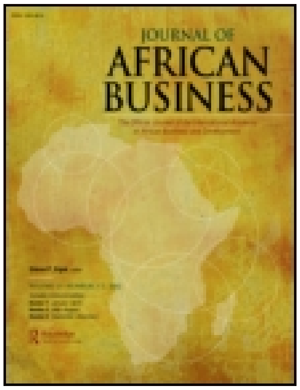

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Corporate Community Involvement and Local Institutions: Two Case Studies From the Mining Industry in Tanzania

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Corporate community involvement contributes capital or resources in various forms to a community. However, such involvement may also influence local institutions that determine how well these resources are used, that is, the extent to which they are used to promote the public good rather than being subject to private capture. For community involvement to have a beneficial effect on local development, corporations need to consider their impact on local institutions. Presented in this article are two case studies from Tanzania that illustrate how community involvement activities of two mining firms have resulted in misappropriation of and conflict over corporate community involvement funds. It is argued that corporations need an analytical approach that integrates a differentiated stakeholder approach with institutional theory to contribute to local development in poor communities.

Key words: *corporate social responsibility, extractive industries, institutions, mining, Tanzania*

INTRODUCTION

As globalization continues, more and more multinational corporations establish operations in developing countries. This brings the corporations into contact with the often dismal human living conditions in these countries, including poverty and lack of human development in terms of schooling and health services. In response to this, a number of companies have introduced local community development projects, or, more broadly, community involvement activities, in poor countries where they operate. These projects include building schools and health facilities, providing infrastructure like roads, wells or water pipes, sanitary facilities, access to electricity, and a number of other initiatives. While corporate community involvement activities are diverse, their overall evaluation by development scholars and specialists has been critical.[1] The critics point out that the projects reflect corporate objectives more than community development priorities, and sometimes do more harm than good.

We look at conditions under which community involvement is likely to contribute to development in local communities where corporations have operations. A key insight in this respect is that while corporate activities contribute capital in various forms to a community, they also influence local institutions that determine how well that capital is used. In other words, for community involvement to have a beneficial effect, corporations need to consider their impact on the local

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"rules of the game" (i.e., on power structures and relations that determine the use of local resources). Not taking local institutions into account can, for instance, lead to the appropriation of corporate project funds by local elites, with few development benefits. More important, corporate activities can create or reinforce existing institutional dysfunctions in local communities, such as by adding to the power of unaccountable local elites.

These observations imply that corporations face some analytical requirements to have a positive impact locally. When applying the stakeholder perspective, corporations often designate local communities a unitary stakeholder, abstracting from internal conflicts of interest and the internal dynamics of communities. This is unfortunate as it glosses over the substantial heterogeneity in interests and inequalities in power that characterize local communities. In order to have a beneficial impact, corporations need to open up the "black box" local communities often represent in the stakeholder perspective. Moreover, this needs to be coupled with an understanding of how the interaction between various local agents evolves and is influenced by the corporation. In other words, the integration of a more differentiated stakeholder approach with institutional theory is needed for corporations to contribute to development locally.

To illustrate in detail the problems corporate community involvement may create when institutions are weak, and analyze the question of how and when community involvement practices either add to or reduce institutional problems in local communities, we present case studies of two mining corporations in Tanzania. Both corporations, the Geita Gold Mine and African Gem Resources (AFGEM) in Mererani, experienced misappropriation of and conflict over corporate community involvement funds. However, the corporations responded in different ways to this problem. The approach taken at the Geita Gold Mine may have enhanced the impartiality of local institutions and hence be conducive to local development, whereas the approach taken by AFGEM in Mererani is more likely to increase local tensions. By relating the differences in approach to differences in context and company characteristics, the cases suggest some factors influencing the extent to which a company is likely to adopt a community involvement approach conducive to local development.

A large number of previous studies of corporate community involvement have focused on the mining sector. As noted by Hamann (2004), mining raises particular concerns due to questions about its macroeconomic and environmental impact, effects on local communities including indigenous groups, and the transitory nature of activities and subsequent impacts of mine closure. Previous studies have focused on the legitimacy or social licence to operate of mining companies (Gifford & Kestler, 2008; Gifford, Kestler, & Anand, 2010), our study complements these by looking at conditions for a favorable impact of community involvement. While institutions are a key variable in these and other studies, the emphasis is largely on the implications of evolving international, industry or state institutions, not on local institutions. Important exceptions are Cheshire (2010) and Hamann, Kapelus, Sonnenberg, Mackenzie, and Hollesen (2005), who highlight implications of mining activities for local institutions in Australia and three African countries, respectively. They point out that community involvement often takes the form of "patronage rather than partnership" (Cheshire, 2010, p. 12), and that "support for more sustainable patterns of local governance" is needed (Hamann et al., 2005, p. 61). We elaborate on these points using the two cases from Tanzania, drawing up analytical requirements and background conditions for corporations to have a favorable impact on local institutions and development. We thus respond to the challenge indicated by Ndhlovu (2011), that there is a need to study corporate community involvement in a political economy framework.

