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Abstract:

This paper explores to what extent the quality of governance by MNC in areas of limited statehood depends on the limitation, and, more importantly, on the restraint of statehood. The control over the monopoly of force and a minimum of state capacity to set and enforce rules are only one condition among others facilitating inclusive governance contributions. Largely overlooked so far is that state actors (or other local authorities) need to be checked and held accountable in order to ensure a certain quality of business contributions to governance. To develop this argument, we introduce the concept of quality of business contributions to governance and discuss to what extent limited and restrained statehood accounts for the substantial variation in quality observed empirically. Based on a discussion of the ambivalent role of statehood for governance by non-state actors, we conceptualize restraints on statehood as a scope condition for the quality of business contributions to local governance. In addition to institutional restraints drawn from liberal state and democratic theory, such as the rule of law and elections, we consider societal mechanisms of restraint at the local level, such as embeddedness in societal institutions and community pressure. Empirically, we explore our argument and the power of these various mechanisms of restraint in case studies of mining companies in Sub-Saharan Africa and explore gold mining companies in Tanzania in more detail.

Zusammenfassung:

Dieses Arbeitspapier untersucht inwiefern die Qualität von Governance-Leistungen durch multinationale Unternehmen in Räumen begrenzter Staatlichkeit von der Begrenzung und Gebundenheit des Staates abhängig ist. Wir argumentieren dass die Kontrolle über das Gewaltmonopol und ein Minimum staatlicher Kapazität zur Festlegung und Durchsetzung von Regeln nur einen möglichen Faktor darstellen der die inklusive Bereitstellung kollektiver Güter begünstigt. Dagegen wurde bisher übersehen dass staatliche Akteure (oder andere lokale Autoritäten) kontrolliert und sich zur Rechenschaft in Bezug auf das Gemeinwohl verpflichtet fühlen müssen um eine bestimmte Qualität an unternehmerischen Governance-Beiträgen zu gewährleisten. Zur Erörterung unserer These stellen wir das Konzept der Qualität unternehmerischer Governance-Leistungen vor und diskutieren, inwiefern die Begrenzung und Gebundenheit von Staatlichkeit Unterschiede in der Qualität unternehmerischer Governance-leistungen erklären. Auf der Gundlage einer Auseinandersetzung mit der ambivalenten Rolle von Staatlichkeit für Governance durch nicht-staatliche Akteure konzeptualisieren wir die Gebundenheit von Staatlichkeit als Rahmenbedingung für die Qualität unternehmerischer Governance-Beiträge. Neben der institutionellen Gebundenheit, wie Rechtsstaatlichkeit und Wahlen, auf die liberale Staats- und Demokratietheorie verweisen, untersuchen wir zudem gesellschaftliche Mechanismen, die zur Gebundenheit auf lokaler Ebene führen, wie die Einbindung von Akteuren in soziale Institutionen und kollektiv ausgeübter Druck. Empirisch untersuchen wir unsere These anhand von Fallstudien zu Bergbauunternehmen in Subsahara-Afrika und insbesondere in Tansania.

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1. Introduction

This paper contributes to the debate over whether and how business contributes to governance. We are concerned with potential contributions of multinational companies (MNCs) to the provision of health care, education or security in the particular context of areas of limited statehood, with a focus on the quality of such contributions. In areas of limited statehood, the state does not hold the monopoly over the legitimate use of force and/or has only limited capacities to set and enforce rules. Rather than treating MNC as problem or cure, the governance literature has increasingly explored conditions under which companies may indeed contribute to the provision of collective goods and services, aka governance. However, these studies have so far mainly focused on whether companies commit to voluntary standards and contribute to governance *at all*. We contend that it is also essential to look at the *quality* of such contributions.

This paper investigates to what extent the quality of governance by MNC in areas of limited statehood depends on the limitation, and, more importantly, on the restraint of statehood. We argue that (local) control over the monopoly of force and a minimum of state capacity to set and enforce rules are at best a necessary condition in this regard. The power and capacity of state actors have to be checked and controlled to ensure a certain quality of business contributions to governance.

To develop this argument, we first introduce the concept of quality of business contributions to governance and distinguish three dimensions along which variation in quality can be assessed. We then discuss to what extent limited and restrained statehood may account for such variation. Based on a discussion of the ambivalent role of statehood for governance by non-state actors, we conceptualize restraints on state power and capacity as a scope condition for the quality of business contributions to local governance. In addition to institutional restraints drawn from liberal state and democratic theory, such as the rule of law and elections, we consider societal mechanisms of restraint that might hold authorities accountable to some public good and thereby improve the quality of business contributions to governance at the local level.

The empirical part of the paper explores the explanatory power of our argument with the help of case studies conducted on the role of mining companies in local governance in Sub-Saharan Africa.[1] The cases vary with regards to the limitation and, more importantly, the restraint of statehood. After briefly assessing the link between formal restraints of statehood and the quality of business governance contributions at national level, we focus on the case of gold mining companies in Tanzania. Under conditions of a medium degree of both limited and restraint

1 This paper presents results of the research project Business and Governance in Sub-Saharan Africa, which is part of the Collaborative Research Center 700 "Governance in Areas of Limited Statehood", funded by the German Research Foundation (SFB 700) cf. http://www.sfb-governance.de/. We thank Esther Thomas for her substantial contribution to data collection in Tanzania and for comments on a previous version of this paper. We also thank Nadine Zillich, Laura Herzog and Miriam Weihe for excellent research assistance. Finally, we are grateful to Deborah Avant for her excellent comments on a previous version of this paper presented at the International Studies Association meeting in San Francisco, April 3-6, 2013.

statehood at national level, we illustrate how variation in local restraint of statehood accounts for the differing quality of business contributions to local governance.

2. Business contributions to governance, limited statehood and functional equivalents

The governance literature has identified the threat of state intervention as a key incentive for non-state actors to engage in governance. This so-called 'shadow of hierarchy' is not only required to make self-interested non-state actors voluntarily commit to the provision of collective goods and services; it also ensures that, on the one hand, they honor their commitment, and, on the other, that the quality of their governance contribution satisfies the public rather than their own private interest (cf. Scharpf 1997; Mayntz and Scharpf 1995). The shadow of hierarchy is generated by statehood, defined as the capacity of state actors to credibly threaten the unilateral adoption and enforcement of collectively binding rules on the provision of common goods and their unilateral provision, respectively (Börzel 2010). The threat of state intervention has been found particularly important for inducing governance contributions of companies, professional associations, pressure groups or consultancies. Unlike state actors and not-for-profit organizations (e.g. public interest groups), these actors are not obligated by formal institutions or social norms to pursue the common good.[2] With the emergence of corporate social responsibility (CSR), business has increasingly committed itself voluntarily to complying with human rights, social and environmental standards. However, it is economic and reputational concerns that motivate such behavior. If their voluntary governance contributions do not pay off, companies are likely to renege on their commitments (Börzel and Thauer 2013).

At the same time, there is no systematic link between different degrees of limited statehood and the extent of non-state actors' contributions to governance. In so called "areas of limited statehood", which include large parts of Sub-Saharan Africa, the state is often too weak and unwilling to set and enforce regulation aimed at the provision of collective goods and services and the direct delivery of collective goods and services (cf. Risse 2011). The state is also not capable of casting a shadow of hierarchy by making credible regulatory threats. However, the mutual relationship between limited statehood and governance contributions by business is not necessarily negative. On the one hand, companies which operate in areas with very limited or no statehood, such as in the Democratic Republic of Congo (DRC), still make attempts to contribute to local governance, whereas other companies do not (Börzel, Hönke and Thauer 2012; Börzel and Hönke 2012; Hönke and Thauer 2014). On the other hand, highly capable states might not be willing to set and enforce rules for extended governance contributions by companies. China, for instance, has the capacity to set and enforce higher environmental standards for firms, but it often chooses not to do so. The same is true for a number of states in the United States, which are theoretically able to enforce stricter environmental standards on

2 This is not to say that state actors are motivated to pursue the common good and always do so. But unlike business or interest groups, most governments (and non-governmental organizations) can be held accountable and will face legal and/or social sanctions if they abuse their legal or moral authority to pursue private self-interests.

firms, but have decided against it. In other words, the governance behavior of companies varies within contexts of different degrees of statehood.

