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**STATE CAUGHT IN THE MIDDLE:
COAL EXTRACTION AND COMMUNITY
STRUGGLES IN TANZANIA**

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ABSTRACT

This paper focuses on how the re-emergence of the state in Tanzania's coal sector is affecting relations between investors and local populations. Recent research on large-scale investments in natural resources has mainly focused on the state as an investment facilitator. Its duty to protect local rights has also been emphasised. The role of the state as an investor in its own right, which is currently on the increase due to growing resource nationalism, has received much less attention. The paper adopts the political economy of land and natural resource investments as an analytical framework to examine community–investor relations in Tanzania's coal sector, which has recently seen the re-emergence of SOEs as shareholders in mining investments. The paper makes two contributions. First, it reviews the historical relationship between the state and local populations over the years and shows how it is influencing present-day relations between them. Secondly, it documents expressions and instances of local dissent towards investors and analyses empirical changes in contemporary investment dynamics in the context of re-emerging SOEs, showing how local deals change over time, as SOEs learn from changes in local-level politics and from their foreign partners. It finds that, in respect of investments in the coal sector involving SOEs, securing community consent is not the main priority for investors at the start of the investment cycle, where investments are framed as national projects. Efforts to reach a 'local exchange deal' are more likely to be made when resource extraction is already taking place and conflicts have arisen that have to be resolved. By incorporating the state as an investor, the paper offers lessons for SOEs in re-thinking their strategies as they approach new projects at a time when revived SOEs are increasingly being tasked with ambitious extraction projects.

1. INTRODUCTION

Recent studies of large-scale investments in land and natural resources have mainly focused on the role of the state and state elites as facilitators of investments made by multi-national corporations (MNCs) (Lee 2006; Carmody 2013; Ayers 2013; Kelly and Peluso, 2015; Pearce, 2016). The land-grab literature has also underscored the role of state elites and government agencies in facilitating the flow of foreign capital, which in many cases has led to inadequate consultation and the forced eviction and displacement of local populations in areas where these investments are being implemented (Cotula et al., 2009; Daniel and Mittal 2009; Wolford et al., 2013). Recent research has further emphasized that deals may be domestically driven and that, while land acquisitions may be morally questionable, they are not necessarily illegal (Hall 2011; Pedersen and Buur, 2016).

Hence, while the role of the state as a facilitator of natural resource investments has been studied, there is little understanding of its role as an investor. This paper argues that there is a need to widen the discussion to focus on the re-emergence of the state as an investor through SOEs, as witnessed in recent coal investments in Tanzania. The paper investigates the involvement of the state as an investor through SOE in this regard by focusing on a case study of community members who were relocated to pave the way for a coal mine in Ngaka (TANCOAL), Mbinga District, south-west Tanzania.¹ While some might expect state ownership in mining investments through SOEs to increase the local acceptance of mining investments and reduce tensions after many years of conflicts between smallholders and foreign companies (Collins 2009),² recent research from Tanzania has shown that investment-related conflicts in Tanzania are increasingly changing to a situation in which the interests of smallholders compete with those of the state through revived SOEs (Jacob et al. 2016).

The paper draws on and contributes to Buur et al.'s (2017) analytical framework on land and natural resource investments in Africa, which unpacks the complex triangular relationship between investors, local populations and ruling elites and their respective bureaucracies (see Buur et al. 2017 for a discussion of the three relationships). Buur and his colleagues tend to see the state, and especially the ruling elites, as mainly playing the role of investment facilitators and protectors of smallholders' land rights and livelihood security. The same is the case in much of the literature on the social license to operate (SLO) (Hall et al. 2014; Moffat et al. 2015), which focuses mainly on private investments. This emphasis on the links between private investments and SLO is also found in a recent study looking at various efforts to acquire an SLO by foreign mining companies and international oil companies in Tanzania (Kessy et al. 2018). However, the implications of state-led investments for the ability of local populations to benefit from investments are important, as the paper also suggests. The holding power³ (for a discussion of which, see section 2.) of the state, the SOE and the joint venture (JV) partner are playing a considerable role in limiting community dissent. Given the recent surge in resource nationalism and the revival of state-owned enterprises in countries in the global South, further research is needed.

The paper draws on in-depth ethnographic interviews, participant observation and documentary analysis. Empirical materials discussed in this paper consist of semi-structured, in-depth interviews with local community members in Mbinga District, supplemented by additional data collected in 2015-2017 in the commercial capital, Dar es Salaam, and in Songea, which serves as Ruvuma's regional headquarters. Participant observation included a guided tour of Tancoal's Ngaka coal mine. In Dar es Salaam I conducted in-depth, semi-structured interviews with key informants, including TANCOAL officials, government officials affiliated with the then Ministry of Energy and Minerals, and NDC representatives. This was supplemented by three ethnographic field trips to Mbinga and the two adjacent villages of Ruanda and Ntunduwaro between 2015 and 2017, where I conducted formal and informal interviews with ward, village and sub-village leaders, relocated local land-users, leaders of political parties and TANCOAL officials stationed at the mine. The empirical material also includes a transcription of a two and half hour-long village meeting on land and compensation issues held in Ntunduwaro village in 2016. Triangulation was used to verify and cross-check data collected from various sources.