The article is structured as follows. Next, the theoretical and conceptual basis is presented. The following section outlines the methodology used in the case studies. The cases are then presented in detail, followed by a discussion that illustrates the problems created by corporate community involvement when community heterogeneity and local institutions are not sufficiently taken into account. The conclusion ends the article.

CORPORATE COMMUNITY INVOLVEMENT AND LOCAL INSTITUTIONS

Corporate community involvement activities can be viewed as one aspect of corporate social responsibility, addressing the interests and concerns of the members of the local community in which a corporation operates. As noted in the introduction, corporate community involvement has met with a lot of criticism in terms of its contribution to development. Development scholars and specialists point to a lack of needs assessment before implementing activities, little contact with target groups, little awareness of local political and cultural contexts, lack of coordination with other donors and broader development plans, and a lack of evaluation of impact. This has resulted in schools being built and then left empty, donated mosquito nets being resold elsewhere by local elites, roads being built in parallel to publicly constructed roads, and other wasteful or harmful activities (Frynas, 2005). In the following, we focus on one particular challenge to corporate community involvement, that of little awareness or consideration of political and cultural context, and use case studies from the mining industry in Tanzania to highlight ways in which practices can be improved.

When a company establishes operations in a local community, a number of tangible effects result, such as the creation of jobs, an expanded demand for local inputs, goods and services, and possibly increases in local taxes, but also negative effects such as the depletion of natural or environmental assets, or displacement of people locally. Local community involvement activities are usually a way of offsetting negative effects, pursuing the reality or impression of a net benefit to the local community of the corporate presence. Whether a net benefit to the community arises is not just a question of the net amount of resources made available by the corporate presence, it is also a function of how those resources are used. The developmental effect of local taxes or local community development funds depends crucially on how these resources are invested. These types of funds can be channeled into activities that are to the good of the community as a whole, or they can be squandered on activities that benefit only a few. The history of corporate community involvement is full of examples of elite capture of funds, such as the case of the mosquito nets mentioned earlier. There are also examples of corporate activities having a divisive effect on local communities, resulting incostly conflict over the benefits of corporate involvement.[2]

The extent to which community resources are used for the good of the communitydepends crucially on local institutions, defined as ‘‘rules of the game,’’ or more elaborately as ‘‘humanly devised constraints that structure human interaction’’ and that ‘‘define the incentive structure of societies’’ (North, 1990, p. 1994). In particular, institutions whereby local political decision makers are held accountable for their actions enhance the impartiality of their behavior as their interests are aligned with those of the population. Public resources are hence more likely to be used to promote development rather than squandered through private capture in communities where these types of institutions exist. In addition to formal institutions of democratic accountability and the rule of law, a number of studies stress the importance of informal institutions such as trust, norms, and conventions for political behavior and development.[3] Together, formal and informal institutions shape the incentives and social expectations that decisions makers face, and the productive use of community resources is more likely where these institutions are impartiality enhancing, as opposed to where they permit decisions partial to local elites (Kolstad & Wiig, 2009).

This means that corporate community involvement activities cannot be viewed in isolation from the corporate interaction with and effect on local institutions. Ignoring the local institutional context when introducing community involvement activities increases the risk that they are privately appropriated, and hence wasteful in terms of promoting development. Worse still, activities that play into the hands of local political elites may serve to strengthen their financial base and hence political power, in effect making them more unaccountable to the population. In other words, not taking into account the impact of corporate activities on political and cultural conditions in a community, on the formal and informal rules that govern interaction and political behavior in that community, means that the activities of corporation can be harmful rather than merely wasteful. This is a particularly salient issue in developing countries where local institutions are often weak or dysfunctional to begin with, and power and wealth unequally distributed. Moreover, it means that a corporate presence can have important long-term effects on a local community, affecting its development prospects well beyond the horizon of the corporate presence there.

Effects on local institutions have largely been ignored in the literature on corporate community involvement, with a few recent exceptions. Cheshire (2010) looks at the nature of corporate community involvement and its implications for local institutions in remote mining communities in Australia. She argues that community involvement takes the form of ‘‘philanthropic gestures aimed, primarily, at keeping the community ‘on side,’ ’’ which constitutes a form of patronage, ‘‘financial support in exchange for legitimacy and community goodwill’’ (p. 17). These cases from Australia, however, are unlikely to capture the full extent of the problems that can be created by corporate community involvement in developing countries like Tanzania. When institutions of the rule of law and democratic accountability are weak, the main problem is not patronage in the sense of a quid pro quo between corporation and community. The problem is that a lack of accountability of local decision makers permits the private appropriation of benefits from corporate community involvement and the channeling of funds, jobs, or contracts to political supporters to perpetuate their access to these benefits. This is often also referred to as patronage, but in a quite different sense, that of ‘‘the use of public resources to secure political power.’’[4] Corporate community involvement may play into and exacerbate this problem of patronage (Wiig & Kolstad, 2010), and the two cases from Tanzania will illustrate in more detail how this plays out in practice.

