The Return of The State

A Political Economy of Resource Nationalism and Revived State-Owned Enterprises in Tanzania’s Coal Sector

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THE RETURN OF THE STATE: A POLITICAL ECONOMY OF RESOURCE NATIONALISM AND REVIVED STATE-OWNED ENTERPRISES IN TANZANIA'S COAL SECTOR.

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List of Abbreviations

BOT	Bank of Tanzania
CCM	Chama cha Mapinduzi
CHADEMA	Chama cha Demokrasia na Maendeleo
EITI	Extractive Industries Transparency Initiative
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
IEC	Intra Energy Corporation
IMF	International Monetary Fund
IOCs	International Oil Companies
JV	Joint Venture
MEM	Ministry of Energy and Minerals
MNC	Multinational Corporation
NDC	National Development Corporation
NGOs	Non- Governmental Organizations
NMCs	National Mining Companies
NOCs	National Oil Companies
PRSC	Presidential Parastatal Sector Reform Commission
SOE	State-owned Enterprise
STAMICO	State Mining Corporation
TMAA	Tanzania Mineral Auditing Agency
TPDC	Tanzanian Petroleum Development Corporation
TR	Treasury Registrar
UNCTAD	United Nations Conference on Trade and Development
URT	United Republic of Tanzania

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Abstract

The natural resource sector has been subject to various nationalistic interventions by governments around the world, especially during the global commodity boom from the 2000s. Such interventions have taken different forms, ranging from reforms of mining tax regimes, the renegotiation of mining and of oil and gas contracts deemed unfavorable to the state, and the creation of new state-owned enterprises (SOEs) and the revival of old ones, as well as mandatory state shareholdings. Focusing on the coal sector, the thesis examines Tanzania's puzzling return to a state-led development and resource nationalism through its revival of SOEs in its attempts to reverse the trajectory of several decades of neoliberalism and domination by foreign multinationals in the mining sector. Specifically, the thesis draws on qualitative fieldwork and analytical insights from political economy to analyse: 1) how the state's engagement in the mining sector and resource nationalism has evolved over time; 2) the role of the re-emergence of resource nationalism in shaping the state's capacity and engagement in the coal sector; and 3) how re-emerging resource nationalism and the changing role of revived SOEs are affecting relations between the state and local populations.

The thesis find that state's engagement in the mineral sector over the years has been shaped by three cross-cutting factors, namely changing ideas on mining governance among the ruling elites; the power relations between the state and transnational actors, particularly the power of private capital by foreign mining companies; intensifying electoral competition, which has fueled resource-nationalist sentiments among Tanzanians, and the fact that successive governments have combined both liberal incentives and state-centric approaches to ensure effective state engagement in the mining sector. Despite much rhetoric about increasing state control of the coal sector by involving revived SOEs, the revival of SOEs and the re-emerging of resource nationalism in Tanzania's coal sector was achieved by increasing the ties with and dependence on foreign mining companies. Despite policy and regulatory reforms and the participation of revived SOEs, the Tanzanian state's ability to translate resource-nationalist sentiments in the coal sector into viable policies and strategies has been hindered by Tanzania's historical dependence on foreign capital and SOEs' limited financial and technical capacity. At the sub-national level, the thesis shows how claims to resource nationalism and the state's direct involvement in coal extraction through revived SOEs poses conflicts over the double role of the state. Statist intervention in the coal sector relied on a resource nationalist ideology and framing of coal extraction as a project of national importance, thereby fast-tracking consultation and limiting the participation of the local population, resulting in conflicts between the state and local populations. The thesis contributes to scholarship on resource nationalism in Africa, which has so far been dominated by studies from Latin America. The thesis also explores the implications of the findings and the future of SOEs and resource nationalism beyond the Tanzanian case.

Abstrakt

Naturressourcer har været underlagt forskellige nationalistiske indgreb af regeringer på verdensplan, navnlig grundet den globale stigning i råvarepriser fra år 2000. Sådanne indgreb har vist sig på forskellige måder, lige fra reformer i forhold til skattesystemer for udvinding, genforhandling af mine- samt olie- og gasaftaler, som anses for ufordelagtige for staten, samt oprettelse af nye statsejede virksomheder (SOEs) og genrejsning af gamle virksomheder såvel som obligatoriske statslige aktieandele. Med fokus på kulsektoren undersøger afhandlingen Tanzanias besynderlige tilbagevenden til en stats-ledet udviklings- og ressourcenationalisme gennem landets genrejsning af statsejede virksomheder (SOEs) i dets forsøg på at vende adskillige årtiers neoliberalistiske kurs og udenlandsk multinationalistisk dominans i minesektoren. Afhandlingen baserer sig navnlig på kvalitative undersøgelser og analytisk viden fra politisk økonomi for at kunne analysere: 1) hvordan statens indblanding i minesektoren og ressourcenationalismen har udviklet sig over tid; 2) den tilbagevendende ressourcenationalismes rolle i forhold til at forme statens kapacitet og indblanding i kulsektoren; og 3) hvordan den tilbagevendende ressourcenationalisme og de genrejste SOEs skiftende roller påvirker forbindelsen mellem staten og lokalbefolkningerne.

I afhandlingen konkluderes det, at statsindblanding i mineralsektoren gennem årene er blevet formet af tre tværgående faktorer, nemlig skiftende syn på minedriftsforvaltning blandt den ledende elite; magtrelationer mellem staten og transnationale aktører, herunder især effekten af privat kapital fra udenlandske mineselskaber; intensivering af udvægelsesvilkår i forbindelse med valg, som har opildnet den ressourcenationalistiske følelse blandt tanzanierne, og det at efterfølgende regeringer har kombineret liberale incitamenter med statscentrerede løsninger for at sikre en effektiv statslig indblanding i minesektoren. Trods tale om at øge statskontrol i kulsektoren ved at involvere genrejste SOEs, lykkedes genrejsningen af SOEs og ressourcenationalismens tilbagevenden i Tanzanias kulsektor ved at forbedre forretningsforbindelserne med -og afhængigheden af udenlandske mineselskaber. Trods politiske og regulerende reformer samt medbestemmelse for de genrejste SOEs, er den tanzaniske stats evne til at forvandle ressourcenationalistiske ønsker i kulsektoren til realistiske politikker og strategier, blevet vanskeliggjort af Tanzanias historiske afhængighed af udenlandsk kapital samt af SOEs begrænsede finansielle kapacitet og tekniske uformåen. På det sub-nationale niveau viser afhandlingen, hvordan krav om ressourcenationalisme, og statens direkte indblanding i kuludvinding gennem genrejste SOEs, medfører interessekonflikter grundet statens dobbeltrolle. Statslige indgreb i kulsektoren var afhængig af en ressourcenationalistisk ideologi og udarbejdelsen af kuludvinding som et projekt af national betydning. Derved blev samråd med SOEs fremskyndet og deltagelsen af lokalbefolkningen blev begrænset, hvorfor der opstod konflikt mellem staten og lokalbefolkningerne. Afhandlingen bidrager til forskningen indenfor ressourcenationalisme i Afrika, der indtil videre har været domineret af undersøgelser fra Latinamerika. Afhandlingen udforsker også resultaternes implikationer og fremtiden for SOEs og ressourcenationalisme, der strækker sig udover den tanzanianske case.

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Chapter 1: Introduction

1.1 The 'return' of the state and battles with foreign multinationals

A new nationalistic mood emerged in Tanzania during the global commodity boom between 2003 and 2013, a period that saw record-high prices for oil and gas, metals and minerals globally. As a result, the mining and energy sectors in Tanzania were subjected to new nationalistic interventions as the government demanded bigger stakes in these industries and sought to increase its share and control over mineral and energy resources. Spurred by high mineral prices and electoral considerations, as the electorate was supportive, the government introduced an array of policies and pieces of legislation from the late 2000s that gave the Tanzanian state greater formal control over its resources. These measures were a reversal of the liberalization policies promoted by international financial institutions and embraced by Tanzania in the 1990s. The new measures included increases in taxes and royalties and plans to expand the role of revived state-owned enterprises in the mining and energy sectors. Under President Kikwete (especially in the beginning of his second term from 2010), the government increased its equity stake in a number of foreign mining companies, while Tanzania's own revived state-owned enterprises entered into joint ventures with foreign investors and started own independent mineral extraction projects. The government justified these moves and interventions as its acquiring 'a bigger share of the cake' and reducing dependence on foreign aid and capital investments at a time when foreign companies were making enormous profits.

This period also saw the reinvention of the 'five-year development plans' that had been a key feature of earlier post-independence planning measures. From 2011 signaling a more interventionist state and a renewed enthusiasm for a state-centred and nationalistic development path aimed at protecting 'the national interest', five-year plans again featured prominently in the CCM government's speeches. While these developments started during the second term of President Jakaya Kikwete, who promised to return the Tanzanian state to the commanding heights of the economy, the renewed interest in and shift to state-led development has acquired still greater impetus following the arrival of a new president, John Magufuli, at the end of 2015. This saw Tanzania drift towards an even more statist and nationalist ideology embodied by a combination of an even stronger state-led, centralized development model characterized by calls for greater roles for state-owned enterprises and radical resource nationalism targeting foreign investors in the mining and energy sectors.

Recently Tanzania has featured prominently in the global press for dramatic fights with foreign mining companies after 2017, when President Magufuli imposed a ban on the export of unprocessed gold and copper concentrates, and the Tanzanian state issued a record $190 billion fine to Canada's Barrick Gold for evading tax payments to the state. The fine was four times the size of the country's GDP. The President also promised to close all foreign-owned mines if companies failed to comply. President Magufuli's battle with foreign companies reached it's climax when the government enacted three new laws in 2017 which according to the President, were enacted to to restore Tanzania's sovereignty over its rich mineral and hydrocarbon resources and expand the state's participation in resource extraction. With the new laws, 'it is mandatory for the state to own at least sixteen percent in any mining investments, and state-owned enterprises are entitled to acquire up to fifty percent of the shares in mining investments' (Jacob and Pedersen, 2018: 288).