In our previous work, we have argued that a number of factors besides the shadow of hierarchy account for such variation. There are several functional equivalents to the threat of public regulation that can equally induce MNC and other non-state actors in areas of limited statehood to provide collective goods and services (Börzel and Risse 2010; Börzel, Hönke and Thauer 2012). We have shown that the risk of anarchy (absence of any state governance), the threat of external intervention, the pressures of the international or local community or efficiency gains and competitive (dis)advantages provide important incentives to engage in governance, even in areas where the state is not capable or not willing to enforce effective regulation of their activities (Börzel, Hönke and Thauer 2012, Börzel and Thauer 2013; Börzel and Hamann 2013, cf. Prakash and Potoski 2007; Deitelhoff and Wolf 2010).

We have also shown that highly limited statehood can encourage rather than impair company contributions to governance. Governments outsource local governance to companies in areas of limited statehood in order to use business governance contributions to regain or strengthen control over regions and revenues. Through strategic absence, host states "indirectly discharge" the management of local grievances and conflict to companies, such as in mining regions in southern and eastern DRC (Hönke 2010; Hönke 2013b).

In sum, limited statehood – the level of capacities to set and enforce rules by (state) authorities – is not systematically related to whether companies engage in local governance. However, there is more to statehood and its effect on the role of business in local governance. We introduce two concepts in this respect: first, the qualities of business contributions to (local) governance, and second, the restraint of statehood as a factor that accounts for variation in the quality of governance outcomes.

As for the first concept, we argue that we need to move beyond the question of when companies engage in the provision of collective goods and services and instead focus on the differences in *quality* of such non-state governance. Most companies provide club rather than public goods, and there is enormous variation in how comprehensive and inclusive their governance contributions are (see below, cf. Hönke 2013a; Thauer 2013). This brings us to the second question: to what extent is statehood still important in order to understand variation in the quality of business governance?

3. The quality of MNC contributions to local governance

What is still neglected in the growing literature on governance by business is discussion on the quality of its governance contributions. Many larger MNCs now refer to the CSR discourse and commit to at least certain voluntary standards. However, existing works usually do not consider who and how many actually benefit from such commitments at the local level. Variation in the quality of company contributions to governance is substantial. We thus need to distinguish different scope and inclusiveness of companies' governance attempts. In addition, it should not be ignored how companies attempting to "do good" may actually produce serious negative side effects. Finally, we suggest overcoming the isolated study of specific company programs that contribute to collective goods and services and instead assessing such programs in light of the negative externalities of a company's business practices. In our previous work, we developed an analytical framework for distinguishing different qualities of governance according to the following three different dimensions: scope/inclusiveness, the indirect effects of governance and the way governance contributions compare to the externalities of core business practices (Hönke, with Thomas 2012).

Firstly, two measures of how inclusive governance is stand out, namely the claimed and the actual scope of collective goods provision by an actor. Scope refers to both geographical and social reach: which geographical areas are addressed, and where is governance actually implemented? Who is addressed by governance, and who actually receives or benefits from governance? Social and geographical in/exclusion do not always go hand in hand, and this needs to be analytically distinguished (Rose 1999). A company may score highly in terms of the addressees and areas targeted by governance attempts on paper, yet score much lower when it comes to the actual implementation of such policies. In addition to criteria for the scope of governance contributions, we suggest an examination of the perception of governance (e.g. Cammett/MacLean 2011: 9). How do people evaluate the type and quality of governance contributions by a company? Is their scope and social distribution considered broad and fair, or narrow, unequal or exclusionary (Hönke, with Thomas 2012: 9-13)?

Figure 1: Inclusiveness of governance by companies (Hönke, with Thomas 2012: 13)

The geographical scope of governance		**The social scope of governance**	
Designated area	Actual spatial reach	Addressees	Actual recipients
Qualitative experience of governance Perceived as inclusive and equal or as exclusive and unequal			

Second, governance initiatives have unintended positive and negative effects that need to be taken into account in order to evaluate their quality. The governance literature deals with the non-compliance of companies with voluntary standards, but there is very little about the "unintended" consequences of governance (for an exception, see Daase/Friesendorf 2010). Yet governance for a particular collectivity or in a specific functional area may indirectly benefit, or work against, others. Overall, a "…narrow focus […] on specific governance problems may be beneficial in terms of simple performance, but could provoke negative side-effects, and thus, could be dysfunctional in terms of complex performance" (Schäferhoff et al. 2009: 22).

We focus on two aspects here. First, corporate governance attempts may affect local politics by upholding, helping to install or destabilizing narrow ruling coalitions. Hence they may perpetuate entrenched inequalities and domination or help to overcome them. This can be observed by looking at change/non-change in the nature of ruling coalitions and the degree of participation in and leverage of the local population in decision making. Second, governance in a particular issue area for a particular group can increase conflict with other groups. Especially in the sensitive area of security, narrow security provision for the few – often the company and a number of local collaborators – increases insecurity for many, usually for the more marginalized and less powerful parts of the local population (Hönke, with Thomas 2012, pp. 9-12). This can be measured in terms of reported violent encounters between people who are not addressed as beneficiaries of a governance initiative and security forces implementing that initiative. One can also observe whether more people benefited from a service provision than those addressed by the initiative in the first place. Overall, looking at indirect effects of governance contributions goes beyond the study of implementation of policies to encompass practical effects and political dynamics that unfold around MNC programs. It takes into account research findings from other fields, in which there are ample evidence for how external governance often perpetuates, or even aggravates, social and political inequality (see for instance the literature on the anthropology of development, such as Mosse and Lewis 2005).

Figure 2: Unintended effects of governance (Adapted from Hönke, with Thomas 2012: 16)

Local politics: bring into place, perpetuate or challenge narrow ruling coalitions and inequalities	
Local (in)security	
Increased insecurity for non-members of the "club"	Increased conflict between groups

Finally, contributions to governance by companies in one area need to be considered in light of negative externalities of other core business practices of a company. This is an important contribution to business and governance literature that has tended to focus on positive examples of governance contributions by companies (Haufler 2001; Deitelhof and Wolf 2010), yet isolates these from the negative externalities of other, core business activities (Hönke 2013b; Börzel and Hönke 2012, also Vogel 2008). Negative externalities are defined as the spillover of the costs of an economic activity to unrelated third parties. For mining companies, typical examples for such negative externalities are serious environmental, such as polluted water, water scarcity, the loss of agricultural land or dust. The rentier literature directs attention to the negative effects mining companies often have on government performance and accountablitiy (e.g., Ross 1999, Reno 2001). In the case of security, companies may help to uphold stability in an area. However, asset protection is about security as a private good, and hence related security measures often impact negatively on public security in an area. Indicators for such decrease in public security are: roads and fields rendered inaccessible because of patrols and road blockages; increase in violent encounters between local residents and security forces; loss of local livelihood opportunities due to, for instance, loss of land and/or access to artisanal mining opportunity or alternative means of generating income. Overall, local governance contributions by companies need to be evaluated as to whether they properly reduce or compensate for negative externalities caused by the same company.

Figure 3: Externalities of core business practices (Adapted from Hönke, with Thomas 2012: 16)

Politics: strengthen narrow ruling coalitions, decrease accountability
(In)Security: increase security or increased violent encounters with security forces and human insecurity

Measured according to these three criteria, the quality of MNC contributions to security governance varies significantly between our cases, within and across countries. We suggest that the restraint of statehood accounts for this variation to an important extent. The next section therefore introduces the concept of restraint of statehood and how it relates to the quality of companies' governance contributions.