From a theoretical point of view, the interaction of corporate community involvement and local institutions has implications for the analytical approach companies need to take to create favorable effects locally. The stakeholder perspective has been highly influential in shaping corporate responses to CSR challenges. A ‘‘stakeholder’’ is commonly defined as an individual or group that affects or is affected by a corporation (Freeman, 1984), and examples include employees, customers, suppliers, government, local communities, and so on. The term is often used by companies to structure their environment, through the use of a stakeholder map that depicts the company in a central box with links to surrounding boxes, one for each stakeholder. Local communities are frequently represented by a single box in stakeholder maps of this kind. This approach to mapping the environment of a corporation thus frequently glosses over the fact that local communities can be very diverse (as can a number of other stakeholders), with differences in interests between its members and uneven degrees of influence over community priorities. The preceding discussion clearly suggests that this is an unhelpful simplification. If local institutions are essential for a positive impact of corporate activities to be realized, understanding the interactions, incentives, and relative power of different agents in the local community is crucial, and the analytical approach of corporations should reflect this. An institutional perspective to local development thus has everything to do with heterogeneity and imbalances of power in local communities, and the black box that is so often used to summarize local communities needs to be opened for corporate community involvement to have a positive development impact.[5]

In other words, the integration of a more differentiated stakeholder approach with institutional theory is needed for corporations to contribute to development locally. By highlighting this insight, our case studies add to the previous literature seeking to integrate stakeholder theory and institutional perspectives. Notably, Campbell (2007) suggests that the extent to which corporations will behave responsibly depends on institutional factors. If we take "behave responsibly" to mean "contribute to development locally," our results are consistent with Campbell's proposition that corporations will act more responsibly when facing strong and well-enforced state regulations, as such regulations are absent in Tanzania. However, our results add significant nuance to another of Campbell's propositions, that corporations will be more likely to act responsibly if they are engaged in dialogue with community groups. This depends crucially on the mode of interaction and the accountability of community group leaders (i.e., how corporations relate to and impact on the rules of the game governing decisions in local communities).

CONTEXT AND METHODOLOGY

Context

In the period 1967 to the late 1980s, the state was in charge of all large-scale mining in Tanzania. In 1998, a new investor-friendly mining act was put in place. In the decade that followed, seven large-scale mines were established by foreign companies, and in 2008 Tanzania became the third largest gold producer in Africa. Mining's contribution to GDP was 1.4% in 1999, around 3% in 2007, and 2.3% in 2010.[6] Government revenues from the major mining operations in Tanzania have increased in recent years, but the country received only about 3% of the export value of its gold in the period 1998–2005, compared to about 30% for Botswana.[7] Perceptions that mining companies give little in return to the economy are part of the backdrop of corporate social responsibility activities in the sector (Lange, 2011). In addition, there have been a number of reported cases of conflict between mining corporations and artisanal and small-scale miners.

Two large-scale mines were purposely selected for this study: Geita Gold Mine (GGM) and AFGEM. The cases provide variation in terms of type of resource mined, geographical location, ethnic composition and mining-related conflict history of the local community, and size of the operation and company involved. GGM was selected because it is the second largest gold mine in the country (the largest gold mine, Kahama Gold Mine, has been at the center of the most serious mining conflict in the country and would not provide sufficient variation from the AFGEM case in this respect). In addition to one of the six large-scale gold mines, we wanted to study one of the two gemstone mines: Williamson diamond mine (owned by De Beers up to 2008) or AFGEM. The latter was selected for a number of reasons. First, the Williamson mine is located relatively close to GGM. We felt that it would be more fruitful to study a mine located in an area with a different social and ethnic setup. Second, Mererani is the only place in the world where the semiprecious stone tanzanite is extracted. For Tanzanians, tanzanite has great symbolic value. The fact that this stone is mined by a foreign company is resented by many people, and we thought it would be interesting to see how this situation was handled by the company. Third, AFGEM is a much smaller company than GGM, and we expected that this would be reflected in their thinking regarding CSR and the kind of resources that would be invested.