These developments beg the question of how and what these developments, which Tanzania has experienced since the Kikwete era and have been accelerated further by the Magufuli administrations, say about the resurgence of the state and its return to the mining sector? Are we witnessing a return to state-led development through the revival of state-owned enterprises? What are the implications of the resurgence of the state and its calls for a bigger role in the mining sector, in particular in coal? In the following section, I link these issues to global trends by situating the Tanzanian experience within the scholarship on resource nationalism by drawing on experiences from other parts of the globe.

1.2 The global research context

Different forms of intervention and policies have emerged globally, with leaders propelling the need to protect domestic economic interests against foreign actors with a range of protectionist policies across various sectors. This trend has become widespread and is related to what scholars have referred to as 'economic nationalism' (Pickel, 2003; Helleiner, 2005; Helleiner and Pickel, 2005; D'Costa, 2009; Hobsbawm, 2012; Pryke, 2012) and 'resource nationalism' (Bremmer and Johnston, 2009; Vivoda, 2009; Andreasson, 2015; Childs, 2016, 2017; Wilson, 2015) and is specific to the natural resource sectors, particularly minerals and hydrocarbons. Economic nationalism has attracted academic debates over the years (Johnson 1967; Burnell 1986), and the term has been used to refer to different forms of intervention by governments in efforts to protect 'the national interest', however defined (Helleiner and Pickel 2005). Most recently academics have used the term 'economic nationalism' to refer to various economic policies that can be seen as ‘nationalist’ (Helleiner and Pickel 2005: 16). Other scholars have linked economic nationalism with national identity and economic growth (Hobsbawm 1992, Helleiner 2005).

Economic nationalism is related to the state, the political elites and their relations with broader society, and sometimes it inspires bureaucracies with autonomy and responsibilities to aid state intervention (Evans, 1995). In other contexts, economic nationalism may take the form of an alliance between political and business elites where economic policies and state intervention are designed to support the interests of certain political and business constituencies involved in rent capture (D’Costa, 2009). Economic nationalism has re-emerged over the past two decades as an attractive mechanism in opposition to economic globalization and the unfettered neoliberal celebration of the market (Peck 2012; Peck and Tickell, 2002; Pickel, 2003), and it has taken hold in many countries across the globe. Ruling elites from South America and Asia to Africa have reiterated the need to assert state control (fully or partially) over the energy and resource industries, and increasingly mineral and oil and gas resources are being treated as national economic projects. The trend is characterized by a wave of protectionist rhetoric and new legislation, combined with the securitization of economic interests to legitimize such moves (Higgott, 2004a, 2004b; Capling and Ravenhill, 2012). This has taken place in developed, emerging and developing economies with a new interest in controlling imports, while nationalization and the (re)emergence of powerful state-owned enterprises are acting as the state’s reminder to global corporations that they still exist (Szakony 2007, Pryke 2012) and still matter in a globalizing world. Such calls for state intervention backed up by various forms of protectionism have also attracted coverage in the popular press. In 2009, a cover story in *The Economist* warned against the trend towards rising economic nationalism with the headline, ‘The return of economic nationalism’ (*The Economist*, 2009).

Theoretical insights point to the power of economic nationalism and its popular appeal to the poor, who feel powerless and marginalized by neo-liberal globalization (Nakano 2004). This theoretical revelation has been picked up by ruling elites, who are increasingly using nationalist sentiments to consolidate their legitimacy and political power and elevate the statuses of their nation states through natural resource rents, among other things. The development theory literature (Wade 2003; Woo-Cummings 1999) clearly shows that the debate over the state’s intervention in economic development has over the years moved beyond the Washington Consensus of the 1990s.

There has also been a renewed interest in industrial policy and the 'return' to different forms of state-led development, which has manifested itself in increased state participation through state-owned enterprises and sovereign wealth funds, suggesting that the state is 'back' in business (McNally, 2013; Musacchio and Lazzarini, 2014a). Joshua Kurlantzick (2016) further emphasizes that the state is indeed back and that state capitalism exists in a variety of forms:

> It includes a broad continuum of the types of intervention—countries whose governments control nearly all of the biggest companies in that nation, and countries whose governments control only a significant portion of the economy. It includes countries that are very open to trade, like Singapore, and those that are far less open to international trade. And it includes countries whose type of state capitalism could undermine the best aspects of free-market capitalism— innovation, entrepreneurship, individualism, and democracy—as well as those countries where state capitalism could coexist with individuals' economic and political freedoms. (Kurlantzick, 2016: 8)

Furthermore, there is a wider acknowledgment that active state-driven capitalism and targeted industrial policy can bring long-term development, especially for late developers. This is also backed by recent empirical insights from Africa (Whitfield et al., 2015).

1.3 Resource nationalism

In the natural resource sector, especially minerals and hydrocarbons, various forms of intervention by the state have come to be known as resource nationalism. The term has been described in various ways by scholars in different fields, but I consider the definitions and categorizations of Haslam and Heidrich (2016), Wilson (2005) and Bremmer and Johnston (2009) to be useful in understanding the phenomenon. Their various approaches are is based on understanding the various motives deployed by host nations.

For Paul Haslam and Pablo Heidrich (2016), resource nationalism involves three sets of actions deployed by states, which include (1) the maximization of public revenue; (2) the assertion of strategic state control; and (3) the enhancement of developmental spillovers from extractive activities (Haslam and Heidrich, 2016: 1). They also emphasize that such actions normally involve different ideological commitments and that they vary between countries. Wilson (2015: 400) categorizes resource nationalism strategies into three policies designed to change resource governance: (1) policies designed to affect the ownership of mineral and energy resources through local and state-owned firms and sometimes nationalization; (2) strategies aimed at restricting the operations of foreign firms through regulatory changes such as mandatory requirements for domestic mineral-processing and benefits to local communities; and (3) measures designed to capture economic rents for public purposes through reforms to taxes and mineral and hydrocarbon fiscal regimes aimed at boosting the share of profits accruing to the state (Wilson, 2015: 400).

Ian Bremmer and Robert Johnston (2009: 150–2) offer four interesting categories of resource nationalism, which differ in form based on their motivations and the impacts they have on mineral and hydrocarbon investments in host countries. These four categories include revolutionary resource nationalism, which seeks to go beyond increasing state control and is linked to what they describe as 'broader political and social upheavals' (Bremmer and Johnston, 2009: 150), including altering the ownership structure 'using perceived historical injustice or alleged environmental or contractual misdeeds by the companies as justification' (Bremmer and Johnston, 2009: 150); Russia and Venezuela are prime examples. The second is economic resource nationalism, which is common among many countries and is driven by the desire to improve economic terms. This form of resource nationalism occurs in stable political climates and 'tends to involve rebalancing, a focus on shifting a larger share of commodity revenues from international to domestic hands, but where actual ownership is less important than increasing the fiscal take' (Bremmer and Johnston, 2009: 150-1). They cite Kazakhstan and Algeria as examples. Third is a legacy type of resource nationalism which is characterized by historical legacies of national control where 'nationalization is central to national political and cultural identity' (Bremmer and Johnston, 2009: 150-2). Kuwait and Mexico are examples of countries with legacy resource nationalism. The fourth category is a soft type of resource nationalism. Contrary to resource nationalism in developing countries, this type of resource nationalism mainly involves legal processes and does not extend to threats to tear up contracts. This is especially common in the OECD region and in other countries in the developed world where state-owned enterprises do not exist, such as Canada and the United Kingdom. It is also gaining momentum in the United States and Australia.

Such categorizations reflect the ongoing debates around extractive and energy resources, the renewed interest in a greater role for the state and resurgence resource nationalism, which has attracted considerable scholarly attention. Motivated by high global mineral and oil prices from the early 2000s and the increasing demand for natural resources triggered by high demands from particularly China and India (Pedersen and Jacob, 2017), political leaders in the global South have taken various steps to assert a bigger role for the state in the extractive sector through increased control and involvement in extractive and energy investments. They have also attempted to use resource rents from mining and oil and gas extraction to pursue various national socio-economic and political developmental goals which are associated with various nationalistic forms of rhetoric and national imaginaries. Around the mid-2000s, many countries in the global South embarked on a series of reforms seeking to get the most out of the decade-long commodity boom.

These nationalistic moves have taken different forms, ranging from reforms of mining tax regimes, the renegotiation of mining and oil and gas contracts deemed unfavourable to the state, the creation of new and revival of old state-owned enterprises and mandatory state shareholdings, participation by domestic players and indigenization, and in some cases the outright nationalization of foreign assets (Ross and Voeten, 2016; Burchardt, and Dietz, 2014; Bremmer and Johnston, 2009; Gudynas, 2010).

In sum, scholarship on resource nationalism has attracted a number of explanations in efforts to analyse government efforts and motives. The complexity of the phenomenon has promoted some scholars to argue that there is no agreed definition of the term (Stevens, 2018; Sarsenbayev, 2011; Stevens et al., 2013; Jasimuddin and Maniruzzaman, 2016; Arbatli, 2018). In this thesis, resource nationalism is understood as combination of various efforts by ruling elites to increase state participation and maximize the benefits accruing from mining and oil and gas investments.