4. Beyond limited statehood. Institutional restraints of state power and alternative accountability mechanisms

There is more to statehood than generating incentives for non-state actors to engage in governance. It has been suggested, for instance, that, in certain cases in which non-state actors attempt to contribute to collective goods provision, they first require the provision of some (basic) common goods, such as political stability and security (cf. Beisheim et al. 2011). The implementation of complex tasks, such as the combat of HIV/AIDS or the provision of public security, requires a basic institutional infrastructure to make governance activities of MNC and other external actors effective (Börzel et al. 2012; Schäferhoff 2012; Krasner and Risse 2012). This infrastructure is usually provided by the state. Yet, other authority structures and collective institutions might be able to provide them as well (Menkhaus 2007; Draude 2012).

Moreover, the literature still tends to emphasize how statehood is necessary for the provision of collective goods and services. The assumption is that political authorities have a rational interest in collective goods provision by non-state actors because they themselves are too weak to do so (Börzel 2010). State actors enlist the help of non-state actors to increase their control over a particular area in which they lack the capacities to assert their authority (Hönke 2010) or to build support from and trust among the electorate (Putnam 1993; Tsai 2011).

What is often neglected in these considerations is that statehood can also undermine the provision of collective goods and services by non-state actors. Existing state capacities are not necessarily employed to cast a shadow of hierarchy over, or assist, non-state actors to contribute to governance. In fact, statehood can have a negative effect on the governance contributions of non-state actors if state actors lack the political will, rather than the administrative capacities in the first place, to provide incentives or basic infrastructure.[3]

3 On the following see also Börzel, Hönke and Thauer 2012.

4.1 'Dark sides' of statehood

State actors often lack autonomy from business (Evans 1989; Handley 2008) and reduce regulatory and tax requirements for firms. Conversely, they may ask for private benefits at the expense of the broader public good. They can (ab)use their legal authority to impose their political and economic interests on firms, obstructing governance contributions in particular areas, or influencing, actually narrowing, the scope of a program to make it benefit a specific clientel. MNC often rely on informal political networks to receive state contracts and licenses. They then grant members of these networks personal favours (Hönke 2013b; Reno 2001). In the past, the South African government has, for instance, gone beyond refusing support for and trying to take control of business initiatives to fight HIV/AIDS because of normative disagreement. Local government actors sought to capture business workplace programs to enroll their own public employees in return for taking over former business employees into the public health service (Thauer 2013; Börzel et al. 2012). These different dynamics can reduce the quality and effectiveness of governance contributions by firms.

State actors may also refuse to provide companies with the necessary support for contributing to governance, fearing 'agency loss' or 'agency capture' because of the inferiority of their financial resources, personnel and expertise (Stigler 1971; Hellmann et al. 2002). They may also prevent companies from providing a particular collective good or service and obstruct their governance contributions if these contributions address issue areas in a way not supported by government. One important factor here is legitimacy. If a company's attempt to engage in governance is considered illegitimate by a host authority, due to an incongruence of norms, states – even with very limited overall capacities to govern – can prevent such governance contributions (Hönke and Thauer 2014). In the sensitive area of security, for instance, government authorities seek to demonstrate and reinforce their claim to sovereignty – closely linked to controlling the use of force. While to some extent that can be well justified[4], it also prevents companies from providing much-needed training for police or military in areas such as conflict prevention and human rights (ibid.; Hönke 2013b).

To conclude, while a certain degree of statehood may be still necessary to make MNC contribute to governance, statehood can also discourage or undermine their governance contributions. This raises the question of scope conditions. In the remaining part of this paper, we explore whether statehood is used for inciting companies to contribute more to governance, and less against the collective goods provision of non-state actors, if statehood is restrained (Börzel 2010; Börzel, Thauer and Hönke 2013).

4.2 Institutional restraints of statehood and alternative accountability mechanisms

Limited statehood refers to the capacity of states to set and enforce collectively binding rules on the provision of collective goods and services. Restrained statehood relates to the political

4 See the research on private security actors and the commercialisation of security provision (e.g. Singh and Kempa 2007; Leander 2005).

willingness of actors to use such capacity for public purposes. State actors do not always act in the public interest, nor do they have to be intrinsically motivated to do so. Yet, liberal institutionalists have argued that the state monopoly of coercive power needs to be restrained and controlled to avoid excessive rent-seeking and non-universal allocation of public resources (Olson 1993; Fukuyama 2004; Zürn and Leibfried 2005).

State actors have the authority to hierarchically impose common goods and services or command their provision by others. They are also endowed with privileged governance resources (Genschel/Zangl 2008: 4). Their public mandate commits them to use these resources in order to act in the public interest. In theory, this mandate also makes them politically accountable and legally liable in case of failure (Scharpf 1991: 630). Legal liability and political accountability are closely linked to the rule of law and democratic elections as the core institutional restraints on statehood. The first constrains the power of the executive by constitutional and legal norms, rules and procedures that ensure that the provision of collective goods and services is transparent, impartial and predictable. The norms, rules and procedures are reviewed and enforced by an independent judiciary. While rule of law and democracy are closely associated, authoritarian regimes can bind themselves by the rule of law. Democracy, then, is more related to the second constraint on state power by institutions that ensure elite or party competition, usually in elections. Citizens can vote their government out of power if they are dissatisfied with the provision of collective goods and services, particularly if they are presented with a political alternative (Gryzmala-Busse 2007).

Procedural approaches have focussed more on the quality of bureaucracy. The roots of bad state governance are too much discretion or too little autonomy of civil servants (Rauch and Evans 2000; Klitgaard 1988). Following Weber, their merit-based recruitment and promotion are to ensure the competence and independence of civil servants. New Public Management approaches emphasize market incentives to control the abuse of state power, such as the manipulation of wage scales, creating quasi-markets through a funder-provider split or contracting out, next to shortening accountability routes and increasing transparancy (Batley and Larbi 2004; Bräutigam and Knack 2004). However, merit-based recruitment is rare in areas of limited statehood, and public sector reform often remains ineffective (Grindle 2004; Schick 1998). In addition, the literature on bureaucratic practice and state-citizen relations in areas of limited statehood points to further limitations in the heuristic usefulness of that literature (Blundo and Olivier de Sardan 2006; see also Gupta 1995).

Irrespective of whether they focus on the rule of law, democracy or the quality of bureaucracy, liberal approaches rely on formal instiutitons to restrain predatory state behavior or avert state capture. Yet, formal institutions are often ineffective in preventing the abuse of state power (Michael 2004, but also Migdal 1988; Mungiu-Pippidi 2013). The post-communist states in Central and Eastern Europe, which joined the European Union in 2004 and score high on democracy and the rule of law, display serious problems of decoupling. Informal practices of corruption and clientelism prevail and undermine political competition and the distribution of power between executive and judiciary as prescribed by formal institutions (Innes 2013).

Moreover, several governments, including Hungary, the former poster child of post-communist transition, have introduced political and constitutional reforms that aim at curbing individual freedoms and the political control over government, such as the judiciary and the media (Sedelmeier 2013; Spendzharova and Vachudova 2012). The weakening of formal institutions creates further incentives for the ruling elite to seek rents and serve their narrow clientele rather than the general public.

While the governance literature has found that strong states correlate with strong societies (Börzel 2010),[5] a more society-based conceptualization of restraints on statehood appears to be more appropriate for studying areas of limited statehood. We therefore understand by state restraint any political and social mechanism that circumscribes the possibility of state actors to invoke statehood, on the one hand, and that makes them justify their use of statehood in light of some public interest and face political and legal sanctions and/or a loss of legitimacy in case of abuse, on the other.