After this introduction, the paper continues by exploring the historical relationship between the state and local populations before the start of coal extraction and showing how it has evolved over time. In their theoretical framework, Buur et al. (2017) have emphasized the need to understand the relationship between local populations and the state historically. Has it been based on mistrust, violence or ignorance? This is important because historical relations between the ruling elites, and by extension the state, and local populations will often shape present-day relations and affect the legitimacy of the SOE in these investments. After the historical analysis, I then discuss the prevailing situation in relation to the Ngaka coal mine and explore local dissent against the SOE, the state-owned National Development Corporation (NDC) and its Australian partners. I examine what kind of deal, if any, has been concluded between the state and the local population. The final part discusses the implications of the empirical findings and concludes the paper.

2. UNPACKING THE LOCAL EXCHANGE DEAL IN A CONTEXT OF CHANG HOLDING POWER

According to Buur et al., a local exchange deal arises out of investors' efforts to acquire legitimacy and minimize conflicts. Building on the literature on Corporate Social Responsibility (CSR), Free, Prior and Informed Consent (FPIC) and Social Licenses to Operate (SLO), the authors argue that the local exchange deal is based on concrete exchange relations between investors and local populations. This can involve 'exchanges of material and immaterial benefits' between local populations and investors (Buur et al. 2017: 9). The relationship is not just based on a one-off exchange but also includes other benefits to be enjoyed by both parties over time. The ability to achieve a local exchange deal is based on the premises that investors need stability and that local communities also feel that they are getting something out of the investment. A recent example from central Malawi, where local communities pleaded with the government to allow a mining company to continue with mineral extraction because 'the company is doing a lot to develop the area' (Chimwala 2017), can be described as a classic local exchange deal.

The notion of a local community's capacity to mobilize and influence a deal can be related to Mushaq Khan's concept of 'holding power', which he describes as 'the ability of individuals or groups to impose costs on others and absorb costs inflicted on them' during conflicts. Khan also adds that 'the greater the costs a group can impose on others, the greater the likelihood that other groups will abandon their attempts to get their preferred outcomes'. He emphasizes that holding power is determined by the mobilizing and organizational capabilities of various actors, for instance, political elites who organize clients and lower-level factions to win political gains (Khan 2010).

For the political elites, rents from coal investments act as a source of their own holding power. Here it is important to look at the deep connections between national and sub-national elites and the coal sector. As far as rents are concerned, it is worth emphasizing that various forms of rent accrue from coal extraction from the Ngaka mine. These include large-scale fiscal rents accruing to the state and national ruling elites in the form of FDI, taxes and royalties related to coal investment, as well as rents from the sale of coal to local cement and steel industries. Other types of rents include some forms of individual rent, such as the allocation of procurement contracts to supply inputs to the coal mine, security contracts, rents extracted by SOE managers involved in deal-making, and others captured through financial bribes, which are diverted into the hands of individuals by state bureaucrats and local politicians nationally and by ruling party cadres at the sub-national level.

This case is important especially in environments where SOEs come together with private investors and obtaining both approval and legitimacy from the local population becomes important. The contribution of this paper is thus both analytical and empirical in that I deploy empirical materials to examine one of the three triangular relationships (local populations versus investors) in the Buur et al.

framework. This, to my knowledge, is the first attempt to explore empirically the relationship between the state and local populations in a Tanzanian mining project where the state, acting through the SOE, is part of resource extraction.

3. HISTORICAL PERSPECTIVE: THE STATE AND LOCAL POPULATIONS IN TANZANIA AND THE RUVUMA REGION

Rural populations in various parts of the globe have experienced a history of socio-economic, political and cultural control and oppression by ruling elites under the guise of social transformation and modernization (Scott 1998). Tanzania is no exception. Although the protection of the rights of local populations in mining and oil and gas investments has improved over the last couple of decades (Pedersen et al. 2016), they have been the weaker party throughout compared to the state and both local and foreign investors. The historical interaction between the state and local populations has been riddled with tensions.

The Ruvuma region has a long history of resettlement under the colonial administration of the Germans and later the British. The first resettlement program was carried out by the Germans in 1905 to pave way for the establishment of a game reserve, which later became the present-day Selous game reserve. Local resistance to German colonial rule led to the Maji Maji rebellion of 1905-06, which was brutally suppressed by the Germans, forcing many people to flee to other parts of the region and to neighboring Mozambique. In 1944 the British embarked on a resettlement scheme aimed at moving people in order to extend the area designated for the Selous reserve (Monson 1998; Neumann 2001; Edwards 2003). The heavy-handed approach towards the local population continued under the post-independence villagization policy of Julius Nyerere, the founding father of modern Tanzania, and his Ujamaa socialist and self-reliance experiment. However, the experience of Ujamaa for local populations was uneven, particularly in the Ruvuma region, which includes Mbinga District, where the Ngaka coal mine is located. It is important to understand the historical mistrust and the problems with the legitimacy of the state in the rural Ruvuma region because this still influences the nature of state–community relations today.