The two mining areas selected as cases have both seen conflicts between small-scale miners and foreign investors. However, the conflicts have reached far higher levels in Mererani compared to Geita. In both areas, the mining companies have implemented corporate community involvement activities, but in ways that vary in their approach to local institutions, which may in part have contributed to different levels of conflict. In our discussion of the cases, we will look into contextual and company characteristics that may have induced different approaches to community involvement. The two mining operations are presented in more detail, with an emphasis on the way corporate community involvement has been conducted. First, however, we outline the methodology used in the study of the two mining communities.

Methodology

The data used in this article were collected through qualitative fieldwork in northern Tanzania, as part of a larger project commissioned by the World Bank.[8] In the course of 3 weeks during May to September 2004, interviews and group discussions were conducted in mining areas in Geita and Simanjiro districts (where Mererani is located), as well as in Dar es Salaam. Given the contested nature of corporate social responsibility, including corporate community involvement, with different perceptions and availability of information among different agents, and inherent inclinations to control and structure the agenda, we collected interview data from a number of different informants, in the companies and among its stakeholders. This permits triangulation of views in order to verify claims and statements, and is also a natural approach as our study centers specifically on issues of power and conflict, between corporations and stakeholders, as well as among stakeholders. Consistent with the questions raised by our theoretical perspective on the need for more local stakeholder differentiation and integration with institutional analyses, data were collected on the views and interaction of different groups in the local communities. We also collected documents on the companies' contribution to local development projects, in addition to information on taxes paid to local and central government.

At Geita Gold Mine we had a short meeting with the top managers to introduce the research team and then interviewed the community development coordinator and the community relations officer. At AFGEM in Simanjiro, which did not have any specialized staff in charge of community relations, we interviewed the general manager and visited the community development projects. All of the mining staff interviewed were expatriates, except the community relations officer at GGM. To get the government's viewpoints on large-scale mining and corporate social responsibility, the following were interviewed: the commissioner of mining, officials at the Ministry of Energy and Minerals, Tanzania Investment Centre, staff at mining offices (zonal and local), member of parliament of Geita constituency, and appointed and elected local authorities at district, ward, and village levels. We also had meetings with local and international nongovernment organizations working in the mining areas, including AMREF, Plan International, Poverty International, and World Vision. The viewpoints of citizens were sought partly through interviews with community-based organizations (Maasai women cooperatives and organizations of small-scale miners), partly through community meetings organized by the local authorities and partly by informally approaching individuals and groups in the mining areas. The latter was of obvious importance as an important question in our study is the accountability of local authorities, which raises the concern that community meetings organized by them may not give an accurate picture.

In total, 35 individual interviews and eight group interviews were conducted.[9] Since the aim of the study was to address specific predictions from the theoretical perspective, while also preserving the opportunity to get more in-depth information of the ways in which the processes analyzed play out in practice, the format of semistructured interviews was used for the individual interviews. Conducting a study under the auspices of the World Bank helped facilitate contact with the mining companies and public officials, but one concern was that this might also influence the responses of various informants. Emphasis was placed on the fact that the research team represented independent research institutions, not the World Bank, which appeared to be acknowledged by the informants in the mining areas who clearly saw the research team as an opportunity for them to get their voice heard. While individual interviews provide some information on the heterogeneity of interests and perceptions and divisions within a community, we used group interviews in an attempt to more directly observe the intensity and dynamics of intracommunity divisions. The eight group interviews included 108 women and 53 men, and as our data will show, this provided additional information on divisions in local mining communities. To enhance rapport with the informants, interviews at the local level were conducted in Swahili by the first author, who has experience from several rounds of long-term anthropological fieldwork in Tanzania.

MINING, CORPORATE COMMUNITY INVOLVEMENT, AND LOCAL INSTITUTIONS IN GEITA AND MERERANI

Gold Mining in Geita

Geita District is the second most populous district in Tanzania with a population of close to 800,000 people.[10] About 10% of the population live in the district headquarters of Geita Town, where the GGM is located. Gold mining in Geita started in the late 1880s, but the GGM closed in 1966, four years after independence, due to low gold prices and political changes. In the mid 1990s, explorations proved that there were still viable gold deposits in the mine. Ashanti Gold of Ghana acquired the mining rights in 1996 and in 2000 entered into a partnership with South African–owned AngloGold. In April 2004, AngloGold bought Ashanti and the new, merged company took the name AngloGold Ashanti Limited. The GGM was officially opened by President Benjamin Mkapa in August 1999 but has only been in full operation since 2002. From a start of 500 employees,[11] it now employs around 2,400 people, of whom more than 90% are Tanzanian. In the period 1999–2003, the mine extracted 156,000 ounces of gold and paid approximately US $36 million in tax and various donations, and about 90% of district revenue collection is from the GGM. Originally, the mine was expected to operate for 10 years, but a new deposit was found in 2004, increasing the known deposit from 7.8 million to 14.6 million ounces and prolonging the expected life of the mine to 13 years.