Liberal institutionalist approaches usually associate restraints on statehood with institutional checks and balances on government, such as effective rule of law and elections. They also refer to an autonomous private or civic sphere, in which civil society and media operate independently from the state and hold government accountable, pressuring it to use statehood for collective goods provision (e.g. Putnam 1993). The literature on social capital and civic culture identifies four dimensions of such society-based restraints on statehood (cf. Rothstein 2011; Mungiu-Pippidi 2013: 103-104): a prevailing social norm of ethical universalism (*values*), a general habit of engaging in collective action (*social capital*), a dense network of voluntary associations (*civil society*) and sustained participation and political engagement (*civic culture*). All four are interconnected and deemed necessary to prevent the abuse of state power.

Likewise, the International Relations literature has focused on how ‘activists beyond borders’ (Keck and Sikkink 1998) and NGOs directly address MNCs in order to persuade or pressure them into more, and more inclusive, governance contributions (Spar and La Mur 2003; Yaziji and Doh 2009; Deitelhoff/Wolf 2010). Whether such mechanisms have been able to restrain state behavior, which in turn would affect the quality of companies’ governance contributions in areas of limited statehood, has remained largely unexplored. More importantly, only a few of these studies look at societal pressure that originates from the national or local, rather than the international and transnational level. These studies did not find strong local pressure that resembled that kind of transnational activism (see e.g. Michael 2004; Tsai 2007). The inherent state-centrism in large parts of the governance literature is as limiting for our purpose of investigation as is the eurocentrism in the assumption of an autonomous private sphere distinct from politics. For instance, where central government does not enforce compliance with labour and human rights standards by companies, local communities might. Where central government defends a minimalist approach to corporate social responsibilities, communities often have

5 Arguably, the literature rather refers to strong but democratically restraint states than strong authoritarian states.

different expectations (Hönke 2013b) and might incite local politicians to put pressure on firms to abide by these, even in the absence of NGOs.

In this paper, we turn to the literature on postcolonial politics, informal institutions and resistance that highlights societal mechanisms that work at the local rather than at the national and transnational level. A first relevant mechanism is the embeddedness of state representatives in local social institutions that incorporate shared norms of public interest. Using comparative case studies of public goods provision in rural China, Lily Tsai (2007) has shown that state representatives that are embedded in inclusive societal institutions at the local level are more likely to strive for collective goods provision than those who are not embedded or in areas with no inclusive societal institutions. A similar mechanism can be at work in company-state-community relations. Societies and communities often do have standards of what would be considered in the public interest, even when state actors overall might not reflect and uphold such standards. Strong community institutions can incite state officials to put pressure on a company to contribute to collective goods and service provision. They may also prevent local officials from predatory appropriation of company programs. Sometimes, such programs are meant to be inclusive, but then end up being very restricted in scope because they get captured by authorities for rent-seeking. Inclusive societal institutions in which local authorities are embedded could prevent such appropriation. It has been suggested that this might be particularly the case in localities with high levels of community cohesion (Börzel and Risse 2010).

Embeddedness in local social institutions bears some resemblance to concepts of social capital and civic culture. However, the concept is more focused on the conditions under which state representatives will be held accountable in the absence of formal institutions through which citizens could voice their claims. Trust is important, but it is personal rather than generalized (Ostrom, 1990; Ostrom, 2003). The social capital literature sees civil society organizations as a mechanism to convert such personal trust that emerged through face-to-face interaction into generalized trust among strangers (Putnam, 1993; Hooghe, 2003) – next to (state) institutions with coercive power (Levi, 1998; Levi, 2000). This is supposed to foster collective action while civic voice imposes checks and balances on state actors (e.g. Boix and Posner 1998).

The concept of embeddedness in social institutions has two advantages over the literature on social capital and civic culture. First, both strong states and strong civil societies are largely absent in areas of limited statehood. So are formal institutions through which civic engagement in the social capital sense would bear upon policy outcomes. What we do find instead are strong local communities featuring significant levels of social trust, which gives rise to a collective understanding of what the collective good or interest should be. Second, embeddedness does not focus so much on how trust solves collective action problems within a group. Rather, it emphasizes how state and customary authorities can be held accountable by a collectivity. In other words, embeddedness stresses that more 'civic' collective action is not sufficient for holding office holders accountable to collective goods provision (Tsai 2007). Hence, embeddedness in local social institutions does not measure the overall level of trust and civic engagement in an area. It is also less demanding, since it does not require the sharing of universal values, political engagement or the existence of voluntary associations. Instead, the focus is on inclusive social institutions and their ability to embedd local state representatives (ibid.). If such institutions exist, and if authorities are part of them, we can expect them to be socialized into local expectations of collective goods and service provision. Societal institutions can award trust and esteem in return for engagement for inclusive governance, as well as provide social sanctions for not doing so. As we will see, local social institutions that have the ability to reward state and community representatives for attempts to improve governance can restrain statehood at the local level.

It is important in this respect that state representatives that are dispatched from the national to the local level are less likely to be embedded in local social institutions. This would resonate with Catherine Boone's model of „administrative usurpation"(Boone 2003). Non-inclusive social institutions, such as a lineage that only encompasses parts of a local community, can still embedd authorities; yet, they are likely to foster exclusive governance outcomes. The embedded authority would only be accountable to the members of the partial institution, not the entire community (the literature on clientelism and neopatrimonial networks tends to emphasis such cases, see e.g. Pitcher et. al. 2009; Meagher 2006: 554-6). One might assume that, in ethnically or religiously fragmented communities, strong collective institutions are less likely to be found. However, others have stressed societal institutions in fragmented societies, too. Granovetter drew attention to the relevance of weak ties (bridging capital, in Putnam's terms) that reach across heterogenous groups. While more fragile, these ties have the potential to integrate heterogeneous societies. He has also emphasized the down side of strong ties in homogenous groups (bonding capital, in Putnam's terms), as these are based on commonality, do not translate in general trust in society and risk reinforcing boundaries and excluding others (Granovetter 1985, Putnam 1995). It is, hence, an empirical question of whether comprehensive social institutions are in place and able to embed state representatives.

In many contexts though, such inclusive societal institutions are absent or fail to embed officials. For these cases, another form of societal restraint can be identified. Well-organized subgroups at the local level may use direct pressure to restrain the ways in which local state representatives use statehood. We know that such local pressure addresses firms directly, inciting them to engage in, and improve the quality of, governance contributions at the local level (e.g. Frynas 2000; Hönke and Kranz 2013; Hönke 2013b).[6] Apart from reputational concerns, protest, such as blockades, marches and destruction of infrastructure, can be used to put direct pressure on firms to contribute to governance by imposing costs through sabotage, destruction of equipment and forced site closure. Such community protest can also address local state administration, demanding the use of statehood for improved collective goods provision such as observed in South Africa and Guinea. It might exercise pressure on government officials to use statehood for putting pressure on firms to curb their negative externalities and to improve

6 Such pressure on companies has been proven particularly successful where communities are well-connected to transnational advocacy networks (for these mechanisms see Keck and Sikkink 1998; Börzel and Thauer 2013). We know less about the effectiveness of local pressure if not linked to transnational shaming advocacy.

local governance contributions, or prevent state actors from exclusive appropriation of company programs.

Figure 4: Restraints on statehood

Institutional restraints: - legal: rule of law, separation of powers - political: elections, party competition
Procedural restraints: - quality of bureaucracy
Societal restraints: - direct societal pressure and civic culture - embeddedness in local societal institutions

To sum up, this section of the paper has identified different institutional, procedural and societal restraints on statehood. In principle, these restraints can work at all levels, global, transnational, national and local. Yet, in areas of limited statehood, (inter-)national courts or national elections are often barely effective in holding local state representatives accountable. Naming and shaming campaigns by (trans-)national civil society organizations tend to target companies directly rather than local authorities. For restraining the behavior of the latter, we therefore expect social restraints at the local level to be crucial. In the remainder of this paper, we use observations from cases that differ in the quality of governance contributions by business in order to explore and illustrate our arguments. We focus on legal, political and societal restraints.