3.1. Ujamaa: producing a new society

Ujamaa and its villagization policy were adopted in 1967 after the Arusha declaration, when Tanzania officially became a socialist state. Villagization aimed to transform rural Tanzania by moving people from scattered villages to government-planned nucleated settlements and encouraging communal farming in the new villages. The resettlement exercise started as a voluntary process that was justified by development rhetoric and the greater ease of service delivery in the new villages, but it later became increasingly coercive and top-down in nature due to its slow initial progress. By 1973 only fifteen percent of the population had been resettled. Nyerere and provincial party officials became increasingly frustrated with the slow response from the rural population to forming Ujamaa villages. Government and party officials in charge of implementation came under pressure and resorted to coercion and abusive practices to achieve targets set by the party-state, which made it clear that the careers of local government officials and party cadres depended on the policy's rapid implementation (Boesen et al. 1977; Von-Freyhold 1985; Jennings 2002; Schneider 2006; Jennings 2008).

In 1973 the government passed enabling legislation, the Rural Lands (Planning and Utilization) Act, which made resettlement more compulsory. The Act gave the government extensive administrative powers by empowering the President to declare any area a 'development area'. Under the same Act, the Minister for Regional Administration had powers to end existing rights to land in any area where it was planned to establish Ujamaa villages. Also, in 1973, the then ruling Tanganyika African Union (TANU) declared that all peasants in rural areas should be in Ujamaa villages by 1976. In 1975 another influential Act was passed, the Villages and Ujamaa Villages Act, which further reinforced the villagization program by offering more power to TANU officials to establish villages (Fimbo 2004, Pedersen et al. 2016). A combination of legislative and coercive measures saw the number of registered Ujamaa villages increase fourfold between 1972 and 1976. By 1976, over six million people were living in Ujamaa villages across Tanzania, a very significant portion of the rural population,⁴ in what Michael Jennings dubbed 'one of Africa's largest resettlement campaigns' (Jennings 2008: 5).

The resettlement process was heavy-handed, destroying social structures and disrupting existing customary arrangements, and it increased party-state control over land (Boesen et al. 1977; Von-Freyhold 1985; Coulson 1982; Shivji 1998; Jennings 2002; Schneider 2006). Villagization was dominated by the excessive use of force on the part of the state, a total disregard of existing customary rights and a lack of any consultation with rural populations. Veteran legal and land-rights scholar Issa Shivji, who assessed the process, criticized it for undermining collective rights in rural areas. He noted the following:

Post-colonial administrators [in independent Tanzania] did not even go through the motions of consultation, but rather directives from the top implemented bureaucratically and often enforced through legal and extra-legal coercion have been the typical modus operandi. (Shivji 1998: 10)

While villagization was heavy-handed, its impacts were not uniform across Tanzania, some regions being affected more than others. There was very minimal resettlement in areas of large coffee and tea plantations such as the Northern and Southern Highlands (Odgaard 1986, Raikes 1986). Conversely, resettlement was widespread and more brutal in the southern regions of Lindi, Mtwara and Ruvuma than in the rest of Tanzania. One reason for this was that, as these regions bordered on war-torn Mozambique, resettlement was seen as a way of protecting the local population from the war.

3.2. Echoes of the past

Although it is over forty years since villagization, meaning that memories of the authoritarian implementation of the resettlement process may not be as important today, experiences of it still influence the attitudes of local populations towards current state-driven investments. Both the conservation and mining sectors, particularly gold, offer one of the most recent experiences of the state's mistreatment of local populations.

Successive governments under Presidents Ali Hassan Mwinyi (1985-1995) and Benjamin Mkapa (1995-2005) paid great attention to foreign investors and promoted neoliberal economic policies and practices that undermined the rights of local populations, leading to evictions of smallholders in various parts of the country. Notable cases of evictions influenced by neoliberal reforms, particularly to support conservation and tourism, include the 1988 eviction of pastoralists in the then Mkomazi game reserve (Brockington 2002), evictions of Maasai pastoralists in Loliondo adjacent to the Ngorongoro National Parks in 1999 (Kamata 2012) and evictions of Sukuma agropastoralists from the Ihefu valley in the Usangu basin in 2006 (Walsh 2012).

In the mining sector, relationships between the state and local populations changed dramatically at the peak of neoliberal reforms, that is, under the administration of President Mkapa, when the state was desperate to attract FDI. In efforts to improve FDI flows under a World Bank-sponsored and locally supported mining reform programme, artisanal miners from different parts of the country were forcibly removed from their areas by state security forces to pave the way for foreign mining companies. This was more prevalent in the gold sub-sector, especially in Lake-region areas such as Bulyanhulu, Geita and North Mara. The state famously labelled artisanal miners 'intruders' (Lange 2008; Schroeder 2010; Emel et al. 2011; Holterman 214). The most infamous eviction case was the so-called 'Bulyanhulu tragedy' of August 1996, when over fifty people were allegedly killed when artisanal miners were forcibly evicted by state security forces to pave the way for the establishment of the Bulyanhulu gold mine by the Kahama Mining Corporation Limited. This was a wholly-owned subsidiary of Canada's Sutton Resources, later acquired by the Barrick Gold Corporation in 1999 (LEAT 2002).