There have not been any reports of illegal mining or conflicts with artisanal miners at the GGM, although similar relations at other mines in the area have been less harmonious. The main challenge for social development in Geita district is to cope with the almost explosive growth in population, related to migration due to opportunities created by mining. In addition to lack of health services, water is among the more serious problems of the district. Seven medical doctors serve a population of almost 800,000, and only 46% of the total population has access to clean water within a distance of 400 m. During the first 4 years after operations were resumed, the GGM spent close to US $4 million on development projects. Almost half of this amount, US $2 million, was spent on a 22-km-long water pipe that was drawn from Lake Victoria to the mine. Three villages along the route have been provided with water taps on the condition that they protect the entire pipe from damage and sabotage. People in Geita Town are bitter because they have not benefited from the pipe and they presently have an acute water situation. The GGM's US $1 million rehabilitation of the Geita–Ilogi road, on the other hand, benefits a large number of people since it has facilitated transport to Dar es Salaam substantially. In addition to their investments in roads and water, the company has supported a number of development projects within health, education, and income generation, as well as more ad hoc donations to various organizations and events.

The most interesting aspect of the GGM's community support, however, is their yearly support directly to the district council. Since 2002, the GGM has agreed to support the district with TSh. 150 million (US $137,000) per year. According to the district planning officer, the company agreed to do this when requested by the council at the investors forum meeting to contribute to development. This GGM development fund is managed by a committee made up of the district commissioner, the district executive director, three members of parliament, the chief councilor, and the human relations officer of the GGM. Through the fund, as well as other development projects, the company has managed to build a comparatively good reputation in terms of corporate social responsibility. After a visit to the mine in May 2004, for example, World Bank senior mining engineer Leo Maraboli told the press: "We saw how GGM [the Geita Gold Mine] tried to help the community and to us, they are pioneers of good corporate-community partnership for development"; The district commissioner of Geita, Albert Mnali, confirmed his impression, telling the visitors that the GGM is "part and parcel of the Geita community and contributes about150 m/ - annually for community development projects in such sectors as education, health, roads and water."[12] Just looking at the amount of money donated is misleading, however. According to a number of informants, considerable sums have been lost due to corruption. Francis Killenga of the Geita Diocese is open in his critique: "(A)fter our thorough study . . . the money provided by GGM for the projects which pass through the District Council is not fully utilized for the intended projects, instead (it is used) to promote individual projects . . . . Strategies to curb this negative effect by the government [are] not seen. The people cannot do anything about the corruption because they are not informed of the money, neither the projects" (Killenga, 2004, p. 1). According to other informants, money has not only been lost, but projects that were intended for certain villages have been redirected to villages where central officials had private interests.

As a result of the irregularities, the GGM decided to no longer let the Tsh. 150 million in support go through the district council. Instead, the council is asked to come up with a concrete building project for which they need funding, and then the GGM simply provides the building, using its own contractors. According to the district planning officer, the process of agreeing on a project is very cumbersome, since both the members of parliament and the councilors are eager to see projects implemented in their own constituency. Nevertheless, the full council meeting agreed in 2004 that the GGM support should be used to build a secondary boarding school for girls close to Geita Town, since this is a project from which all the villages in the district can potentially benefit. As discussed later, this is a quite different approach and outcome from that seen in Mererani.

Tanzanite Mining in Mererani

Mererani is situated in the Simanjiro District, whose population size is one fifth of the Geita District, standing at around 150,000. The mine is located 4 to 5 hours' travel time away from the district headquarter on dirt roads. Approximately one third of the Simanjiro population lives in Mererani, a multiethnic mining community composed of a conglomerate of people from Tanzania and neighboring countries, including the original Maasai inhabitants. Tanzanite is a rare, deep blue gemstone discovered in Mererani in 1965.[13] Commercial-scale mining started soon after, was nationalized in 1972, and then was abandoned as a failure in 1986. The result was an invasion of artisanal miners who constructed a network of underground tunnels. In 1990, small-scale miners were ordered to move from the mining area, and the site was divided into four blocks. The largest and potentially most productive block, block C, estimated to hold two thirds of the world's known tanzanite, was granted to Grapthan Ltd. in 1991 and sold in 1998 to the Mererani Mining Ltd., a subsidiary of the South African–owned company African Gem Resources (AFGEM). AFGEM started production in 2001. In 2004, AFGEM sold the mine to a group called TanzaniteOne Group, a subsidiary of JABE, a British/Australian company specializing in mining. In August 2011, TanzaniteOne announced that the company would change its name to Richland Resources Ltd (Helliesen, 2011, p. 1). Since the activities discussed in this article were conducted by AFGEM, we will refer to the mine using this name.