1.3.1 Resource nationalism in Latin America: a special case?

While there has been a burgeoning of studies by researchers as part of efforts to explain recent changes in the politics of natural resources, the shift in resource–state relations and re-emerging resource nationalism, Latin America has received significantly more attention than any other region, with scholars devoting considerable attention to describing various forms of state intervention in mineral and energy extraction (Gudynas, 2010, 2013, 2016; Berrios et al., 2011; Kohl 2012; Acosta 2013; Veltmeyer 2013; Perreault 2013; Rosales 2013; Burchardt and Dietz 2014). Many of these studies have focused on investor–state relations and the emergence of so-called post-neoliberal regimes as part of the rise of new left-wing governments in Brazil, Bolivia, Ecuador and Venezuela. Left-wing governments have asserted greater state control over extractive resources, increased their dependence and support for the production and export of extractive commodities in what has come to be known as ‘extractivism’ and ‘neo-extractivism’ (Arsel et al., 2016; Haslam and Heidrich, 2016; Hellinger, 2016; Nem Singh and Massi, 2016; Pellegrini, 2016; Arellano-Yanguas, 2016; Chiasson-LeBel, 2016; North and Grinspun, 2016).

In their edited volume on the transition from neo-liberalism to resource nationalism in Latin America, Haslam and Heidrich (2016) and their colleagues dig deep into the topic, identify different policies deployed by various Latin American countries and identify the emergence of diverse forms and different degrees of resource nationalism, ranging from limited (Colombia and Mexico) and moderate (Brazil and Peru) to radical (Bolivia and Venezuela). These various forms of state intervention in Latin America have been shaped by a range of factors both domestic and external, such as global market forces, industry-specific factors and the region's political economies (Haslam and Heidrich, 2016: 223-35). They start by unpacking cases of limited resource nationalism in both Colombia and Mexico, two countries with liberal economic policies. In these two cases, the authors show how state-owned national oil companies like Colombia's Ecopertrol have struggled in the oil sector without the support of experienced foreign companies, as a result leaving the sector open to foreign players (Caballero and Bitar, 2016). Mexico, on the other hand, is an exceptional case, as it retained the national oil company PEMEX at a time when many Latin American countries were opening up their extractive sectors. The company has struggled with inefficiency, which prompted concerns in allowing PEMEX to collaborate with foreign capital (Moreno-Brid and Puyana 2016).

The moderate cases of resource nationalism include Brazil and Peru. Of these two, Brazil is considered a success story of post-neoliberal reforms, achieved through the creation of state-owned enterprises such as Petrobras, Vale and Petrosal. Although the extractive sector was liberalized, these companies remained competitive and contributed to a vision of state development. Brazil's resource nationalism was successful in so far as the goal of redistributing resource rents across the population, especially during the Presidency of Luiz Lula da Silva, when poverty level declined (Nem Singh and Massi, 2016). Peru's moderate resource nationalism was a result of fragmented and incoherent government policies. Government attempts to increase taxes and regulations was resisted by powerful business groups who influenced liberal members of the government (Arellano-Yanguas, 2016).

In the work of Lorenzo Pellegrini (2016: 191–203) and Daniel Hellinger (2016: 2014-20), Bolivia under Evo Morales and Venezuela under Hugo Chavez represent cases of radical resource nationalism. In Bolivia, resource nationalism is used a strategy by both the supporters and opponents of resource extraction to influence their claims and legitimacy. For the political elites, resource nationalism is seen as part of a broader anti-imperialist struggle, but other social groups use resources nationalism for other objectives. Some groups include campaigners in social movement who endorse resource nationalism as a strategy to resist liberal market-driven resource extraction and campaign for alternative paths of development (Pelegrini, 2016).

In Venezuela, resource nationalism was one of the reforms under the socialist project of Hugo Chavez, which sought among other things to assert state control over oil resources and, most importantly for Chavez, to gain political control over the national oil company, PDVSA, which had enjoyed many years of political and technical autonomy. Chavez' brand of resource nationalism also involved the expansion of social spending programmes, regional diplomacy and geopolitical goals across Latin America and some countries in the Caribbean. Venezuela's radical resource nationalism and its government's use of resource rents domestically and overseas undermined the capacity of the extractive sector to keep up with increasing demands. Social spending programs were not sustainable due to over-dependence on high oil prices (Hellinger, 2016).

In summary, various cases of resource nationalism in Latin America demonstrate that the governance of mineral and energy resources, the role of state in development and varying forms of state intervention in these countries are influenced by political elites and their different visions of national development. These Latin American cases also show how ideas about how the state should govern its resources matter. Ideas influence relations between national elites and subnational actors, and they also shape how decisions are made in relation to who has access and controls mineral and energy resources, as well as who benefits, how the benefits are distributed and how these resources shape relations with foreign actors. These cases also beg the question of whether ideas on resource governance and state interventions matter in other regions too.

1.3.2 Sub-Saharan Africa: re-emerging resource nationalism, or business as usual?

Sub-Saharan Africa also experienced different forms of resource nationalism as countries demanded bigger ownership stakes and a larger share of the commodity boom (Blass, 2012; *The Economist*, 2012a, 2012b). In spite of the fact that political leaders in other regions like Sub-Saharan Africa have made similar claims for greater control over resource extraction as their Latin American counterparts, as noted in the previous section, the region has attracted less scholarly attention compared to Latin America.

Currently, only a handful of studies have examined such aspects of resource ownership and the relationships between the state and extractive resources. Some of these studies include the work of Soares de Oliveira (2015) on Angola, focusing on political and business interests around the national oil company Sonangol. Here the president, the first family and their inner circle took control over Sonangol. Another study by Andreasson (2015) looks at various forms and patterns of resource nationalism in Mozambique, Nigeria and South Africa, while work by Childs (2016) examines how resource nationalism in Africa is seen negatively by other scholars. Indeed, some contributions by extreme market-friendly commentators like Peter Leon (2009, 2012, 2019) perceive state intervention negatively, thus delegitimizing African states's efforts to intervene in the mining sector. There have also been contributions from geography (Childs, 2016; Childs and Hearn, 2017) reframing scholarship and debates in resource nationalism, which have tended to draw more on other fields, such political science, international relations and business studies. Finally, some studies have been conducted on the growing interest in local content in the oil and gas sector (Ovadia, 2014; Lange and Kinyondo, 2016).

Given the amount of attention on Latin America, it is worth pointing out the considerable differences that exist between Latin America and Sub-Saharan Africa, from commodity-specific differences to the nature of the foreign investors involved and also the different resource governance regimes and institutional arrangements. In this thesis, the Tanzanian case shows that resource nationalism is not a homogenous phenomenon and that countries in Sub-Saharan Africa deserve their own scholarly attention because resource nationalism takes different forms and leads to different experiences in these countries. One of the purposes of this thesis is to contribute to this aim empirically by drawing on Tanzania to identify key variations and contribute to future scholarship on the renewed interest of the state and re-emerging resource nationalism in mineral and energy resources by relating the Tanzanian case to these regional differences.

Apart from regional differences, much of the scholarship on re-emerging resource nationalism in Latin America has focused on efforts to maximize governments' fiscal take and state–investor relationships. This has overlooked the other side of the story, which is to focus on local communities and on how re-emerging resource nationalism is changing their relationships with the state at a time when the state is involved in mineral and hydrocarbon investments as an investor through state-owned enterprises. The analysis of the changing relationships between the state and local communities can contribute to addressing some of the questions regarding how the state handles its relations with both investors and local communities in an era of re-emerging resource nationalism.

1.4 Tanzania: a good case of re-emerging resource nationalism

In Tanzania, the state has recently moved to reassert greater control over the extractive industries through the revival of state-owned enterprises, a move that signals the Tanzanian state is making a comeback in the mining sector and a limited de facto reversal of the liberalization policies promoted in the 1990s, when Tanzania was a willing partner of foreign mining companies. In his efforts to change the position of the Tanzanian state in the mining sector, in the late 2000s President Kikwete started to revive the state's role in the mining sector, a policy President John Magufuli continued when he took over from his predecessor in 2015. In March 2017 President Magufuli ordered a ban on the export of mineral sands in a dispute with Acacia Mining, Tanzania's largest gold producer. The ban took the form of a series of measures of what the president declared to be 'economic warfare' against foreign mining companies. The president made this declaration of economic warfare when he received the findings of a committee probing the saga of Acacia's copper concentrates. He declared that 'we are in an economic war … Billions in revenue have been lost. It's something that is very painful and shameful for Tanzania' (*The Guardian*, 2017). Direct state involvement in the mining sector is not a new phenomenon in Tanzania. State control was introduced after independence, when the government established the Tanganyika Development Corporation in 1962, which later became the National Development Corporation (NDC) in 1965 after a merger between itself and the Tanganyika Agricultural Corporation (described in detail in Chapter 4, where the history of SOEs in Tanzania is discussed). The NDC took control of the Williamson diamond mine and began to acquire new stakes through various joint ventures. In 1972, the State Mining Corporation (STAMICO) was born, STAMICO took over mining operations previously under NDC.The first post-independence Mining Act was enacted in 1979. The then new Act strengthened STAMICO's mandate as the custodian of mining operations on behalf of the state. The economic crisis of the 1980s and early 1990s, coupled with the poor performance of many state-owned enterprises (SOEs), led to the gradual withdrawal of the state from the mining sector and paved way for liberalization of the sector in the late 1990s (Pedersen et al., 2016).