In short, the treatment of local populations and smallholders shows important continuities over the years, but contemporary developments have given way to differences. While I am not claiming that the Nyerere, Mwinyi and Mkapa administrations were the same, the discussion above has revealed important continuities in terms of the treatment of local populations over time by different governments. Under the guise of 'nation-building' under Nyerere, local populations suffered heavily from villagization, as already discussed. On the other hand, the partnership between the state and foreign capital under the Mwinyi and Mkapa administrations promoted foreign investments in wildlife, tourism and large-scale mining, all of which led to mixed outcomes, including massive 'violations' and challenges to smallholders' rights and increased conflicts, especially in areas where local populations resisted such investments.

The most significant difference in recent years was when the Kikwete administration paved way for the revival of the SOEs in the mining sector with a new Mining Act in 2010. This represented a departure from the policies of previous administrations and reflects the potential scale of the investments at stake and of SOE-led investments as a source of rents for the ruling elites. These rents can emerge from local service and procurement contracts, revenues and royalties that are used locally, and bribes (see section 4.1. for more information). SOE-led projects were and still are framed as unique projects in which the state has a direct stake, as opposed

to other mining projects in the country, which are a hundred percent owned by foreign companies.

Most recently, the Magufuli government has intensified the SOE-led investment policies started by Kikwete. After assuming office at the end of 2015, President Magufuli has enacted a series of policy reforms that have dramatically changed the governance of mining investments. These policy changes include three new pieces of legislation enacted in July 2017 (see Jacob and Pedersen 2018) and mining regulations in 2018, which among other things proclaim Tanzania's sovereignty over its natural resources and provide for the mandatory (sixteen percent) involvement of SOEs in mining operations and allows them to acquire up to fifty percent of the shares in mining companies. Given recent enthusiasm for SOE-led investments, tensions between the state and local populations are likely to increase, as local communities are increasingly coerced to support extraction projects carried out by state-owned enterprises (Pedersen and Jacob 2017; Jacob and Pedersen 2018).

4. COAL EXTRACTION, DISSENT AND THE CHANGING POLITICAL LANDSCAPE

In Mbinga, located in the Ruvuma region, south-western Tanzania, the local population has historically been loyal to the ruling CCM, but recent electoral trends indicate that the situation is changing. The emergence of new political players has led to the erosion of previously dominant CCM coalitions at the sub-national level. One of the main reasons for the breakdown in relations between the CCM and its traditional supporters in Mbinga District is local dissatisfaction over recent compensation arrangements related to land acquisitions. The SOE (NDC) was determined to fast-track the land-acquisition and compensation process and move ahead with coal extraction – a source of rents for CCM’s ruling elites (see section 4.1. for a discussion of different forms of rents from coal investments in Tanzania). However, villagers resisted what they perceived to be the low level of compensation. This also brought them into conflict with the local state in Mbinga, which was backed by both by the regional government in Ruvuma and national governments. A number of unfulfilled promises made by state-backed investors in the Ngaka coal mine aggravated the conflict.

4.1. Supporting a ‘state-led project’: fast-tracking land-acquisition

The influence of the SOE and regional and local state officials in shaping consultation processes was immense. The SOE-led mining project was framed by NDC officials and national and local politicians as a unique project for the benefit of all Tanzanians that should be supported. Villagers were also constantly reminded that this is a project in which the state has a direct stake, as opposed to other mining projects in the country, which are a hundred percent owned by foreign companies, as was the case at the time. There was a need, they were told, to support a state-owned company that represents ‘all Tanzanians’. This framing was very strategic in controlling dissent in efforts to legitimize coal extraction. As one villager put it:

When the NDC and land people came for consultation, we were told the project is led by NDC, and the Australian company is just a partner. [...] our Member of Parliament and regional commissioner said we must support the government of President Kikwete. (interview, Ntunduwaro village, September 2015)⁵

The quote above is a reference to the soft efforts deployed by state actors to limit participation by and dissent in local communities, which has characterized the recent wave of state-led extractive and energy investments. Extractive and energy investments are framed by ruling elites as the key to promoting economic growth, modernizing energy provision and securing the nation’s energy supply. This framing is associated with claims of national importance and urgency at the expense of local rights (Jacob 2017; Pedersen and Jacob 2017). Local communities are under increased pressure to support such investments, which formally should benefit all Tanzanians. In other words, SOE officials and ruling elites at the national level are shaping consultation processes at the local level in ways that may increase tensions and lead to a situation resembling sub-national resource curse processes (Poncian, in press).

4.2. Contesting land acquisition: the state's power fully displayed

It was clear that joint efforts by both the state and local government, the NDC and the JV partner, played a major role in influencing consultations reducing community opposition to coal extraction. Nonetheless, the land-acquisition process, as undertaken by the NDC and its JV partners, suffered from local perceptions that compensation was inadequate. In mid-2012 villagers started small-scale local protests targeting TANCOAL officials and Gaudence Kayombo, the local CCM MP in what was then Mbinga East constituency, over delays in holding talks to resolve compensation demands. Local protests culminated on the morning of 9 October 2012, when well-organized local protests began after dozens of villagers gathered to block trucks transporting coal from the mine and to demand payments of what they called 'deserved compensation' (interview with Ntunduwaro village chairman, July 2016).