5. Mining companies and the quality of contributions to security governance in Sub-Saharan Africa

The broader project of which this paper is a part looks at companies in the mining sector in four different countries that vary with respect to the overall limitation and restraint of statehood: South Africa, Tanzania, Guinea and the Democratic Republic of Congo (DRC). With regards to the variation of these factors at the national level, South Africa is a case with relatively less limited and strongly restrained statehood in comparison to other African countries. Tanzania is characterized by a lower degree of limited and a moderate degree of formally restrained statehood. Guinea up until about 2006 is a case of an authoritarian regime hardly restrained by formal institutions in the use of statehood. At the same time, the government had the capacity to control the use of force and, where political will was given, some capacity to implement and enforce policies. Since the political transition in 2006/7, restraint has increased slightly, while state capacity has eroded. This puts Guinea in the same group of cases as the DRC: very limited statehood and, despite holding presidential elections since 2006, extremely weak legal and political checks and balances on the use of statehood.

Figure 5: Case selection

Statehood	less limited	more limited
more restrained	South Africa	Tanzania
less restrained	Guinea (pre-2006)	Guinea post-2006, DRC

For this paper, we focus on one of our case studies, Tanzania. Significant industrial gold production in Tanzania (re)started in the 1990s, and the Canadian company Barrick operates four different concessions in the country. We will use two of these in the Victoria Lake region which, despite being run by the same company in the same country and administrative subregion, show variation in the quality of company contributions to security governance. This keeps the limitation of statehood, as well as a whole range of other company and political system-related factors, constant and allows us to explore the relevance of local restraints.

5.1 Restraint of statehood and business contributions to governance across countries

However, before turning to our case studies, we would like to begin with a brief assessment of the relationship between legal and political restraints of statehood at the national level and the quality of local governance contributions by companies. We find that the level of national institutional restraints as such does not systematically predict the quality of governance contributions by companies. No quantitative data is available on companies' overall contributions to governance in a country. However, qualitative evidence shows certain tendencies that shall be used here for our discussion.

First, let us consider the case of South Africa. The transition to universal democracy after 1990 led to fundamental changes in what the government expected from mining companies in terms of contributions to collective service provision. The restraint of statehood increased when South Africa moved to universal elections. The African National Congress (ANC), representing the majority of the population, which had been formerly repressed and had had no access to political and legal mechanisms of restraint, gave the new government a mandate for redistribution of social wealth. Even though there was a backlash to more radical visions of redistribution, the new government set new rules for companies that obliged them to contribute more, and with more quality, to both local security and development in the mining areas (Bezuidenhuit and Hamann 2007). In response to political restraints, such as elections, and arguably the adoption of the rule of law based on human rights for all, the country achieved higher levels of mining sector contributions to local governance (Chabane et al. 2008; Hamann and Bezuidenhuit 2007).

However, if we consider business contributions to governance in South Africa during the apartheid era, the evidence stands in stark contrast to the post-1990 era and points to the limitations of formal political restraints. There was a democratic regime in place in South Africa at the time, but it was restricted to a minority and based on racial segregation. Most of those who worked in the mines under appalling conditions were not recognized as full citizens and had no right to vote – and therefore no way to hold the government accountable. There were also no legal mechanisms to which African miners and the communities suffering from the negative effects of the industry could have turned. The case of South Africa before 1990 hence illustrates that the institutional checks and balances of a liberal democracy as such do not ensure public goods provision for the whole of a society. Statehood, and the political restraints thereof, was captured by a minority that then built it further up and used it for the suppression of a majority population. Despite democracy and a rule of law, there were no incentives for mining companies to improve working conditions, reduce violence and advance security practices or contribute to collective goods provision in communities adjacent to the mines. Accordingly, they did not do much.[7]

The case of the DRC, secondly, illustrates the opposite point, that is, despite very low legal and political restraints of statehood at the national level, a number of mining companies do make attempts to contribute to governance (e.g. Kolk and Lefort 2012; Börzel and Hönke 2012). For instance, larger industrial mining companies in Katanga province were the first to apply and further develop the Voluntary Principles of Security and Human Rights to an unprecedented degree. The VPs are a standard for improving security governance around extractive industries. The degree of institutional restraints of statehood at the national level is hence a bad predictor for whether, and in what quality, companies will contribute to an inclusive provision of collective goods at the local level. Rather, transnational and local mechanisms of restraint are crucial to understanding variation in the quality of governance at the local level.

To account for the substantial within-country variation we find, it is therefore necessary to scale down to the local level and examine a broader range of mechanisms that restrain statehood. The societal restraints developed in the previous section allow us to see restraints where liberal institutionalists would not.

5.2 Local mechanisms of restraint and the quality of company contributions to governance: Gold mining in Tanzania[8]

We now turn to a case study of a gold mining company in Tanzania to explore to what extent mechanisms of restraining statehood existing at the local level add to a better quality of business contributions to governance. We consider different operations of the larger brand name company African Barrick Gold (ABG), both of which are located in the area close to Victoria Lake. Company factors are therefore constant: Canadian company ABG is a global brand that is listed on international stock exchanges. It is faced with a vocal transnational shaming campaign, which targets major shareholder Barrick.[9] The same is true for the limitation of statehood at the national level. While the administration of other sectors has been devolved to district level, the central government is in charge of all mining-related issues, including contract negotiations

7 Some companies who sought to change were even stopped by the National Party government from doing so (Hönke and Thauer 2014).

8 This paper draws on ongoing qualitative analysis of field material. We would appreciate any comments and are keen to consider them in future project publications.

9 http://protestbarrick.net/, last access 25.5.2013.

and policy formulation and enforcement (Mwaipopo et al. 2004: 29). Yet state capacity to set and implement such regulation is limited.[10] Nevertheless, governance contributions by ABG vary substantially in their quality; the quality of contributions to local security governance and development in Buzwagi is much better than those at the North Mara site of the same company.

Variation in the quality of Barrick's contributions to governance: Buzwagi vs. North Mara

In general, companies are seen as not contributing, or at least not contributing sufficiently, to improving local security and development in Tanzania. Instead, people emphasize the substantial new problems (negative externalities) they cause, such as reducing access to fertile land or depriving people from income from artisanal mining. Nevertheless, the Buzwagi and the North Mara operations of ABG are characterized by different qualities of company contributions to local governance.

ABG-Buzwagi is located in Kahama district, Shinyanga region and is owned by Pangea Minerals Limited, a subisidiary of Barrick Gold Corporation of Canada. The mine started production during the second half of 2009. Since ABG should not have obtained a new mining development agreement (MDA), as the New Mining Act had not been voted on at that time, the Buzwagi mine was never officially inaugurated. Its operations affect at least three wards in the Kahama district: Mwime, Mwandakulima and Chapulwa. The mayority of the people living in these wards are both agriculturalists and livestock keepers. In contrast to the mine in Buzwagi, the North Mara mine consists of three open pit deposits located in the Tarime district, North Mara region. Production in the region began in 2002 under the ownership of Africa Mashariki Gold Mines (AMGM) and was later owned by Placer Dome before ABG bought it in 2007. People in this region used to depend on artisinal mining and cattle.

As explained above, it is important to go beyond comparing gross contributions of a company to local governance. Variation in the *quality of governance* contributions become clearer, when looking at the inclusiveness and indirect effects of contributions and when comparing to what extent contributions reduce or at least compensate for the negative externalities of core business operations.

Inclusiveness

In terms of geographical scope, in Buzwagi, a smaller area is affected by mining than in North Mara. In Buzwagi, three villages are located far away from the mine, while in North Mara seven villages are next to the pits. Service contributionsaddress the neighbouring communities as well as the district. The company contributes to hospital and school constructions or rennovations, water provision or infrastructure. However, in North Mara, many contributions date back to Barrick's predecessor in the area, Placer Dome. Some of what had been put in place by Placer

10 The World Bank governance indicators ranked government effectiveness in Tanzania between 36.6 -43.4 (out of 100) over the last 10 years.