The mining sector experienced rapid growth after the consolidation of liberalization policies under President Mkapa from 1995 to 2005. Joint effort of the World Bank reforms and the Benjamin Mkapa administration inspired Tanzanian to replace the 1979 Mining with a new Act in 1998. The 1998 Mining Act was primarily designed to make Tanzania an attractive destination for foreign mining companies. According to Jacob et al (2016), to lure investors, the Act offered various attractive terms including 'allowing 100% foreign ownership, unlimited repatriation of profits and capital, and it offered guarantees against nationalisation and expropriation. Other incentives include generous tax exemptions (no import duty or Value Added Tax (VAT) on mining equipment and a relatively low royalty rate of 3%' (Jacob et al., 2016:6).

The mining sector remains the largest recipient of FDI in Tanzania and accounted for a bigger share exports up to 2015, when it was surpassed by the tourism sector. Major developments in the mining sector over the past two decades have been dominated mainly by the gold sub-sector. The second Five Year Development Plan (2016/17–2020/2) set the ambition of ensuring that the mining sector contributed over 10 percent of total exports by 2020 and 10 percent of national income by 2025 (URT, 2016a). Despite the abundance of identified mineral deposits in Tanzania,[1] the mining sector contributed less than 4% to GDP in 2016 (Jacob et al, 2016; URT, 2016a). Jacob et al (2016) sums up recent challenges facing the mining sector below

> 'Despite the boom in in the past two decades, the mining sector thus still faces challenges. Often, these relate to the political situation in the country, where the perception that the sector contributes too little to state revenues and the general economy is widespread. The share of jobs and revenues going to Tanzanian stakeholders is increasing, but many critics still find that integration with other sectors of the economy is limited. They argue that efforts to fully integrate the mining sector with the rest of the economy are hindered by various factors such as weak capacity of domestic firms and local entrepreneurs, poor policies, and weak institutional capacity and strong interests of the ruling elites' (Jacob et al., 2016:6).

The foreign-controlled mining sector has generated equally important nationalist sentiments. The general perception in the population for years has been that the mining sector is characterized by its insignificant contributions to state revenues, the weak enforcement of environmental regulations, poor levels of job creation, and the enrichment of well-connected domestic elites (Fisher, 2007; Munga, 2014). The mining sector grew at the average of rate of 15 percent between 2000 and 2010, but until 2011 the sector only contributed 3.3 percent of GDP and only employed 1% of the total labour force (Lokina and Leiman, 2014). Furthermore,

[1] According to the now defunct Tanzania Minerals Audit Agency, Tanzania's mineral wealth include proven reserves of various mineral and metals, such as gold, copper, diamonds, uranium, coal, gemstones, iron, nickel, platinum, tin, lead, silver, tungsten, titanium, zirconium, kimberlite, carbonatite, manganese, magnesite, phosphate and kaolin (TMAA, 2013).

the mining sector has been marred by often violent evictions of artisanal miners and widespread discontent and resistance from surrounding communities (Curtis and Lissu, 2008).

The poor performance of the mining sector in accruing state revenues saw the Tanzanian government establish a number of reviews and enquiries into the mining sector during the 2000s.[2] The various commissions came up with a number of policy prescriptions 'a review of taxation rates and government oversight of large-scale mines, as well as the need for the government to take an equity share in the nation's minerals' (Jacob et al., 2016:7). It is from such review reports that the government came up with a brand-new mineral policy in 2009. The 2009 mining policy was soon followed by a state-centric 2010 Mining Act, which repealed the former 1998 law (SID, 2009; URT, 2010; Jacob et al., 2016).

The 2010 Mining Act significantly increased the level of taxes and royalties paid by multinational companies, reduced some incentives (such as unlimited repatriation of profits and guarantees against nationalization), and provided for tougher requirements for local content provisions and corporate social responsibility clauses (CSR), as well as calling for a review of mining development agreements every five years (Jacob et al., 2016). The biggest change in the new Act was the call for direct state participation in mining investments. Through the Act, ruling elites were seeking to bolster the position of the Tanzanian state as active player in mining recapitalizing of mineral SOEs, in order to enable the latter to operate independent mining projects or to team up with partners in joint venture (URT, 2010; Jacob et al., 2016; Pedersen and Jacob, 2017). This move saw an increased role for mineral SOEs, such STAMICO and NDC, from 2010 onwards. The expanding role of SOEs in the mining sector is discussed in Chapter 5, which traces the changes and continuities in the Tanzanian state's engagement in the mining sector.

The state, therefore, at least on paper, has a strong interventionist role in the extractive sector, and state-owned enterprise are formally expected to be active players in the sector than ever before. The country is witnessing massive changes to the state's position in the mineral and energy sector, from only seeking economic rents[3] to becoming an active player. This represents

[2] The mining reviews include the Mboma Commission 2002, the Bukuku Report 2007 and the Bomani Commission 2008; see also Kipokola, 2004; Masha, 2006.

[3] State intervention in various sectors produces different forms of rents. My understanding of rents in this context draws on the work of Whitfield et al. (2015: 53-4) in which they highlight how states create, protect and use various forms of rents, ranging from monopoly rents and natural resource rents to rents based on transfers. They also note that rents and rent-seeking involve both productive and unproductive use of rents by ruling elites. See

a complete reversal of the liberalization policies that were widely implemented by the different governments after the 1990s.

1.5 Research questions

Given the above context, this thesis attempts to fill existing research gaps by examining the renewed and increased role of the Tanzanian state in the mining sector. It focuses on the revival of state-owned enterprises in the coal sector. The main research question therefore is:

> ***How has the re-emergence of resource nationalism and the revival of state-owned enterprises shaped the state's engagement in the mining sector, with a particular focus on the coal sector and its relations with other actors such as local populations?***

To answer the overall question, the thesis is guided by three sub-questions:

i. How has the state's engagement in the mining sector and resource nationalism evolved over time?
ii. What has been the role of the re-emergence of resource nationalism in shaping the state's capacity and engagement in the coal sector?
iii. How are re-emerging resource nationalism and the changing role of revived SOEs affecting relations between the state and local populations?[4]

1.6 Why Tanzania?

To analyse the renewed interest of the state and the revival of SOEs in mineral extraction, Tanzania was selected, as it has history of strong state intervention dating back to post-independence days. In recent years it has also shown early signs of expanding state's position and openly uses the language of 'resource nationalism' in discourse and policy. Tanzanian stands out because of its early phase of state intervention in mining and sustained resource nationalism. Whereas re-emerging resource nationalism and the expanding role of the state in resource extraction were relatively new phenomena in many Sub-Saharan African countries, this was not the case for Tanzania. Since independence Tanzania has had a history of economic

also Jacob (2017: 11) for an analysis of various forms of rents in the coal sector with specific examples from Tanzania.

[4] The phrase 'local population' is used in this thesis to refer to adjacent communities that are directed impacted by coal extraction involving revived state-owned enterprises. It includes those who have had to give up their land to pave the way for extraction, and those impacted by environmental problems, conflicts and other problems associated with mining extraction.

nationalism that in the 2000s was increasingly attached to resource nationalism, in part triggered by many years of campaigns and opposition to liberalization led by civil-society organizations. Civil-society campaigns argued that the country was not reaping enough benefits from its mineral resources due to 'liberalization', poor deal-making (bad contracts) and an excessively investor-friendly environment for foreign companies.

Another interesting feature of Tanzania's resource nationalism is its history of resource governance. Since independence Tanzania has experienced strong state intervention in most social sectors. As I show in chapter five, mining enterprises like National Development Corporation and the state-owned mining corporation STAMICO were active in mining investments from the early days of post-independence development. This sustained form of economic nationalism generally and resource nationalism more specifically for the mineral and energy sector suggests a strong continuity with post-independence ideas concerning the role of the Tanzanian state in national development on the part of the ruling party Chama Cha Mapinduzi (CCM). Some of the resource nationalism experienced in the 2000s also reflects impatience with the FDI-driven development model that has been pursued since liberalization at the end of 1990s. The Tanzanian government under the Kikwete administration exhibited resource nationalist characteristics from the mid-2000s, making Tanzania an early resource-nationalist mover compared to many mineral-rich countries African that emerged following the aftermath high global commodity prices in the mid and late 2000s. This history and the recent resurgence of state intervention and resource nationalism make Tanzania an interesting case study.

1.6.1 Why focus on coal?

State intervention and resource nationalism are well known in mineral and energy resources, but coal has received little attention compared to other minerals and hydrocarbon resources. This was at a time when coal was gaining in importance in many African countries because of its potential functional role in producing power. While early coal discoveries were made by the Germans in the late 1890s and later by the British in 1950s and the Chinese in the 1970s, coal emerged as a relatively new important mineral in 2000s. There was frustration among party-state elites as to why it has taken the state so long to exploit coal in the Ngaka coalfields in the south of the country. Tanzania holds more 1.5 billion tonnes of coal reserves, but attention has been mainly on other minerals, notably gold and Tanzanite. Minerals such gold and Tanzanite were already dominated by foreign multinational companies, and coal was seen as offering a fresh opportunity to involve the state through revived SOEs like the NDC.

The main focus of scholarship on the mining sector in Tanzania has been on its large-scale foreign investments, and most studies have concentrated on gold, as mentioned above. In particular there has been an intense focus on the liberalization of the mining sector (Bourgouin, 2011; Lange, 2011; Kweka, 2009; Curtis and Lissu, 2008; Butler, 2004), the impacts of foreign multinational companies (Jingu, 2013; Nshala, 2012), the plight of artisanal and small-scale miners (Bryceson and Jønsson, 2010; Jønsson and Fold, 2011; Bryceson et al., 2014) and most recently on local content (Hansen et al., 2015; Lange and Kiyondo, 2016). In contrast, studies of the state's renewed interest in the mining sector and the re-emergence and involvement of SOEs are notably absent. Even more so, the previous studies cited above have mainly concentrated on gold: nothing has been researched on the coal sector, which has gone hand in hand with the recent revival of SOEs. Coal was neglected for many years compared to other minerals, partly because it is considered an energy mineral, and many coal projects do not attract significant resource rents compared to traditional commodities such as gold and diamonds. More research is therefore needed to understand the recent surge in SOEs at a time when Tanzania is experiencing a renewed interest in coal investments, with recent investments involving SOEs increasingly being 'framed as projects of 'national significance' (Jacob et al, 2016:30) under the guise of propelling industrialization, infrastructural development, energy security and national sovereignty.