In a major show of force, the district and regional governments responded to the protests by sending in heavily armed anti-riot police units, regular police and the army to join the private security guards who were already stationed at the mine. Eleven people, including the village chairman, were arrested and detained after clashes with the police. The mine had to suspend operations for several days following orders from the Regional Commissioner, Said Mwambungu. Villagers expressed their dismay at the allegedly unnecessary use of force by the special anti-riot police squad and the presence of the army during the crackdown. As one of those who took part in the clashes stated:

We are not used to dealing with the field force (special anti-riot police). It was very scary. At least the normal police are close to people. (Ngaka villager, 2016)

On the other hand, an official from Mbinga District supported the brutal response by the security forces and emphasized that it was the only option left to the government:

We realized that villagers were angry and well organized, and it was too much for TANCOAL's private security guards to handle. We had to bring the special anti-riot police from the district and regional headquarters, and they did a great job. It was a serious decision, but it had to be done to protect our investment. (Mbinga District official, 2016)

In May 2013 the conflict erupted again when villagers organized protests over delayed compensation payments, but they finally accepted what was generally perceived by many to be a low level of compensation. Grievances against the NDC and its partners are still high. The aftermath of the 2012 and 2013 conflicts led to investments in security at the mine. By 2014 the total security budget had doubled according to TANCOAL, and the number of private security guards stationed at the mine almost tripled (interview with TANCOAL's operation officer in Ngaka, August 2015). This was in addition to the occasional deployment of undercover state-security personnel for purposes of surveillance and intelligence gathering in and around the neighbouring villages.⁶

4.3. Broken promises

After reluctantly giving what many locals consider ‘coerced consent’,⁷ which allowed coal-mining to start in 2011, communities in Ntunduwaro and Ruanda are increasingly showing their frustration with the state-backed coal investments. It should be noted that, before coal extraction began in August 2011, a meeting between TANCOAL and village members was held in January 2011 at which the NDC and its Australian JV partners outlined their plans for improving community relations. The initial promises made at the meeting included, among other things, the provision of electricity, the supply of clean water, prioritizing giving employment opportunities to the local population, improving local schools (with the construction of staff houses and new classrooms) and dispensaries, establishing a vocational training centre, and minimizing the environmental impacts (dust and effluent control) from coal mining. Many of these promises remains unfulfilled to date.⁸ On the other hand, poor compensation and the lack of farmland have hit some of community members hard. Without plots to cultivate food and cash crops, many are now surviving as casual laborers working on farms belonging to other villagers.

4.4. Struggles over water and pollution

Apart from the land question, by 2013 villagers had become frustrated with the negative environmental impacts of the mine. There were concerns over excessive dust from coal trucks and noise from blasting activities, while the contamination of two streams, which are the major sources of water for domestic and irrigation activities, further intensified the tensions (Maganga and Jacob 2017). In an interview in 2015, TANCOAL officials denied that the company was responsible for contamination.⁹ Villagers’ complaints about water pollution were later confirmed by an independent water-quality laboratory test conducted by experts from the Ministry of Water and Irrigation in July 2016. The report concluded that water from the two main streams (Nyakatunda and Nyamaviva) and from TANCOAL’s campsite in Ngaka was highly contaminated, had low oxygen solution levels and did not meet the required standards due to the discharge of coal effluent from the mine. The report recommended that villagers should immediately stop consuming water from the two streams, which was found to be unsuitable for human consumption. The report also recommended the regular monitoring of water quality and advised TANCOAL to provide an alternative source of clean water to the villagers (URT, 2016).

Following the recommendations in the water-quality report, TANCOAL responded by installing three water tanks to supply ‘clean’ water. This was initially seen as an important contribution to the community on the part of the mine because local women and schoolgirls were walking long distances to fetch water from the streams.¹⁰ Two months after the tanks had been installed, villagers discovered that the water they contained came from the TANCOAL camp site, which had also been found to be contaminated by the water-quality test. These revelations further increased the tensions between the villagers and investors. In 2017 TANCOAL was collaborating with the Mbinga District Council to finance a new water project to supply clean water.

4.5. Local state and party politics

As a result of local frustrations over unfulfilled promises, local CCM leaders, who dominated local politics for many years with the backing of traditional grassroots supporters, such as smallholder and communities adjacent to Ngaka coal mine, have seen some of their support shift to opposition parties. The opposition has been eager to capitalize on the worsening relations between the CCM and its traditional constituencies. Regional and district opposition leaders have exploited the frustrations of the local population over the Ngaka incident by sending the clear message that the CCM has forgotten them and betrayed them and has decided instead to associate itself with multinational companies. As a senior district official for Chama cha Demokrasia na Maendeleo (CHADEMA) stated in an interview in 2016:

Our campaign in the last election was centered around the coal mine issue, and particularly promises broken by the government and their foreign partners. We used the violent events of 2012 and 2013 to demonstrate the extent to which the CCM government betrayed local people and its members. The strategy worked well and enabled us to gather substantial votes, and hopefully we can build on this momentum in the next election. (Interview with opposition representative in Mbinga, July 2016)

This claim of recent electoral success was backed up in a separate interview with a group of villagers who claimed to have moved to the opposition recently. A representative who spoke on behalf of the group summarized their sentiments:

We used to see CCM as our strong hope in promoting local development and fighting oppression for poor people like us, but after what happened in Ngaka, many of us see CCM leaders and their NDC collaborators to be as oppressive as foreign companies. (Account from focus-group discussion in Ntunduwaro village, July 2016).