Dome was allegedly stopped by ABG.[11] At both sites, ABG is due to pay a fixed annual royalty payment of 200 000$ to the district. In North Mara, one per cent is supposed to be redistributed to villages that had once owned mining rights in the area and had entered into an agreement with Barrick's predecessor over these royalty payments.[12] In both localities, it is claimed that the money is disbursed equally between villages, according to a development plan or according to a scheme for the redistribution of the money to localities. Yet there is contradictory information on how much money is actually spent where, and on whom, especially in the North Mara case. In fact, in North Mara these payments had stopped in 2011 and it is unclear whether they have been taken up again since.[13] Whereas ABG has not paid royalties in North Mara for a certain time, in Buzwagi, the company pays, on top of the fixed royalty, some money to the village heads, as stipulated by a Memorandum of Understanding reached with local authorities.[14] It has also been reported that they only hired people occasionally for smaller jobs like bringing or carring things[15] or cleaning.[16]

In the Buzwagi case, the social scope of ABG's community engagement is generally more inclusive that in North Mara. This can be illustrated by the company's local security program. ABG put in place a local security governance program in which every household, more precisely every male member of a household, is employed as a security guard. A rotation system is in place that allows everyone their turn. In addition, the company entered into a formal agreement with local authorities at ward level on employment opportunities for the local population, which benefits the youth. ABG also contributed to the building of schools and the construction of a health center.[17] Furthermore, people from both communities had to be relocated, but the people in Buzwagi were better compensated than the people in North Mara, where some villages were replaced totally and people did not get compensation at all. In Buzwagi, the company spent money to shift graves according to tradition.[18] The same was not reported in North Mara. While there are complaints about the company's contributions in both places, as these often did not meet people's expectations, AGB does much better in Buzwagi than in North Mara.

Indirect effects of contributions and negative externalities of core business practices

In this section, ABG's local security programs are compared in regard to their indirect effects and in relation to the externalities of ABG's core business practices in Buzwagi and North Mara.

11 FMR, 2012, p. 42.

12 Interview LGOV 3.28, TMP 1.26.

13 NEMC (2011), p. 3.

14 Interview VCh 3.52.

15 Interview VCh 2.22.

16 Interview LHRC 2.20

17 Interview DHRO 3.47, further interviews in Buzwagi area.

18 Interview CRO 2.34.

In Buzwagi, a local security program was put in place by ABG, village authorities and Sungusungu, a local system of justice including village level policing. It has had a positive effect on public security in the area. Interviewees in the region stated that crime rates dropped, which was linked to the inclusive integration of all households as vigilante guards for the company.[19]

On the contrary, in North Mara, violence and public insecurity actually increased in response to security measures taken by ABG. Like in Buzwagi, the mine in North Mara decided to cooperate with local villages and employ local guards, but this program has done less well than the one in Buzwagi. First, it only focuses on beefing up security for the mining site. Second, the program was not built on existing Sungusungu structures, which do exist in the area, but were bypassed. Instead, the company made a deal with local administration,[20] which has not had any positive effects on local security and policing. Third, there are, in addition, more negative externalities of other ABG security measures on public security in North Mara. In response to the problems ABG reported from the area, such as tresspassing by artisanal miners, the government declared the area a special police zone. As a consequence, more state security forces have been stationed there. The effect of this initiative on security in neighbouring villages has been negative. Incidents between the security guards and local people causing injuries happen regularly, and people complain about the arbitrary abuse of power by the police. A journalist of the newspaper The Citizen counted 70 deaths in three years from security issues since 2000 and about 24 people wounded by security forces.[21]

Overall, negative externalities are higher in North Mara because many people in the area used to live from artisanal mining. With the arrival of industrial mining firms, they lost their main source of income. For most of them, alternative sources of income are hardly available in this area. Five out of seven neighbouring villages previously held customary mining rights in the area. The original agreement they concluded with Placer Dome, the first industrial mining company on the concession, in the 1990s in order to compensate them for their loss of income. However, the agreement was never properly implemented.[22] This is part of the reason why ABG gets a lot of intruders and contestation in the area. The local population defies the negative externalities of ABG's operations and the, in their eyes, insufficient compensation for their loss in income and livelihood. In 2009, when ABG set up operations in North Mara, a 2.9 million USD project to help artisanal miners in seven villages had been discussed. However, the project has not yet been realized.[23] While this might change with new management coming into office in ABG, the important point here is that so far, ABG's governance contributions fail to address the negative externalities caused by the company. Hence, they are of less quality than those in Buzwagi.

19 Interview Sun 3.53, Sun 3.55.

20 Interview VEO 3.37.

21 Mosoba, Tom, 12.06.11, The Citizen.

22 Interviews EO 3.30, KEW 3.34.

23 27.10.09 Daily News. Interview JOU 2.18; GOV 2.44.

In sum, the quality of ABG's contributions to security governance in the two regions varies significantly, particularly in regard to compensating for negative externalities. In Buzwagi, contributions matched the degree of negative externalities to an important extent. In terms of indirect effects of company programs, these are largely positive. The opposite is the case in North Mara. The next section explores to what extent differing degress of restraint of statehood account for this variation. After briefly considering the role of political and legal restraints, we will focus on local societal restraints.

Weak legal and political restraints

As data by the World Bank, Transparency International and the World Economic Forum show, legal restraints in Tanzania are rather low. Confidence in the rule of law is indicated with 36%,[24] and the country ranks at place 75 out of 142 with a score from 3.6/7 concerning judicial independence.[25] Fieldwork confirms that people in mining areas try to follow and use legal procedures in order to make claims, and to get government to support these claims by writing letters to government representatives and launching formal complaints. However, these mostly go unheard and unanswered.

As concerns political restraints, the "Bulyanhulu incident" became a symbol of the problematic relationship between the local population, on the one hand, and multinational gold mining companies and the Tanzanian government, on the other. When one of the first foreign mining companies was to take up its concession in the Victoria Lake region in the 1990s, villages were relocated and thousands of artisanal miners were evicted without proper procedures. In the process, some 54 miners at Bulyanhulu died in mineshafts sealed by bulldozers. The government of Tanzania and the company were allegedly responsible.[26] This was an exceptionally grave incident, which is still refered to by those opposing the government's policy in favor of industrial mining in order to criticize the state's readiness to enforce company interests with all means while lacking accountability to those who live in the mining areas. While the state's capacities are arguably very limited at the local level, those living next to the mines in the Victora Lake region confirm that in their experience, state representatives do less than they could to improve company contributions to local governance. The state is perceived as protecting

24 Value from 2012. This dimension captures perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police and the courts, as well as the likelihood of crime and violence. (Transparency International, Corruption per Country/Territory: Tanzania, http://www.transparency.org/country#TZA_DataResearch, last accessed on 13.02.2013.)

25 Judicial Independence is an indicator in the Global Competitiveness Index produced by the World Economic Forum. It measures the perceived extent in which the judiciary of the country is independent from influences of members of government, citizens or firms. Scores range from 1 (heavily influenced) to 7 (entirely independent). Ibid.

26 See Tundu Lissu's case study on Bulyuanhulu on the website of the Environmental Law Institute, http://www.eli.org/pdf/advocacytoolscasestudies/casestudy.tanzania.final.pdf (last accessed 20.03.2013), also http://www.leat.or.tz/activities/buly.

company interests first.[27] Overall the position of the Tanzanian government is investor-friendly – in accordance with IMF and WB policies – and hands-off when it comes to taxes and social obligations.[28] Prevailant is a climate hostile to critique of government's pro-industrial mining policies and of mining companies.