Timing is also important. Around 2010, energy demand in Tanzania was increasing, and coal, particularly thermal coal, was the most sought-after mineral due to its potential for generating energy. It was this energy production potential that made coal important and saw the state venturing into coal extraction in Ngaka through the state-owned NDC (for a justification of the Ngaka case, see Chapter 3, 'Methodology'). Around 2010, Tanzania was still recovering from one the biggest scandals in the energy sector, the Richmond scandal which involved a US-registered briefcase company contracted by the government to provide an emergency power supply to address a drought in the mid-2000s. This was at the time when rival CCM factions were competing for power contracts and other rent-seeking opportunities (Gray, 2016). The scandal forced the prime minister at the time, Edward Lowassa, to resign, and the cabinet was dissolved (Cooksey, 2017). The frustration with independent power producers like Richmond further fuelled the situation with coal, which was seen as source of cheap and abundant power at the time. From 2010 onwards, coal-mining and planned power production were seen as important in offering a potential solution to Tanzania's quest for industrialization and to address the energy crisis after many years of long dependence on hydropower and independent power producers. This was reflected in the Tanzania Electricity Supply Industry Reform Strategy and Roadmap (2014–25), unveiled by the Ministry of Energy and Minerals in 2104, which projected long-term dependence on coal. Coal-fired electricity was expected to rise from zero to 2,900 megawatts by 2025. Power System Master Plans from 2008 also set out ambitious plans for coal power, further demonstrating the increasing enthusiasm for coal projects at the time. Although many such plans did not materialize, all these developments make coal a very topical subject with which to explore the renewed interest of the state and the rise of resource nationalism through revived SOEs as an alternative strategy Tanzanian elites are using to manage the coal sector. With regard to timing, coal was seen as a unique mineral promoting the interests of Tanzanian state-owned enterprises in the mining sector, in particular the NDC, which had been revived a few years back. The NDC and to some extent the State Mining Corporation (STAMICO) were envisioned as performing a bigger role in rejuvenating the state's position in the coal and mining sector more broadly (Jacob, 2018, 2020).

Also, in the current context of policy shifts in the extractive sector and the changing roles played by SOEs in the mining sector, particularly in coal investments, these developments are likely to affect relations between the state and local landowners or local communities. Given the dual role of the state as both regulator and direct investor in mining through SOEs, the interests of local communities are increasingly beginning to compete with those of the state, especially with regard to access to land for mineral extraction. Ongoing coal investments involving SOEs are already changing the topography of mining investment-related conflicts. Jacob et al (2016) argue that with the state now involved in joint ventures, 'the topography of investment-related conflict is likely to change from being one of struggles between smallholders and investors (mainly foreign), to one between public–private partnerships and smallholders' (Jacob et al, 2016:13) and they add that 'this newly configured landscape contains a potential conflict of interest for the state, as the state is now part of investments and hence conflicts between local people and government could occur' (ibid) and when it comes to land acquisition, 'the state is facing a delicate balancing act: safeguarding smallholders' land rights on the one hand and securing land for state-owned enterprises and their international investment partners on the other' (Jacob et al, 2016:30)

While some scholars have paid attention to the impacts of large-scale land acquisitions in Tanzania, many studies have concentrated on land conflicts related to tourism investments and pastoralists, biofuels, forest plantations, wildlife, marine protected areas and agricultural investments (Sulle and Nelson, 2009; Gardner, 2012; Benjaminsen and Bryceson, 2012; Benjaminsen et al., 2013; Green and Adams, 2014; Maganga et al., 2016). However, few studies have been made of state–community relations in light of the recent renewal of the state's interest in mining, especially in coal investments. Discussions of the evolving relations between the state and the local population and the implications of the SOE revival are largely absent from recent analyses of ongoing reforms in the mining sector. More research is therefore needed to understand the impacts of such SOE-led investments, particularly on smallholders' land rights.

1.6.2 Reflections on Tanzania's coal ambitions in the era of low-carbon development

Tanzania's ambitions for coal, described above, must be discussed as part of the broader global debate around the role of fossil fuels in climate change and the trade-offs between climate and sustainability goals, energy security, and need for clean energy. The Intergovernmental Panel on Climate Change have indicated that, for the world to achieve its climate goals, countries have to change their national energy systems dramatically, especially involving high-polluting energy sources like coal (IPCC, 2018). The global climate body has made it clear that coal must be eliminated globally, but the question then is what happens to the millions of people who are living without access to energy in countries where coal could be an option? According to the recent World Energy Outlook, over 500 million people in Sub-Saharan African are living without electricity (IEA, 2019).

In Tanzania, the increasing appetite for coal from 2010 onwards has created a dilemma over energy with regard to Tanzania's efforts to become energy secure. On the one hand, there is the energy security narrative which represents coal as an essential energy source for Tanzania given its stipulated target of becoming a middle-income country by 2025, a target set by the Tanzanian Development Vision 2025 (Jacob, 2017). One the other hand, there are voices within the state that argue strongly that the country needs to expand investments in clean energy to reduce its reliance on polluting energy sources and achieve sustainable and environmental-friendly development, thus meeting its international climate obligations, including the Intended Nationally Determined Contribution within the Paris climate agreement (Jacob, 2017).

This dilemma over energy in which Tanzania finds itself with regard to coal is illustrated by two conflicting positions within the government. On the one hand, former President Jakaya Kikwete played an influential role in leading pan-African efforts in the direction of low-carbon development, the transition towards renewable energy and Africa's efforts to achieve green growth. I have discussed Kikwete's climate change leadership elsewhere, as the quote below summarizes.

> Kikwete delivered the African position on climate change at the 19th and 20th sessions of the United Nations Framework Convention on Climate Change annual climate talks in Poland and Peru, respectively. In the inaugural Committee of African Heads of State on Climate Change gathering in 2014, the President called on African heads of states to cultivate the political will that is crucial to achieving a 'carbon neutral' world. Under Kikwete's presidency, Tanzania played a leading role regionally in championing the climate-change agenda. Tanzania held the chair of both the Adaptation Fund Board (2008–9) and the UN Framework Convention on Climate Change's Subsidiary Body of Scientific and Technological Advice (2011–13), as well as taking over the presidency of the African Ministerial Conference on the Environment (2012–March 2015). (Jacob, 2017: 8)

Conversely, the energy minister at the time, Sospter Muhongo, was a staunch supporter of the coal sector at a time when coal-fired power plants were being declared a top government priority. The minister emphasized that 'Coal to electricity is necessary in Tanzania; we will fight energetically to make sure we produce electricity using coal because its cost will be cheaper for citizens and this electricity will boost industrial growth' (Jacob ,2017 :9).

Figure 1.1. President Jakaya addressing the United Nation's annual climate conference (COP 19) in November 2013 in Warsaw, Poland.

Source: United Nations Framework Convention on Climate Change

The dilemma and debates surrounding Tanzania's route to achieving energy independence will continue, especially with hydropower, which has emerged as the latest preferred source of power energy. While renewable energy sources such as wind and solar are becoming cheaper, and many countries are moving away from coal and other fossil fuels, I argue that, although proposed coal-fired power projects have stalled for a number of reasons, Tanzania's energy transition will be slow, and in the future fossil fuels such as gas and possibly coal will depend on the implementation of coal-power projects (Jacob, 2017: 13).

Figure 1.2 *Guardian* headline, 27 February 2016.

ENERGY

Muhongo eyes coal as main power source

By Guardian Reporter

ENERGY and Mineral Minister Prof. Sospeter Muhongo has expressed development of power industry as one of major priorities of the fifth phase government, citing coal as a key source of power in a country whose supply leaves a lot to be desired.

Indeed, the government has given dual-listed Kibo Mining renewed confidence in the government's support for the coal miner's Mbeya coal-to-power project MCPP), following a meeting between Tanzanian Energy and Minerals Minister Professor Sospeter Muhongo and the Chief Executive Officer of Kibo Mining plc, Louis Coetzee.

project.

"As progress on the overall feasibility wo for the project continues at pace, it is hig encouraging to receive continued support fr the Tanzanian government," said Coetzee.

He acknowledged that Mbeya project represe a significant power opportunity for the coun saying the joint efforts would be a key drive achieving an ambitious timescale of genera 300MW in the first phase scheduled for 2019.

Kibo Mining is listed on the AIM ma in London and the AltX in Johannesb The Company is focused on exploration development of mineral projects in Tanzania, controls one of Tanzania's largest mineral portfolios.

Source: The Guardian newspaper, Dar es Salaam.