It was clear that poor compensation and the consequences of what was perceived as the insufficient fulfilment of promises and expectations became a tool to fuel more local dissent, which had political ramifications for electoral politics locally. Although the ruling CCM party remains dominant, in the most recent local and national elections its share of the vote at the district level fell, and the Mbinga MP for the ruling CCM party was defeated in his re-election bid at the party primaries.¹¹ According to the CCM's Ruvuma regional secretary, the MP lost the primary following accusations that he supported the coal investors and had ignored local grievances over compensation. He added that 'the ex-MP had become very unpopular, especially in areas surrounding the coal mine. It was clear CCM was going lose the seat, and the party regional and central committee had to find someone fresh and credible to replace him.'¹² The eventual winner of the CCM primary and the current MP ran on the promise of confronting TANCOAL and delivering on pressing issues such as compensation and community benefits. Also, for the first time since the introduction of multiparty politics, the local CCM ward councilor was defeated by the opposition candidate, a sign of the CCM's declining support base. Both events were linked to disputed compensation payments and unfulfilled promises, which dominated political campaigns in the villages close to the mine and in Mbinga District more generally.

5. TOWARDS A LOCAL EXCHANGE DEAL?

In response to the initial community backlash in 2011, 2012 and 2013 respectively, the NDC and its partners began to explore various options to engage local communities in efforts to diffuse tensions and improve community relations. In the words of the NDC's head of community relations, the state-owned firm and its partner had realized that they could no longer rely on private and government security forces to protect their coal operations in Ngaka and ensure their smooth running. The NDC representative emphasized that: *Even though coal mining was progressing, we felt something was not right, and there was an urgent need to rebuild trust with surrounding villages.*¹³

The NDC's partner, the Intra Energy Corporation (IEC), an Australian stock exchange-listed company, became increasingly concerned with the potential reputational risks from local resistance, despite constant reassurances from the state-backed NDC. In an interview with a senior IEC representative, the latter indicated that it was pressure from the IEC that stimulated its joint-venture partner, the NDC, to rethink their joint strategy and start exploring CSR initiatives in order to benefit local communities and minimize conflicts.¹⁴

The pressure the IEC placed on the NDC is in line with recent empirical evidence showing that companies, especially stock exchange-listed ones, are more likely to pursue various CSR strategies to offset potential reputational damage (Trebeck 2007; Van Tulder et al. 2009; Mueller and Krausll 2011; Kotchen and Moon 2011). More recently, other scholars have argued that the potential reputational damage to investors of their actions does offer local communities a degree of leverage in their engagement with investors, although they also caution that the type of investor determines the level of leverage (Rutten et al. 2017). Various CSR initiatives in Ngaka (discussed later) can be seen as part of what Buur et al. call efforts to establish local exchange deals to ensure that local populations are directly engaged with the coal-mining economy on the one hand and that attempts are made to legitimize investments on the other, as research from other parts of the world has shown (Bebbington 2010).

5.1. The changing terrain of holding power

As gate-keepers of these investments, CCM elites and state bureaucrats have control over the various rent-extraction streams flowing from the coal mining in Ngaka. Rents from the coal investments are used locally to finance social services and infrastructure upgrading that are highly valued by local populations craving social development projects. Other rents are important for financing local political activities, as well as for use as economic resources to co-opt rival factions and finance local election campaigns. While rents are among the most important sources of holding power, in this case I argue that holding power has changed over time.

Between 2011 and early 2015, securitization was the main source of holding power deployed by the state-owned enterprise (NDC) and its foreign partner (IEC) to dictate community engagement. A combination of both the state security apparatus

and private security contractors was used to impose a culture of fear, suppress local resistance and ensure that coal was extracted even at the expense of the rights of the local population. This holding power was demonstrated through violence and constant threats directed at the local population and smallholder farmers by the security forces, as described in section 4.2. Although the villagers managed to disrupt operations temporarily in 2013, I argue that before the 2015 general election they lacked significant holding power to influence the behaviour of the state and its corporate patterns in respect of coal investments.

As also described in section 4., the situation changed in the run-up to the 2015 general election, when coal-mining emerged as important electoral issue and a tool for political mobilization, especially in the hands of the newly emerging political opposition in Mbinga. The opposition made various claims, including the main accusation that deep patronage networks had developed between local CCM politicians and coal investors to the detriment of local communities, particularly local landowners, who were subject to the controversial compensation scheme led by the state through the NDC on behalf of its corporate partner. The fierce campaigns, local mobilization and subsequent election of the first opposition party councillor in October 2015, coupled with the relative decline in the CCM's popularity in the coal-mining area, were indications that local communities and smallholders constituted an important voting bloc and possessed the capacity to inflict significant political damage on the dominant CCM's power base. The opposition election victory in the coal-mining area (Ruanda ward) was important albeit preliminary evidence that local communities have acquired some power, suggesting a shift in the holding power of the villagers against the state and its multinational partner.