The AFGEM mine has 420 employees, of which 160 are security staff, 84 are Tanzanian professionals, and 6 are expatriates. The manager of the mine says that it is the company's policy to hire mine workers from outside Mererani only, since artisanal miners have a tendency to steal from their employers. The company has been involved in a number of serious conflicts with artisanal miners. The conflicts centered around two main issues: the question of branding of Tanzanite and the different conceptualizations of where the demarcations of claim titles go: at earth level only or below the ground as well.

In 2000, before production had actually been started, AFGEM began the process of branding their Tanzanite under the name The Tanzanite Foundation, which was seen by artisanal miners as an attempt to monopolize the Tanzanite trade. Subsequently, conflict ensued as in April 2001, a homemade petrol bomb was thrown into AFGEM's processing plant (no one was hurt), and 2 weeks later an artisanal miner was shot dead in an incident where small-scale miners were throwing stones onto AFGEM's property. At the same time, a case was filed by a group of claim holders against AFGEM at the Supreme Court of Tanzania, challenging the company's "mining license, taxes record, attitude toward small-scale competitors and its alleged monopolisation of the world Tanzanite market" (International Colored Gemstone Association, 2001).

The AFGEM mine is situated between blocks B and D, both mined by small-scale miners, from shafts that also enter far into AFGEM property. When the site was under government ownership, control was lax and small-scale miners got used to a practice where they could venture into the government mining block underground without any negative reactions. When they continued this practice under the new ownership, they faced a much harsher response. In 2002, artisanal miners met with AFGEM miners underground. According to the AFGEM management, the small-scale miners threatened the AFGEM workers with knives, and the AFGEM security guards shot back and wounded 11 miners. The Tanzania Mineworkers Development Organisation lists seven incidents where small-scale miners have been attacked by dogs or been shot at by AFGEM security guards in the period 2000–2003. One of the miners was killed, and others were seriously hurt. All the cases have been taken to court, but none of them have been solved (Tanzania Mineworkers Development Organisation, 2003).

As AFGEM's relations with the small-scale miners became increasingly tense, AFGEM offered the Mererani village government a US $28,216 donation in 2001. The offer was refused and seen as an attempt to buy off the discontented citizens: "Mererani village chairman, Awathi Omar, said that the offer was meant to please in order to hide the truth about the conflict ahead of a three day visit by the Minister for Energy and Minerals Edgar Majogo, scheduled for the end of April."[14] After the village government refused to accept the donation, the company has not made any new offers. Instead, they have decided to focus their social responsibility efforts on the Maasai community in the immediate proximity to the mine. In total, AFGEM spent around US $360,000 in community development in the period 2000–2003, mainly on the Nasinyai village. AFGEM has provided the village with a community hall (used as a church), rehabilitation and extension of the primary school, electrification of the village clinic, water taps, and a water dam. Informed local sources confirm that some of the money was embezzled by the village government. As a result of this, the company decided to give their support to the village in the form of waste material. Another Maasai community, the Makiba village, got the same offer.

The village income from the waste materials is to be used for community projects. AFGEM has decided not to be involved in how the village administers the waste material and only asks to have written reports on how the money has been spent. According to a local representative of the Maasai, Soipei Langanasa, this is a bad decision. He suggests that a representative of the company should be part of a board handling the income from waste material, since "not all the money is being used for the best of the community" (Lange, 2006). Other critics of the system claim that men are given the best material and that women, who traditionally have a weak position in Maasai society, get the less attractive waste material and also have little say in how the village income is spent.

The Mererani citizens believe that AFGEM use a "divide and rule" policy in favor of the Maasai. Interviews conducted locally reveal that the Maasai interviewed were generally happy and content with AFGEM, while the multiethnic community was extremely critical and upset. During a meeting the research team held with the Maasai Women's Wachekaji Group and the Tanzanite Women Mines Development Union, the atmosphere became so aggressive and tense that the interviewers had to request that two groups split so that they could talk to them separately. The conflict between the Maasai and the Mererani community has politicoadministrative results, as the Maasai villages have started procedures to have their own ward rather than sharing a ward with Mererani. The village income from the waste material is presently used to build new ward offices. To the people of Mererani, this is a provocation, since the present ward has around 51,000 inhabitants (according to the 2002 census),[11] of whom 40,000 live in Mererani. The three Maasai villages that want their own ward have 10,000 to 15,000 inhabitants.

DISCUSSION OF THE CASE STUDIES

The corporate community involvement practices at both the GGM and AFGEM in Mererani are subject to a number of the criticisms raised toward corporate development projects in general. There seems to be the typical emphasis on physical infrastructure, on roads and pipelines, on new buildings, on visible and tangible output that looks good on a corporate website but need not reflect the most pressing needs of the communities in which these companies operate. It is therefore more than possible that these activities reflect corporate rather than local community priorities.