1.7 Empirical and theoretical relevance

As pointed above, the resurgence of the state and re-emerging resource nationalism in Sub-Saharan African remain under-studied. This research is therefore timely and will offer experiences and insights from a country in Sub-Saharan Africa, as well as contribute to scholarship on resource nationalism, which has so far been dominated by studies from Latin America, with its regional variations and specific geographical contexts. This empirical contribution will be achieved through analysis of how the involvement of the Tanzanian state in the extractive sector has evolved over time by tracing changes and continuities in how the state has engaged with foreign investors over the years, the role of state-owned companies in resource extraction, and their collapse and recent revival. This will be conducted through a detailed historical analysis of how resource nationalism emerged after independence, retreated, and then re-emerged again. Furthermore, examining re-emerging resource nationalism and the revival of state-owned enterprises from the perspective of state–investor relations alone is insufficient and leaves the important aspect of the changing relations between the state and local communities due to the changing position of the state in mining and the involvement of revived state-owned enterprises. The implications for resource nationalism and the changing relationships between the state and local communities is largely absent from contemporary analyses of natural resource investments, particularly in the mining sector in Tanzania, which has focused mainly on state–investor relations and conflicts between foreign investors and local communities. Using the Tanzanian coal industry, and the Ngaka coal mine in particular, as a case study, the thesis addresses this gap by examining the changing relationships between the state and local communities at a time when the state is taking part in mining as an investor through a revived SOE. It is anticipated that this analysis will offer lessons for the future engagement of other state-owned enterprises in this era of increased state intervention in the extractive sector.

Theoretically, the thesis contributes to political settlement literature, especially on the role that ideas play in shaping the policy choices of political elites. This contribution is also timely given that existing research on political settlements has focused on the interests of elites, while the role of ideas and how they influence the actual engagement of the state as an investor in resource extraction has been overlooked and has received little analytical attention. The focus on resource nationalism as an idea is critical in understanding various choices and dynamics within different types of political settlement.

In terms of policy relevance and new data, a visit to the Ministry of Energy and Minerals in the early stages of this research revealed that the Ministry was pleased with the proposal to conduct research on coal and the role of the state in the sector, an important but neglected mineral in the view of ministry officials. The notion of coal as a neglected sub-sector research-wise comes from the fact that many studies of resource extraction have focused almost exclusively on gold and more recently on the newly emerging natural-gas sector, which has attracted a lot of research interests both from within and outside Tanzania. During the first year of fieldwork, I was able to develop a profile of and map various state-led and private-based coal investments in Tanzania which were at different stages at the time. See Jacob (2017:2) for details coal investments at various stages. These data were non-existent, and the Ministry of Energy and Minerals and other agencies including the Geological Survey of Tanzania and the State Mining Corporation, STAMICO found them useful in their activities related to coal sector.

1.8. Structure of the thesis

This thesis consists of eight chapters, including this introduction. Chapter two present my analytical framework with which I examine the renewed interest of the state in the extractive sector. I discusses contemporary theoretical debates and interrogate recent dominant literature on the role of the state in development, especially in the extractive sector, and show their limitations in analyzing the renewed interest in and changing role of the state in natural resources. I develop an analytical framework by drawing upon the extended political settlement literature to incorporate ideational factors which have been overlooked.

In Chapter three, I discuss my methodological approach and the fieldwork process, including the sampling techniques and methods of data collection. In addition to the description provided in the introduction, I also justify selecting Tanzania as a case study, as well as the choice of the Ngaka coal and coal-mining as areas of focus. The chapter also discusses the challenges encountered during fieldwork at the national and sub-national level. I also reflect on the broader challenges faced after fieldwork and during thesis writing.

In Chapter four, I review the literature on state-owned enterprises both globally and in Tanzania. The review covers state-owned enterprises in East Asia, Latin America and Africa, SOEs in the extractive sectors and the evolution of SOEs in Tanzania from the post-independence period. I also discuss debates around the historical origins, definitions and motives behind the establishment of SOEs. The review is important in understanding the strategic roles played by SOEs in economic development globally and explores why state ownership has persisted even during decades of economic liberalization.

Chapter five focuses on the political economy of mining governance in Tanzania. In this chapter, I explore the evolution of the state's engagement in the mining sector in five phases. By examining how the relationship between the ruling elites, multinational companies and mineral extraction have shaped ideas about mineral governance and the state's involvement in the mining sector over the years, this chapter explores the politics of continuity and change in the mining sector and analyses how resource nationalism has evolved over time. I argue that the politics of mining has been shaped by three cross-cutting factors, namely changing ideas on mining governance among ruling elites, the power relations between the state and transnational actors, particularly the power of private capital by foreign mining companies, and intensifying electoral competition, which fuelled resource-nationalist sentiments among Tanzanians. To sum up, the change and continuities in the politics of mining reflected the continuing tension and tricky balancing act facing the Tanzanian state, satisfying the demands of foreign mining companies as the main source of capital while also addressing local nationalistic sentiments and demands for a bigger role for the state in mining.

In Chapter six, I turn to the politics of the revival of state-owned enterprises and resource nationalism in Tanzania, focusing on rhetoric compared to the state's actual participation in the Ngaka mine. In this chapter, I argue that the revival of SOEs and the re-emerging resource nationalism in Tanzania's coal sector was achieved through increasing the ties with foreign mining companies. Despite policy and regulatory reforms and the participation of revived SOEs, the Tanzanian state's ability to translate resource-nationalist sentiments in the coal sector into viable policies and strategies was hindered by Tanzania's historical dependence on foreign capital and SOEs' limited financial and technical capacity. Revived SOEs and resource nationalism emerged with force after 2010 under the rhetoric of 'taking control' of the mining sector, increasing 'state control', 'reducing the influence' of multinationals and reversing some elements of liberalization in the mining sector. However, what is key for my argument is that, in actual fact, the state has continued to pursue and expand its relations with and dependence on foreign companies as partners in joint ventures. Both the Kikwete and more recently the Magufuli administrations have been unable to overcome the state's historical dependence on foreign capital or the sector-specific constraints surrounding the mining sector, especially coal in this case.

Chapter seven concludes the empirical chapters. In this chapter, I return to the Ngaka coal mine to examine how re-emerging resource nationalism and the double role of the state as investor through a revived SOE and its foreign joint-venture partner is shaping the relations between the state, the investors and the local population. In particular, I examine the contentious land-acquisition process that paved the way for coal extraction in Ngaka. I argue that the SOE and its joint-venture partner relied on the CCM's and Tanzania's resource-nationalist ideology to fast-track consultation and limit the participation of the local population in the case of Ngaka.

In the concluding Chapter, I return to the research questions and present a summary of my key findings, illustrating how various chapters have responded to the research questions. I also discuss the implications of my findings and offer insights and suggestions for future research based on the Tanzanian experience of the revival of and re-emerging resource nationalism in the coal sector.

Chapter 2: Theoretical reflections and analytical framework

2.1 Introduction

The debate on state intervention in economic development and the role of state in extractive industries has been conducted in relation to widely varying schools of thought and has attracted numerous theoretical discussions within the social sciences, ranging from development economics, political science and sociology to political geography and comparative politics, among others (Evans et al., 1985; Haggard 1990; Amsden, 1992; Evans, 1995; Pierson, 2004). Various theoretical prepositions have attempted to explain the changing role of the state, including state's role in governing natural resources for the betterment of the wider. This chapter discusses contemporary theoretical debates around the idea of bringing back the state or the return of the state in relation to the state's ever-expanding role in resource extraction through State Owned Enterprises (SOEs). As countries in Africa and elsewhere in the global South are expanding the state's participation in the extractive industries through state-owned enterprises, it is imperative to place the Tanzanian case in conversation with the broader theoretical literature on the role of the state in development. The recent resurgence of resource nationalism and state-led mineral extraction raises various questions on the nature of state participation through SOEs, development imaginaries, the ideas and interests of those in power, and the impacts of direct state participation in resource extraction. Deeper engagement with theoretical debates will also shed light on broader questions about the re-emergence of SOEs in mining and re-emerging resource nationalism in the coal sector, as well as what they say about the contemporary nature of the Tanzanian state, its ruling elites and local populations.

One of the most recent developments in the extractive sector globally in the last decade has been the revival and return of once inactive state-owned enterprises in many countries in East Asia, Africa and Latin America after decades of neoliberal restructuring in the 1980s and early 1990s. Ruling elites have reiterated the need to assert either full or partial control over industries and more recently mineral and energy resources, which are increasingly being seen as resources of national importance and are treated as national projects. In this chapter I review the theoretical literature and broader theoretical debates on the renewed interest of the state and the politics of resource governance, as well as proposing an alternative political economy approach in understanding the renewed interest of the state and ruling elites in mining governance, which is relevant to this study.

The chapter begins with reflections on some of the dominant and influential theoretical explanations and debates around the role of the state in development and resource governance based on a large and established body of literature on economic development and natural resource governance. I explain how conventional explanations fail to capture the renewed interest in and changing role of the state in natural resources at the present time. The role of politics in shaping resource governance is widely acknowledged, but the extent to which power dynamics and the role of ruling elites, their commitment and ideas in shaping resource governance remains understudied. This is surprising given the role that ruling elites, domestic politics and renewed state-led development efforts have exerted in recent years.

This chapter is divided into three sections. The first section reviews and critically examines existing theoretical explanations that have dominated the renewed interest in the role of the state in both development and resource governance. I have identified five groups of literature to interrogate: first on the 'resource curse' and rentier state; secondly on state capitalism; thirdly on the economic nationalism; fourthly on neopatrimonialism; and finally good governance, a body of literature that is associated with the New Institutional Economics (NIE). The discussion briefly focuses on the salient weaknesses of these theoretical approaches and their proponents.

In the second section I discuss alternative theoretical explanations in understanding the recent renewed interest of the state in the extractive sector through revived SOEs and discuss how the ideological framing and the ideas of ruling elites can help us comprehend the contemporary role of the state in the rapidly changing political economy of resource governance and its impacts on local populations, especially the coal sector in Tanzania. This section also discusses my analytical strategy, which will take me beyond the traditional explanations discussed above and draw on a combination of certain parts of the mainstream political settlements theory, especially the concept of 'holding power' (Khan, 2010), and the emerging extended political settlement literature. This incorporates in particular ideas and ideologies, as well as transnational influence as absolutely crucial to understanding the renewed interest of the state in development, particularly in the extractive sector (Bebbington, 2013; Hickey et al., 2015; Lavers and Hickey, 2016; Mohan et al., 2017).