While initiatives aimed at upgrading community infrastructure, such as the renovation of a local primary school and health clinic in Ntunduwaro village, were positively received and considered important in repairing the tense relations between community members and the investors, it is the arrangement to provide a local food-procurement and catering service between the mine and a local organization that can be considered to be a potential real exchange deal.

In mid-2011, TANCOAL officials started consultations with local politicians and community leaders from Ruanda and Ntunduwaro villages and Mbinga District officials to discuss various possible options to strengthen community engagement. The discussion led to the establishment of the Mbalawala Women's Group (MWG) in late 2011 and its registration as a local NGO in 2012. The Women's Group established a number of activities, including catering at the mine, vegetable-farming, a tree nursery, pottery-making and a charcoal briquette business. The MWG's initial activities and equipment were entirely funded by TANCOAL and later supplemented by a \$28,500 grant from the Australian government in 2012. Most of these activities have been set up as independent small businesses owned and managed by MWG members.

Of all the group's activities, providing food-procurement and catering services to TANCOAL's Ngaka mine stand out. According to TANCOAL officials, the

company was approached by a number of reputable foreign catering service-providers from Africa and Europe, but they opted to contract the local women's group to supply locally grown foodstuffs and catering instead. One TANCOAL senior official described the decision to procure food locally as part of an approach which 'is not based on providing charity but to offer sustainable partnership opportunities and promote communities self-reliance'.¹⁵ TANCOAL views the procurement deal as a catalyst to accelerate backward linkages, which they believe will contribute to boosting the incomes of the communities that live adjacent to the coal mine. Literature on linkages in extractive industries demonstrate that local procurement can generate positive impacts for communities and the host country more generally, especially when goods and services are procured local or subnational levels (Morris et al. 2012; White 2017).

Through the procurement deal, MWG members have received training in the form of capacity-building workshops on entrepreneurial skills and financial management. TANCOAL has also arranged mentorship programs for women. Although the procurement deal has to some extent helped change overall perceptions of the mine among the local population, villagers are not happy that only a specific group of women are receiving this training. From the interviews we conducted, it is clear that the members of the women's group had also received significantly more training compared to non-members.¹⁶ In Ntunduwaro, villagers complained that only a few of them, those who are believed to be connected with the MWG leadership, were selected to attend training in entrepreneurship.

TANCOAL officials also claim that the procurement project was not imposed on the local community, as they offered avenues for local leaders to participate and make a contribution, leading to acceptance and positive attitudes towards the project and the investors. Conversely, interviews with community members indicate that there were limited formal spaces for dialogue and that only the local elites were involved. The limited engagement raises the question of whether local populations can actually influence local exchange deals or whether they remain powerless because the local elites dominate the discussions.

The IEC's efforts are an example of a multinational company not being satisfied with the backing of the state and seeing the need to legitimize its operations within the local context as well. In this case, the IEC was compelled to enter into an alliance with a local NGO (Mbalawala Women's Group) to improve its reputation. Through the NGO, the IEC and the SOE attempted to gain the support of those living near the coal mine. Interactions between corporations and NGOs can play a critical role in settling differences between investors and local communities (Scherer and Palazzo 2007). The literature on SLO and FPIC has mainly focused on the pre-extraction phase, but this case shows that the search to come up with a local exchange deal that can lead to an SLO being granted can go all the way to the post-extraction phase if it is faced with sustained community opposition.

6. TOWARDS A CONCLUSION

This paper has discussed the phenomenon of the state's involvement in extractive investment, focusing on coal, and showing how the resurgence of the state's involvement in mining can reconfigure relations between investors and local populations. It thus responds to a call for empirical evidence regarding complex relations between investors, ruling elites and local populations (Buur et al. 2017). The paper shows that extractive investments involving SOEs tend to stimulate less motivation to seek consent and enter into local exchange deals with local populations.

The findings from Ngaka reveal a complex interaction between the state and private-sector actors and the local population. With the backing of the state, TANCOAL managed to ignore community opposition and its members' right to timely and adequate compensation and went ahead with coal extraction anyway. However, following years of hostilities with surrounding communities after the failure to meet expectations and honor its promises, the state-owned company and its private partners have gone through a lengthy process characterized by several attempts to establish a 'local exchange deal' and secure a 'social licence to operate' post-extraction. These efforts, which are aimed at securing local support and defusing tensions, include a number of CSR initiatives and the local procurement deal described above. The latter, which is seen as a success story and a potential exchange deal by the company, is nonetheless greatly contested by many community members, who remain unconvinced of its virtues.

