place to make sure existing power inequalities are considered. Another opportunity can be found in the closer monitoring of the project compliance with international guidelines and standards, including the OECD-Guidelines.

On the basis of exchanges with different stakeholder groups as well as eight weeks of intensive interaction with four communities affected by the LNG investments, we see an urgent need for that improved transparency, better consultation and communication about the expected benefits and negative impacts of the project, and a more inclusive approach to benefit sharing, creating more and better opportunities for local people to benefit from the LNG project.

**Changing situation and emerging security concerns in Cabo Delgado**

Since October 2017, a series of deadly attacks on state structures and civilians has taken place across the province of Cabo Delgado. At least 75 had occurred by the end of August 2018. Human Rights Watch reported 39 deaths and
more than 1000 displaced people in the region, following the attacks. On 21 February 2019, an Anadarko convoy was attacked. One worker was killed and several others injured. This has prompted increasing numbers of community members to flee to Palma. Over the past months, the response by authorities has led to the detainment without charge of more than 300 people. At the time of research, the insecurity and violence was mentioned by both community members as well as NGOs, companies and others, while armed forces were present in several villages and along the main highway. The official explanation for the violence is Islamic terrorism, though different sources have said that the attacks can also be related to rather slow economic progress and lack of employment opportunities in the area. The initial promising impacts of the LNG investments – together with a lack of positive impacts on the ground – have fueled local youth’s dissatisfaction with their situation.

Members of civil society organizations have warned us that the increase of violence hampers the possibilities for inhabitants of Palma district to safely voice their concerns. Moreover, they informed us that local people express the urgent need for civil society assistance in resettlement and compensation processes are not entirely implemented as agreed upon. The work of civil society organizations supporting the community members as moving around in the area is highly risky due to the increasing attacks on transportation vehicles, and protection of civil society groups and communities is very limited.

For more up-to-date information on the attacks and its impacts locally, we advise readers to contact locally present organizations. Several Dutch organizations may be able to provide you with local contacts, including the Dutch Embassy in Maputo, Both ENDS7 and LANDac at Utrecht University.

---