In the third section I discuss and adopt parts of the political settlement analysis approach, together with some recent additions. Political settlement analysis has generated interests in recent debates on growth and development, elite commitments and discussions of economic transformation (Di John and Putzel, 2009; Whitfield et al., 2015). Related to mainstream political settlement, and relevant to this thesis, is Khan's concept of 'holding power'. 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). Holding power can also be exercised through 'violence or the threat of violence' (Gray and Whitfield, 2014: 11). This concept has been adopted to illuminate the ever-changing nature of state–society relationships and the varying degrees of holding power between political elites, and SOEs and foreign partners on one the hand and on the other local populations at the sub-national level, where coal extraction by revived SOEs takes place. The third section concludes the chapter.

2.2 The role of the state in development and resource governance: dominant theoretical explanations

In this section I review and examine the existing literature and dominant explanations regarding state intervention and the role of the state in development. The section began with a close review and interrogation of the 'resource curse' and the theoretical literature on the rentier state, which is followed by the various bodies of literature on state capitalism, economic nationalism and neopatrimonialism. The section ends with a review of the literature on good governance that is associated with the New Institutional Economics (NIE).

2.2.1 The 'resource curse' and rentier state theory

The literature on the 'resource curse' and the rentier state dominated earlier discussions on the role of the state in development especially in mining and hydrocarbons, but it still has considerable traction, as it is undeniable that natural resource-rich countries generally, except for a few outliers, fare worse with regard to various indicators of economic development, governance and democracy than countries with fewer resources (Aut,y 1993; Sach and Warner, 1995; Karl, 1997; Ross, 2001; Auty and Gelb, 2001). This quite diverse literature analyses how state intervention in economic development and elite motivations, particularly in mineral and oil resources, affect resource governance and thereby produce different development outcomes. The phrase 'resource curse' refers to a situation in which endowment in natural resources leads to negative socio-economic and political conditions in resource-rich countries, particularly mineral and oil-rich nations. This literature has sought to explain the slow growth and poor state capacity in oil- and mineral-rich countries compared to resource-poor ones. Focusing on the allocation of resource rents by political elites, it argues that resource abundance fuels rent-seeking, the unproductive use of rents and corrupt behavior among elites and their political constituencies, leading to a range of impacts, including slow growth and low per capita incomes, corruption, debt crises, non-diversified economies, high levels of poverty, unemployment and inflation, the emergence of autocratic regimes, civil unrest and weakened political institutions in mineral and oil-rich countries (Aunty, 1993; Sach and Warner, 1995; Collier, 2008; Ross, 2001). Countries such as Nigeria, Chad, Cambodia, Congo Brazzaville, Equatorial Guinea and most recently Venezuela fall under this category, where predatory elites have fueled patronage and the unproductive use of rents.

The existing theoretical literature on why mineral- and energy-rich countries might face problems associated with the effects of the resource curse is extremely polarized. At one extreme, there is a body of literature (Auty, 2002; Stevens, 2013; Sachs and Warner, 2001; Stevens and Dietsche, 2008; Brunnschweier and Bulte, 2008) pointing to six dominant explanations: (i) revenue volatility due to fluctuations in world commodity prices and so-called boom and bust cycles; (ii) the 'Dutch disease', where the natural resource boom may lead to fiscal and macro-economic instability due to the rapid expansion of the extractive sector, which affects the exchange rate; (iii) institutional factors in resource-rich countries; (iv) the crowding-out effect whereby large-scale investments in minerals, oil and gas associated with the commodity boom could retard other productive sectors like agriculture; (v) the decline in the terms of trade; and finally (vi) the difficulties involved in managing mineral and oil and gas rents 'successfully', which is seen as the political component of the resource curse, particularly in mineral and oil and gas-rich nations in the developing world. . This political component is associated with increasing state intervention in resource extraction, often through state-owned enterprises, where the rents that are generated are directly captured by the state. Involvement of the state through SOEs is linked to corruption and rent-seeking and what has come to be known as the rentier state, a term used to describe dependence on and the unproductive use of revenues from natural resources (Auty, 2002; Stevens, 2013; Sachs and Warner, 2001; Stevens and Dietsche, 2008; Brunnschweier and Bulte, 2008).

While each of these six explanations is interesting in its own right, the political component of the resource curse associated with the rentier state is of particular interest to this study, which focuses on the renewed interest of the state in resource extraction through revived SOEs. The main premise of the rentier state thesis, for example, as proposed by Nakani (1979), is that the extractive sector allows mining and oil- and gas-rich countries to generate significant rents to incentivize rent-seeking and corruption. The state generates rents in two main ways: firstly by charging foreign mining companies operating within their jurisdictions and collecting fiscal rents such as taxes and royalties; and secondly through direct state participation in resource extraction through state-owned companies and sometimes by entering into joint ventures or production-sharing agreements with foreign mining companies and international oil companies.

Given the large amounts of revenues involved in mineral and oil- and gas-rich countries, this literature identifies two types of state based on how rents are generated and used: firstly, the capable 'developmental' state, which is able to use rents and resource wealth productively for developmental outcomes and to achieve economic diversification; and secondly, the predatory or rentier state, which misuses the rents that are generated and is unable to turn them to productive use due to weak state capacity and corrupt behavior among elites and their political constituencies (Haslam 2016; Mehlum et al., 2006; Di John 2002).

With regard to states with a productive outlook towards rents, the mainstream literature on the resource curse has also identified exceptional cases of countries where state intervention has seen the productive capturing and allocation of rents by elites in countries such as Norway, Australia, Canada, Chile and Malaysia (Acemoglu et al., 2003; Sach and Warner, 1997; Stevens, 2005; Wring and Czelusta, 2007). Some scholars have also placed Botswana in this group of countries (Mbabazi and Taylor, 2005), but others have argued that this diamond-rich nation is more of a gate-keeper state (Hillbom, 2012).

Although the resource and rentier state explanations are interesting, as their analysis of the role of the state takes agency into account, they are also problematic and are therefore not useful in understanding developments in contemporary Tanzania. Firstly, given the dominance of foreign capital and transnational companies in the extraction of minerals and hydrocarbon resources in the developing world, studies on the resource curse have devoted greater attention to the politics of bargaining and the unequal power relations between host governments where extraction take place and the multinational companies that operate in such countries (Ross, 1999; Collier, 2010). This emphasis on the influence of national-level elites and the collusion between national governments and international actors in resource extraction has downplayed the importance of other actors, such as the state bureaucrats who oversee the actual implementation of such extractive investments, sub-national elites who mediate relations between the central state and international corporations, local populations who bear the impacts of resource extraction, domestic investors who are increasingly becoming influential and other non-state actors (Bebbington, 2013; Hickey, 2013; Buur et al., 2017).

Secondly, most resource curse explanations have focused mainly on economic issues, such as revenue volatility, the Dutch disease and macro-economic instability, thus neglecting the effects of important sectors such as manufacturing and agriculture and declining terms of trade (Saad-Filho and Weeks, 2013). As critics have pointed out, the methodology relies mainly on econometrics and on establishing correlations between resource abundance and institutional quality, while dismissing country-specific political economies, complex domestic politics and historical relations between ruling elites and the general population (Di John, 2011; Boschini, 2013). Despite such weaknesses, the resource curse literature has provided useful insights regarding the various outcomes of state interventions in resource governance. As the resource curse explanation remains deficient, we need a more nuanced analysis and understanding of the ideological framing that shapes the state's intervention in resource governance and also to unpack how national elites and sub-national populations behave under different conditions. This can be analyzed by taking ideas on the role of state seriously through the lens of domestic and factional politics and the different kinds of 'holding power' that the resource curse literature has failed to engage with.

As for the rentier state, the conceptualization that has inspired many theoretical discussions of the role of state in mining is based on the World Bank's neoliberal understanding of what a rentier state looks like, especially in mineral economies that are obsessed with export-oriented economies. This follows publication of an influential World Bank paper by Gobind Nankani in 1979 entitled 'Development problems of mineral exporting countries' (Nankani, 1979). From the World Bank's point of view, a mineral economy is one in which mining contributes at least 10 percent of the country's GDP and where the export of minerals makes up at least 40 percent of total exports (see Di John, 2002 for a critique). Given such numbers as the unit of analysis, many countries, including Tanzania, do not fit the categorization. The rentier state explanation also downplays the important component of joint ventures in mining operations. This is particularly important for Tanzania, where the renewed commitment to an old statist ideology and re-emerging resource nationalism has paved the way to the revival of state-owned enterprises that can into joint ventures with private foreign partners and create relatively new channels of rent appropriation (see Jacob et al., 2016; Jacob, 2018).

While the resource curse literature has dominated explanations of the political and economic challenges facing countries with rich mining and oil and gas resources, this literature has relied on questionable assumptions that need to be revised, as pointed out by Luong and Weinthal (2006). Obscuring the role of ideas undermines efforts to understand elite motives. Nonetheless, despite such weaknesses, this literature has galvanized conversations on role of politics in state intervention.

2.2.2 The literature on state capitalism literature

The theoretical literature on state capitalism has also become influential in analysing the recent return of interventionist states, including the re-emergence and expansion of SOEs that have expanded their operations internationally (Cuervo-Cazurra, 2018). Apart from the re-emergence and expansion of state activism through SOEs, this literature has also devoted a great deal of analysis to how states in developing countries have implemented incremental reforms and reformed the ownership structures of SOEs, especially after resurgences in state capitalism after the 2008 global financial crisis (Mussachio and Lazzarini, 2014; Bruton et al., 2015). This literature is problematic in two ways; Firstly, much of the literature on state capitalism and SOEs has focused on the nature and performance of the so-called 'new look' SOEs of the present day, which among other things have been listed on stock markets, gone global by expanding overseas and been involved in big mergers and asset acquisitions. State elites have transformed these companies, and many are performing on a par with private companies and in some cases outperforming them (ibid.).