The paper also found that, for private companies involved in joint ventures with SOEs like IEC in Ngaka, the presence of the state as part of the shareholding set-up helps to minimize the political and investment risks and offers stability and protection from the hostility of local populations. Similar trends have been documented by a recent study on standards of land-acquisition by mining and petroleum investments involving state actors in Tanzania (Pedersen and Jacob 2017). However, the contested 'exchange deal', initiated by TANCOAL under pressure from the IEC, shows that, despite assurances from the state, private companies can to some degree influence their state partners to operate in ways that reflect the interests and demands of listed companies that are subject to the pressures of accountability, transparency and other expectations on the part of investors and other stakeholders.

Although the focus of this paper has been on relations between investors and local populations, some of the discussion, especially that related to coal extraction and local electoral politics, highlights the tensions that may arise among ruling elites themselves. At the heart of these tensions, it is very clear that the variety and level of elites matter. While high-level national elites at the top of the executive branch of government who are eager to attract FDI and maximize rent collection make important decisions regarding investments and licenses to extract, it is elites at the sub-national level (regional, district and village) who are the focus of the backlash of local populations where the actual extraction takes place.

The Ngaka case is a clear example of intra-elite contestation, given especially the infighting between national-level elites and sub-national elites, as illustrated by the case of the former local CCM MP and councillor who lost their seats during the 2015 general election. Given their power over 'national' resources, top state-level elites in Tanzania are busy promoting coal investments under the guise of energy security and industrialization (Jacob 2017), while regional, district and village-level elites in Ruvuma are faced with a delicate balancing act, safeguarding the land rights and livelihoods of their local populations for their own political survival on the one hand while ensuring the smooth running of these state-backed investments on the other. This calls for a further unpacking of elites and for greater attention to be paid to the role of sub-national elite actors. Another potential area for future research emanating from this study is the role of both private and state-security instruments in protecting extractive investments.

Finally, as described throughout, this case illustrates the potential leverage available to local villagers as a result of mobilizing and demonstrating their opposition. Local dissent over coal extraction by the state and the MNC has had impacts on the local political landscape. While local political elites, SOEs and their MNC associate initially downplayed and suppressed local dissent, the outcome of the recent local elections could change the dynamics going forward. While there is not enough evidence to suggest that the NDC (SOE) will review its practices, this case has the potential to influence how the NDC and other SOEs approach future projects. With Tanzania moving towards the peak of resource nationalism (Jacob and Pedersen, 2018), coupled with strong requirements for state participation in mineral extraction through SOEs, the state is no longer just protecting the MNC's foreign capital and playing a brokerage role, as was the case under liberalization, it is also safeguarding its own share of the investments through SOEs. This trajectory means that sub-national regions endowed with extractive resources are increasingly becoming sites of strategic importance to the Tanzania state and that conflicts are more likely to erupt between SOEs and local communities, as argued recently (Jacob et al. 2016; Pedersen and Jacob 2017). This calls for SOEs to reconsider their approach to future extraction projects.

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END NOTES

¹ The Sydney-based Intra Energy Corporation (IEC) formed a joint venture with Tanzania's National Development Corporation (NDC) to create TANCOAL in 2008. Under the terms of the joint venture, the Tanzanian government owns 30% of Tancoal through the NDC, and the IEC owns the remaining 70%.

² This is based on the rhetoric that the state is accountable to its own citizens, while corporations and private businesses are accountable to their shareholders.

³ For a recent discussion of the concept of holding power, see the recent contribution by Behuria et al. (2017), which builds on early work by Mushaq Khan.

⁴ In 1976 Tanzania's population was 16,493,435.

⁵ This view was widely shared by other villagers during focus-group discussions.

⁶ Interview with TANCOAL's senior official, Ngaka, August 2015.

⁷ The consultation process and overall compensation plan was dominated by local dissent, which was ignored after the government forced villagers to vacate their lands to pave the way for coal extraction. Villagers claimed to have been compensated only for their buildings and crops, not the full market value of their homes. Those resisting the low compensation rates were labelled enemies of development. Low levels of compensation were initially accepted due to threats that the government would take the land anyway and that villagers therefore had to accept whatever was offered. They were told by the area Member of Parliament and NDC representative that the government 'was doing them a favour'.

⁸ The meeting was held in Ntunduwaro village on 27th January 2011 and was attended by 96 village members. According to village leaders, the turnout was historic since village general assembly meetings are usually poorly attended.

⁹ Interview with TANCOAL mining manager in Ngaka, August 2015.

¹⁰ Information from focus-group session in Ntunduwaro, August 2015.

¹¹ The then Mbinga East constituency was split into two in the run up to the 2015 general elections, forming the two constituencies of Mbinga Rural and Mbinga Urban respectively. The CCM candidate for Mbinga Rural received 68 percent of the votes, compared to over 90 percent obtained in 2010. The 2010 electoral data come from party sources.

¹² Interview with the CCM's Ruvuma regional secretary, Songea, September 2017.

¹³ Interview with NDC's head of community relations, Ngaka 2016.

¹⁴ Interview with Intra Energy Corporation representative, Ngaka 2016.

¹⁵ Interview with TANCOAL official in Ngaka, 2016

¹⁶ Information from focus-group discussion, Ntunduwaro, 2016.