Despite this hostile climate and the dominance of the ruling party Chama Cha Mapinduzi (CCM), a member of parliament (MP) managed to exploit formal institutions for restraining government and changing national mining policies.[29] The MP, an adherent of the opposition party Chadema, made history with regards to mining policies in the country. In 2007, ABG signed a contract with the Tanzanian government over the Buzwagi mine, which was in the MP's constituency, Shinyanga, despite the fact that the Tanzanian Mining Act was under review at the time and no new contracts were supposed to be made before its revision. When the MP learnt that a new mining deal was signed, he moved a private motion into the parliament. When the government tried to silence his contestation of mining policy by suspending him from his seat in parliament, he actively organized societal pressure in order to incite a revision of national mining policies.[30] This is how he recalls the events:

> "That suspension changed the whole political landscape in Tanzania, because Tanzanians were very furious, we organized demonstrations and rallies all over the country, in Dar es Salaam more than 200.000 people attended a rally that I addressed with other political leaders to condemn the decision of parliament to suspend me [...]. So Buzwagi [the mine] became very popular, it became a catchword for all bad and poor contracts that the government has entered. And this precipitated into the president forming a mining review commission".[31]

The presidential commission that was subsequently formed to review the old mining act, the Bomani commission, proposed that companies pay 3% royalties, out of which 20% should go directly to the locality where the mine is operating. A new mining act was finally adopted by the government in 2010 and incorporated some reforms that had been proposed by the commission.

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27 Int. CRO, 2.33., Confirmed by Int. 2.29.: "They [the leaders] realize they do not want to implement the policies. [...] I think leaders who supposed to administer this police, instead of bring that they go doing for themselves, maybe I can say they benefit individually other than communities. They do not therefore implement, the majority there are people with their own interests." See also: Int.PWYP 1.7.

28 According to an activist on the mining issues, the mining companies do not pay their taxes and the government does not sanction them because individuals in the state system benefit from corruption practices. In the 2010 Mining Act, the royalties for gold are 4% of gross value (market value of minerals at the point of refining or sale or, in the case of consumption within Tanzania, at the point of delivery within Tanzania), while in the 1998 Act, the royalties were 3% of net back value (the market value of minerals FOB at the point of export from Tanzania or, in the case of consumption within Tanzania, at the point of delivery within Tanzania).

29 The following two paragraphs draw heavily on a Tanzania field report prepared in the context of D2/SFB700 by Esther Thomas.

30 Interview MoP 2.36.

31 Ibid.

However, other demands of societal actors from the mining areas, such as transparency issues, corporate social responsibility and retrocession of taxes, were not fully addressed by the new law.

The case shows that, despite the overall restricted restraint of statehood, formal institutions such as the parliament sometimes can be invoked to change government policy in order to eventually affect the quality of company governance. The changes achieved, however, were limited, and in the Buzwagi and North Mara mining areas, citizens still feel powerless and like they have no say in local and national policies. This limited say in local governance is related to the centralised character of the Tanzanian administrative system. State administration reaches down from the central state level to the mining localities; district commissioners, district executive directors and also executive officers at ward and village level are appointed by the government. The top-down prevalence of the state makes it very difficult for information travelling from the bottom-up;the lack of capacity, autonomy, but also will of government authorities to improve the situation for the local population, makes people feel neglected. In fact, according to Tideman and Msani (2011), decentralization has to some extent increased electoral and civic participation, brought down corruption, increased trust in local governments, improved service delivery, especially in education and allowed greater access to information. However, our interviews in the Lake Victoria region suggest that local council staff does not take local people's concern seriously. Furthermore, the central government can overrule local government concerning the allocation of staff and fiscal issues. Accordingly, the position of local-level elected councilors is weak overall. As Miniwasa and Shauri (2001: 23) state, "local authorities are nothing more than bureaucratic instruments for the central government and do not generate alternative values, preferences or aspirations".

Part of the reason for the lack of accountability of local state representatives to the local population in the mining areas is also the low to medium level of political restraint of statehood through elections and party competition. Tanzania shows low to medium-level rankings, with Freedom House Tanzania scoring 3 (out of 7) for political rights and civil liberty and Transparency International measuring 46% (out of 100) for voice and accountability. The political system remains highly centralized and largely controlled by the ruling party, a state which is referred to as 'competitive hegemony' (Morse 2013). Overall, democratic procedures have shown weakness, such as allegations of fraud during recent elections, to ensure CCM victory. CCM's politics and government affairs are closely interlinked, which limits accountability of members of parliament to the local constituency. The dominance of the ruling party in most local elections indicates that the state and the party have not yet fully separated at the local level. Furthermore, elected positions, such as district chairmen, village heads and ward councilors, are CCM and, due to an electoral system that requires nomination of candidates for local elections by the national leadership of political parties, have limited links to the local context.

However, it should be noted that, while the exception to the rule, opposition party Chadema has made inroads into government majorities in the mining areas. The October 2010 presidential and legislative elections were considered the most competitive and legitimate in Tanzania's history. The opposition secured its largest representation in parliament, although CCM retained a comfortable majority.[32] The Chadema party's vocal opposition to the government's mining policies increased the politicization of the mining issue and helped to bring some local complaints about mining companies into the public arena. Chadema organizes meetings focusing on specific developments in mining policy, corruption and lack of law enforcement vis-à-vis mining companies. The opposition party managed to mobilize local votes by criticizing the mines and teaming up with the local population[33]. As a result, criticism of mining companies got picked-up by electoral politics in some regions.[34]

It would be incorrect, however, to conclude that the problem is simply CCM and all state representatives from CCM lack accountability to local constituencies. Absence of political restraint of statehood through party competition does not seem to be overly relevant for understanding the lack of governance contributions by mining firms in the Victoria Lake region. The structures built under TANU during the single party rule and villagisation still make people at the local level loyal CCM voters, and surveys repeatedly show huge support for CCM as well as negative perceptions of the opposition (Morse 2013). It is also not the case that only Chadema MPs criticize mining companies' limited contributions to local governance. Local CCM representatives also speak out against mining companies and demand a new policy that commits them to more contributions to local governance. Therefore, neglection of local grievances and claims in our study areas is related to the capture of selected individuals within the local administration by the company, rather than central party politics and policies. This is supported by evidence that there are complaints about corruption in areas with CCM *and* Chadema representatives.[35] In Geita district, for instance, it was reported that Chadema has won elections because they are more outspoken in regard to mining issues and ask for more contributions by companies to local governance. However, in Musoma district, Chadema lost votes over time because they did not deliver on their promises and got accused of corruption at the local level as well.[36] Interviewees from local communities confirmed that corruption was a problem across party representatives, and therefore not only a CCM problem.37 We conclude that party competition as such does not restrain the use of statehood by state representatives at the local level.

Embeddedness in social institutions

As shown above, formal institutions of legal and political accountability have had only limited effect on the quality of ABG's governance contributions in Tanzania. The remainder of this paper explores to what extent the variation in quality can be traced back to differences in social

32 Freedom House (2011), Freedom in the World: Tanzania, http://www.freedomhouse.org/report/freedom-world/2011/tanzania, last accessed on 14.05.2013.

33 Interview BUZ 2.33; OC 3.44.

34 Press Review research project D2/SFB700; Interviews JOU2.1, NGO2.5, 2.10, 3.62; other interviews in Lake District.

35 Int. POL 2.22.

36 Field research report Tanzania 2013 by Esther Thomas.

37 Int. VIL 2.15.

mechanisms of restraining statehood in the two localities.[38] NGOs and the media lack autonomy and resources to effectively mobilize public opinion and put pressure on government (Michael 2004, see also Dill 2011). The media, for example, picks up on mining issues, yet remains only semi-free.[39] We therefore focus on local societal restraints. In the *Buzwagi case*, where ABG's governance contributions are more inclusive and have positive side-effects, we do indeed find strong social institutions at the local level in which the local state administration is embedded and which effectively hold local authorities accountable. Building on these structures, the local security governance program is better designed and implemented than in North Mara.