The most interesting aspect of corporate community involvement in these two cases, however, is the manner in which both companies seem to have implemented activities without proper consideration of the local institutional context. Both host communities have had relatively substantial resources made available to them through corporate community involvement activities, through projects directly funded by the corporations or cash donations to local authorities. The extent to which these resources have been invested in a way that benefitted the community as a whole is called into question by informants in both cases. In both Geita and Mererani, cash donations to local authorities appear particularly vulnerable to private capture, through embezzlement or redirection of projects to villages where local decision makers have private interests. The cases thus provide apt illustrations of how the problem of patronage may arise in corporate community involvement, in the sense of resources being spent to shore up political power of local officials, rather than being used for the good of the community.

Given the generally weak institutional environment and the high level of corruption in Tanzania, it should not really come as a surprise to the corporations in question that this would happen. Yet both companies relied on unaccountable local political elites in selecting and implementing projects, resulting in funds being misappropriated to serve private ends. There are indications in the case material that corporate activities not only have led to corporate donations and activities going to waste, but also may have helped cement or worsen the institutional setting or balance of power in the host communities. Despite the public nature of the GGM donations, people in the district have not been in a position to get information on how these funds were spent. And Mererani provides a good illustration of how corporate community involvement is not just difficult due to distrust between corporations and local communities, but also may contribute to added divisions between different segments of a local community. While there are arguments for channeling funds to indigenous groups such as the Maasai (e.g., increasing the representation of a marginalized group), this kind of strategy is also fraught with difficulties. Preferential treatment of one ethnic group may easily breed distrust between groups, undermining the sense of a shared fate across groups, which may be necessary for them to support the introduction of more impartial institutions and policies (Rothstein & Uslaner, 2005). The Mererani case thus illustrates the importance of focusing not only on formal institutions of accountability but also on informal institutions such as social trust.

An interesting difference between the community involvement strategies of the companies lies, however, in the different ways in which they have handled their negative effects on local institutions. Both companies donated funds intended for development projects to local government bodies, but responded in different ways when the funds have been redirected to serve private interests or embezzled. In Mererani, AFGEM in practice simply shifted from in-cash to in-kind donations to the village authorities, with little follow-up beyond written reports, which is unlikely to increase accountability in the use of funds and, according to local sources, has not addressed the problem. The GGM, by contrast, has focused on a higher-level authority, the district council, and changed from donations of funds to the council to insisting that the council decide on a project that the company will then implement.

The results are very different. While the integrity of the use of AFGEM funding remains in question, the Geita District Council has decided on building a secondary boarding school from which all the villages in the district can benefit. The latter is in contrast to the previous funding arrangement in Geita, where funds were illegitimately redirected to certain villages where central officials had private interests. In other words, by reducing the possibilities and potential benefits of patronage activities by local officials, the GGM has managed to make local political decisions at least somewhat more impartial. The change in practice at the GGM may hence have contributed to enhancing the impartiality of local institutions; it has reduced incentives of local officials to make decisions partial to certain interests. The same cannot be said about the AFGEM approach, which appears not to take the possibility of cementing partial institutions sufficiently seriously.

The Geita case therefore gives cause for some optimism that corporations may learn from past mistakes in implementing corporate community involvement activities in areas where the institutional environment is unfavorable. But a key question then is, under what conditions is this kind of learning likely to occur or, more generally, under what conditions is a company more likely to take the local institutional context into account when implementing community involvement activities? While a comparison of two cases does not provide conclusive answers to this question, the cases can be used to generate some suggestive relations and hypotheses to guide further inquiry into this matter.

The two cases are different in terms of both the local context faced by the corporations, and in terms of the types of corporations involved. Starting with the former, the presence of artisanal miners was much more extensive in Mererani than in Geita, making confrontation between corporation and community more likely. In areas where corporate activities pose a challenge to established livelihood strategies of locals or to their perceived entitlements, locals may be less receptive to corporate community involvement, providing fewer opportunities for constructive engagement of the community. Moreover, in Mererani there is clearly a latent conflict between Maasai groups and the large multiethnic community. In such a setting, corporate community involvement may be very damaging to local institutions and development if handled badly, requiring more of an emphasis on effects in terms of local social cohesion. Paradoxically, this may be more difficult to obtain as such a setting also presents an opportunity for corporations to play local groups out against each other.

The location of the mines in relation to district authorities may also have had an effect on corporate community involvement activities. The Mererani mine is located 4 to 5 hours by car from the location of the district council, with whom AFGEM had no relationship. By contrast, the GGM had a comparatively close relationship with the district administration. This may have made it easier for the GGM to lift its involvement to a higher-level authority than for AFGEM to do the same. In other words, centrality of location may matter for the extent to which a company centers their attention on authorities serving a larger constituency.