The embeddedness of state representatives in the social institution of Sungusungu helps understand the difference in the quality of security governance in Buzwagi as compared to North Mara. Sungusungu is legitimized by the state and incorporated into the formal judicial system, but has retained its own sanction mechanism (Paciotti and Mulder 2004). As one Sungusungu member described for Shinyanga, where the Buzwagi mine is located, they are hierarchically organized, consisting of a general secretary, a Chief Commander, a vice chair, a deputy secretary, a deputy commander and 15 councilors. Elections happen not on a regular basis, but only when faults are made by leaders.[40] In Buzwagi, the village executive officer, Sungusungu leaders and the ward executive officer often discuss in meetings at the ward level and have a democratic process for discussing and implementing programs, such as the local security program, with ABG.

Embedded in this structure, state representatives strived for programs with ABG that involve the majority of people who live in the area. They found a way to make each household benefit from the security contract that ABG concluded with them and the leaders of the local Sungusungu system.[41] As a result, the security program is not very centralized and coordinated and implemented by different stakeholders – local authorities, community-based policing agents, companies and state police, increasing compliance with the program goals. This case illustrates that societal institutions in which politicians and state administrators are embedded commit officials to strive for inclusive governance contributions by companies. It prevents local authorities from seeking rents and capturing the program for an exlusive clientele.

The case also provides evidence, however, that local social institutions are less successful in overcoming the general divide between central state and national and provincial admininstation, on the one hand, and the local population, local elected authorities and to some extent local administration, on the other. Local government remains generally powerless, and complaints at the district level are often ignored.[42] Overall, people in Buzwagi stated that they did not see how

38 For how corporate culture might account for the conflictiveness of company-community relations in North Mara, see Thomas forthcoming.

39 Freedom House (2012), Freedom of the Press 2012: Tanzania, http://www.refworld.org/docid/50e161291.html, last accessed on 02.05.2013.

40 Ibid.

41 Interview Sung 3.53, other interviews.

42 Interview VCM 2.41.

they could sanction government for not answering to the needs of local constituencies and for not using statehood for improving local governance.[43]

In the *case of North Mara*, the lack of embeddedness of state representatives in societal institutions at the local level accounts to an important extent for the low quality of ABG's governance contributions in the area. A local Sungusungu security structure can be found in North Mara as well. However, state representatives, such as those in village and district administration, are not embedded in such local, societal institutions. This is not only the case for Sungusungu; it also pertains to other societal structures in place in local communities, which mostly identify as Wakurya. Relations between ABG and state administration on the one hand, and local population on the other hand, are very conflictive, and violent confrontation between mine security forces, state police and local communities are frequent.[44]

The societal institutions in place are largely separate from local state institutions. For instance, the local Sungusungu structure is not involved at all in the management of the security contract between ABG and village authorities.[45] The embeddedness of local state authorities, appointed as well as elected, is very low to nonexistent. Thus, the social institutions in place are not able to embed and thereby restrain how local administrators use statehood. At the same time, the central state dominates interactions with the company. Until 2011, ABG North Mara only interacted directly with the District Commissioner, whereas in Buzwagi more consultations with local state representatives and village authorities took place. The regional and national state authorities did not involve local elected representatives and the local population more broadly.[46] Some go as far as to claim that local representatives up to the district level have allegedly been put in place with the help of ABG.[47] Opposition leaders in particular suspect the company of financing political campaigns in order to have local authorities on their side to calm tensions. [48]

Overall, local government is perceived as having no autonomy from, nor leverage power vis-à-vis, the central government.[49] Not only is mining largely administered from Dar-es-Salaam – which to some extent is similar in Buzwagi, even though central state representatives there are better embedded in local societal institutions and interact more with these – but security is as well. In response to company concerns, the area around ABG's mine in North Mara was declared a special security zone, with the result that more state police and special security forces have been put in place here than in Buzwagi. At the same time, the local security program by ABG in North Mara bypasses communal security structures like the Sungusungu.

43 Interview VCM 2.41., 2.40, other interviews in area.

44 Field research report Tanzania 2013 by Esther Thomas; also Thomas forthcoming.

45 Interview Sung 3.36.

46 Ibid., also interviews JOU 2.18, 2.19.

47 Interview NGO 1.24; see also Hönke, with Thomas (2012).

48 Interview POL 2.22.

49 Interviews VIL 2.14-2.17, conversations in local area.

These are preliminary findings. However, they suggest that the lack of embeddedness of state representatives in North Mara in local societal institutions contributes to understanding the the the low quality of ABG's local security governance program. A narrow coalition of the local management of ABG and unembedded political authorities produces exclusive local governance (see also Hönke, with Thomas, 2012).

Direct community pressure

People often mobilize to put direct pressure on firms or local authorities in order to gain collective goods. The case of North Mara provides disturbing results with regards to this alternative mechanism of societal restraint. High levels of protest and violent collective action have not resulted in a change in behavior of state representatives, nor in significant engagement by ABG to compensate for the loss of income for thousands of artisanal miners in the area or work towards sustainable alternative sources of income. The local population frequently invades the concession and has attacked the mining compound. However, community pressure failed to improve the quality of ABG's governance contributions (Thomas forthcoming). On the contrary, relations between state police, private security and local people degraded, further increasing levels of insecurity for the local population. Local people have little trust in the police and react aggressively.[50]

More cross-case analysis is necessary in order to reveal under which conditions community pressure can be successful in restraining statehood and inciting more governance contributions by companies. Confrontative mobilization might often be an indicator for a situation with closed institutional opportunity structures (McAdam et. al. 1997), which suggests that violence might be the only option for local claim making in a situation with low likelyhood of successful goal attainment.

6. Conclusion

This paper addressed the question of whether and with what degree of quality companies contribute to local governance in areas of limited statehood. Distinguishing different qualities of business contributions, we explored to what extent variation in quality depends on the limitation, and more importantly, on the restraint of statehood. We have argued that degrees of limited statehood cannot account for the variation in the quality of business contributions we observed. Rather, restraint of statehood is a key explanatory factor. It provides an important scope condition under which statehood is used more for improving company contributions to governance, and less against the provision of collective goods and services by non-state actors.

50 Some argue that people in North Mara were more aggressive than others. However, this representation of the Wakurya in the media and popular discourse is better thought of as an expression of the specific incidents and history of the area than the cause behind confrontations between local population and ABG. In addition, this is a well-established, translocal narrative: across mining areas in different states, artisanal miners and labor migrants use to be depicted by others as violent outcasts (see e.g. Werthmann 2009).

In addition to institutional restraints drawn from liberal state and democratic theory, such as the rule of law, democratic elections and autonomous civil society groups, we introduced societal mechanisms of restraining statehood at the local level. We have shown that formal mechanisms of restraint at the national level, such as elections and the rule of law, are difficult to link to the quality of non-state governance. In areas of limited statehood, they are empirically not the most relevant mechanisms either. Instead, we have developed a broader concept of restraints that goes beyond liberal institutionalism and takes local societal restraints into account, namely the embeddedness of authorities in local societal institutions and community pressure. Where formal restraints are not in place, dysfunctional or weak, such local social mechanisms can be crucial in holding state authorities – and companies – accountable to the public good. Our case studies from gold mining in Tanzania, which features medium-levels of limited and formally restrained statehood, have shown that the quality of governance by companies improves if local authorities are embedded in strong social institutions. Where there are such institutions, but authorities are disconnected from them, the opposite outcome has been found. Even high levels of community pressure remained ineffective in this case.

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Research Framework

Governance has become a central theme in social science research. The Collaborative Research Center (SFB) 700 *Governance in Areas of Limited Statehood* investigates governance in areas of limited statehood, i.e. developing countries, failing and failed states, as well as, in historical perspective, different types of colonies. How and under what conditions can governance deliver legitimate authority, security, and welfare, and what problems are likely to emerge? Operating since 2006 and financed by the German Research Foundation (DFG), the Research Center involves the Freie Universität Berlin, the University of Potsdam, the European University Institute, the Hertie School of Governance, the German Institute for International and Security Affairs (SWP), and the Social Science Research Center Berlin (WZB).

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Host University:
Freie Universität Berlin

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German Institute for International and Security Affairs (SWP)

Social Science Research Center Berlin (WZB)

Hertie School of Governance