There are also clear differences between the companies operating in the two mining locations. Though both firms were based in South Africa, AngloGold Ashanti is a large multinational corporation, with operations in a number of developing countries. AFGEM was a more junior mining firm focused on diamonds, and with control over fewer mines in fewer areas. The larger geographical scope of the owner of the GGM may have provided more opportunities for internal learning and skills upgrading in efficiently relating to local communities. In addition, large multinational corporations may face stronger incentives to address CSR issues, as they are more vulnerable to criticism from CSR advocates. This is consistent with claims that larger corporations are more CSR minded and have a more professional way of dealing with CSR than do smaller companies (Chih, Chih, & Chen, 2009).

CONCLUDING REMARKS

The two case studies presented here illustrate key problems corporations face in making their community involvement activities conducive to development in poor host communities. To have a beneficial impact, it is essential that corporations take the effect of their activities on local institutions into account. Where corporate community involvement activities are conducive to more impartial institutions and decisions, development prospects are improved. Where community involvement feeds dysfunctional political behavior at the local level, and generates distrust between different community groups, a favorable impact is unlikely. In more concrete terms, where local political decision-makers are not accountable or impartial, shaping community projects according to their expressed interests, or leaving selection or implementation to them is unlikely to result in projects that have a significant impact on development of the community as a whole.

The cases demonstrate that the unitary approach to local communities that so often characterizes applications of the stakeholder perspective is flawed. Local communities can be highly heterogeneous and disparate in terms of interests and power, and corporations that ignore this important aspect of the local context do so at the community's peril. Whether they also do so at the corporation's peril and whether a corporation gains in financial terms from improved local institutions or conversely profits from exploiting weak institutions is, of course, also an important question that requires consideration of corporate incentives. This lies, however, beyond the scope of this article. These contrasting case studies demonstrate that a company that is serious about promoting local development through its community involvement activities needs an analytical approach that opens up the "black box" that is so often used to summarize local communities in the stakeholder perspective and integrates this perspective with an institutional one. More broadly, this is also needed for stakeholder theory to address the problem of the ethics of capitalism in developing countries (cf. Freeman, Harrison, Wicks, Parmar, & de Colle, 2010).

The two cases presented here are not atypical in the context of mining operations in Tanzania or developing countries more generally. Mining of resources that generate high rents tend to be associated with deteriorating institutions and political behavior such as patronage and corruption not conducive to development. Very recently, other regions of Tanzania have seen similar conflicts between corporations and communities as those presented here. One example is Bulyanhulu, a mining area in Tanzania that made headlines after 50 small-scale miners were allegedly buried alive in their shafts when the area was made available to large-scale mining. The compliance advisor ombudsman of the International Finance Corporation has reported that displaced people have ended up impoverished.[15] In an attempt at improving relations with the local community, Barrick Gold Mining Ltd. donated a US $160 million market complex in 2003, but up to 2010, villagers have refused to use it.[16] Despite frequent negative implications of mining observed in Tanzania and elsewhere, there is still limited systematic analysis of mining activities and local development, in particular in relation to the role played by multinational mining corporations. This is an area that needs to be explored further in future research.

NOTES

1. See, for instance, the special issues on this topic in *International Affairs* in 2005 and the *Third World Quarterly* in 2007.
2. In a poignant (though extreme) example recounted by Frynas (2005), an oil company provided funding for projects in the communities closest to its facilities, following which villagers from a more distant community burned down a village nearer to the company's facilities in order to acquire their preferential status.
3. See Nannestad (2008) for a summary.
4. See, for example, Kolstad and Søreide (2009, p. 216).
5. This is also related to the point made by Hamann et al. (2005, p. 64), who argue that the stakeholder model pays "insufficient attention to relationships between stakeholders" and that a more suitable model sees the corporation as a component of a more complex local governance system.
6. See Business Monitor International (2010).
7. See Lange (2011) and Economist Intelligence Unit (2004, 2008a, 2008b).
8. The project was part of a World Bank initiative to build capacity in natural resources governance and benefit streams management in selected African and Asian countries. Similar studies were conducted in Botswana, Namibia, and Mali. See Lange (2006), Isaksen and Okatch (2004), and Jul-Larsen et al (2006).
9. For a complete list of interviews with full names and dates, see Lange (2006).
10. Numbers are according to the National Census 2002.
11. See http://www.anglogold.com/Additional/Press/AngloGold/2000/3+Aug+2000+147.htm.
12. See http://www.ippmedia.com/ipp/guardian/2004/10/05/21349.html.
13. Since then, smaller deposits have been found in Kenya and Norway as well, but the only economically viable deposits are in Mererani.
14. See http://www.africafiles.org/article.asp?ID=442.
15. Cf. Curtis (2008) and Compliance Advisor Ombudsman (CAO) (2002).
16. See IPP Media (2010).

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