Secondly, as with the literature discussed above, the literature on state capitalism gives insufficient analytical attention to the role of domestic politics in the expansion of state capitalism and concentrates analytical attention on the influence of external global events (Mussachio and Lazzarini, 2014a; Bruton et al., 2015). Global events such the 2008 financial crisis and the commodity boom of 2004 to 2015 are exclusively seen as influential in creating favourable conditions for state economic activism and the re-emergence of resource nationalism. While such global events have certainly played an important role in the resurgence of the state, the revival of SOEs and the re-emergence of resource nationalism, this literature has afforded limited attention to the role of domestic politics and ideas on resource governance and how they shape and at times constrain state engagement in development. The supposedly limited role of domestic politics reflects the fact that recent research on resurgent state capitalism has been dominated by fields such as economics and business studies, which tend to downplay the analytical power of domestic political processes and the increasingly influential role of ideas and ideology. To sum up, global external forces such the commodity boom that opened up opportunities to expand the role of the state do matter, but such global events cannot stand alone, and we cannot rely solely on them to analyze the changing role of the state.

2.1.3 Economic nationalism

Theoretical discussions of economic nationalism have attracted academic debates over the years (Johnson 1967; Burnell 1986), and the term has been used to refer to different forms of interventions by governments in efforts to protect national interests. Most recently academics have used the term 'economic nationalism' to refer to various economic policies that can be seen as 'nationalist' (Helleiner and Pickel, 2005: 21). Other scholars have linked economic nationalism to national identity (Hobsbawm, 1992) and attempts to achieve economic growth (Helleiner, 2005). I consider the definition offered by Sam Pryke (2012) in his article 'Economic nationalism: theory, history and prospects' to be useful in unpacking components of economic nationalism. Pryke defines economic nationalism as

> a set of practices designed to create, bolster and protect national economies in the context of world markets. The practice is not necessarily antithetical to external economic activity, but it is opposed to allowing a nation's fortunes to be determined by world markets alone. (Pryke, 2012: 281)

Economic nationalism is therefore related to state agency and political elites pursuing specific policies. But as Evans has suggested (1995), it is also related to political elites' relations with the broader society, and sometimes it inspires bureaucracies with autonomy and responsibilities when state intervention is used by governments to accelerate development. In other cases, economic nationalism may take a form of an alliance between political and business elites, where economic policies and state intervention are designed to support the interests of certain political and business constituencies involved in rent capture (D'Costa, 2009). Economic nationalism has re-emerged over the last decade as an attractive mechanism in opposition to economic globalization and the unfettered celebration of the market, with its insistence that national economic interests beyond markets matter. The trend is characterized by a wave of protectionist rhetoric and new legislation, combined with the securitization of economic interests in order to legitimize such moves (Tymoigne, 2009).

This has taken place in developed, emerging and developing economies with a new interest in controlling imports, nationalizing key industries and relaunching powerful state-owned enterprises, acting as a reminder to global corporations that states still exist (Szakony, 2007;

Pryke, 2012). Theoretical insights point to the power of economic nationalism and its popular appeal to the marginalized poor, who feel powerless and marginalized by neo-liberal globalization (Nakano, 2004). This revelation has been picked up by ruling elites, who are increasingly using nationalistic sentiments to consolidate their legitimacy and political power and to elevate their countries' status states through natural resource rents, among other things (Berrios et al., 2011).

Although this literature has made a good contribution to our understanding of various interventions by states against the forces of globalization, the main weakness of the literature on economic nationalism, which is dominated by scholars of international political economy, is its tendency to focus mainly on national-level economic processes, particularly protectionist policies, the protection of national borders and the notion of strengthening and protecting the nation through external threats. This theoretical literature downplays the importance of competing ideas in economic development and especially how ideas related to the role of the state are framed, negotiated and contested. The relationship between the state and local populations and their varying forms of power is also left out, an aspect that is important for understanding how economic nationalism evolve in the Tanzanian case.

2.2.4 Neopatrimonialism

The literature on neopatrimonialism has identified the nature of African societies and weak institutional practices as the main impediment to governance capacity and successful state intervention (Chabal and Daloz 1999). Neopatrimonialism theorists have focused on state–business relations and the role of Big Men politics, clientelism and corruption in their analyses of the factors that favor or hinder state intervention, economic development and transformation in Africa (Roth, 1968; Bratton and Van de Walle, 1993; Van de Walle 2001). Neo-patrimonial explanations have dominated studies of African political economies in the last decade.

The literature on neopatrimonialism has four weaknesses. First, neopatrimonialism theorists have downplayed ideational factors. This I suggest is a major flaw, as ideas and ideologies remain influential (Mkandawire, 2015; Hickey et al., 2015; Lavers and Hickey, 2016). Ideas are critical to understanding how the role of the state in economic development is perceived, negotiated and contested (Bebbington, 2013). The ideological angle is particularly relevant for Tanzania, where ideas and ideologies have always played a strong role in the thinking, design, legitimation and implementation of various policies and national development projects since independence (Gray, 2012). Different ideas on mining governance have also prevailed based on ideas about development held by CCM elites in power at different times (Jacob and Pedersen, 2018) as discussed later in this chapter and the rest of the thesis.

The second problem with the neopatrimonialism literature is the fact that its theorists have generalized African countries to an excessive degree and failed to capture the individuality and variations in state intervention and capacity across Africa. With neopatrimonialism, Africa's poor performance is due to the abuse of power by high-level public officials and their wealthy accomplices. The abuse of such powers tends to serve private rather than public ends (Mkandawire 2010). Poor performance is also due to the absence of capacity and a commitment to development on the part of the state in Africa, due in part to the weak and predatory nature of Africa's elites (ibid.). While evidence for such abuses by political elites exists in many countries, critics of neopatrimonialism theory have questioned the perceived characteristics of African states and the use of neopatrimonialism as a lens for understanding politics in Africa, arguing the term omits country-specific histories and institutional differences over time (Pitcher et al., 2009; Mkandawire, 2013; Gray and Whitfield, 2014).

Thirdly, critics argue that development and transformation can emerge alongside neopatrimonial states depending on how rent-seeking and distribution are organized (Kelsall et al., 2010). Centralized control and long-term rent-management can inspire transformation and industrial policy successfully within a neo-patrimonial and clientelistic environment (ibid.). This is also supported by recent empirical insights from a number of countries in East, West and southern Africa (Whitfield et al., 2015). The comparison of African countries with East Asian economies also means that neo-patrimonialism has little explanatory power, as argued by Khan (2010) and Gray and Whitfield (2014).

Finally, neopatrimonial theorists ignore the role of the broader society and of legitimacy in influencing or contesting development and ideas imposed by political elites. With a strong emphasis on strongman politics, neopatrimonialism studies have not attended to the motivations and power of social actors at the sub-national level, where histories and the everyday legitimacy of those in power matters (Pitcher et al., 2009; Gray and Whitfield, 2014). While it is true that some clientelist networks link government elites at the national and transnational levels, the power of sub-national actors cannot be underestimated. This is particularly true for mining and hydrocarbon activities involving the state and its transnational partners. When new mining and oil extraction activities are announced, sub-national actors have the power to mobilize and protest against projects undertaken by state-owned companies and their transnational partners. These protests are linked to various contested issues such as land, environmental concerns, social service delivery and human rights abuses (Bebbington et al., 2008; Bebbington, 2011). This is where the 'holding power' of both the state and transnational partners as well as local populations comes into play. The history and legitimacy component are especially relevant to Tanzania, where legitimacy allowed Tanzania's founding father, Julius Nyerere, to pursue policies such villagization, which required the support of sub-national actors. Based on the above weaknesses, neo-patrimonialism falls short in its analyses of the contemporary role of the state in economic development. This calls for an alternative theoretical and analytical prism which will tell us more than about strong-man politics alone and include wider discussions of ideas and ideologies, legitimacy and domestic politics.

2.2.5 The good governance agenda and New Institutional Economics

The good governance paradigm was inspired by the literature on the New Institutional Economics (NIE), which sees quality and 'good institutions' as the key to state intervention in development (North, 1990; Acemoglu et al., 2001; Acemoglu and Robinson, 2013). This extensive theoretical literature has dominated studies of state-building, politics and institutions since the 1990s and the early 2000s (North, 1990; Knight and Jack, 1992; North et al., 2007; Acemoglu et al., 2003; Acemoglu and Robinson, 2012). This approach and the obsession with 'good institutions' also informed the policy prescriptions and interventions of donor agencies and major financial institutions including the World Bank and the International Monetary Fund as part of strategies to promote good governance and reform global development and the extractive sector through initiatives such as the Extractive Industries Transparency Initiative (EITI) (Acemoglu et al., 2002).

As noted by Pedersen and Jacob (2019), NIE has been criticized for perpetuating the mainstream explanation of development and economic transformation in developing countries and also 'its failure to engage with informal institutions and their interplay with formal ones' (Jacob and Pedersen, 2019: 7). This approach has been seen as inadequate in explaining power relations and institutional arrangements among late developers, and it fails to capture the factors behind the successes and failures of the various interventions that shape socio-economic development in the developing world (Whitfield et al., 2015). NIE is particularly unhelpful in countries where formal institutions are weak. North and his colleagues fail to capture the fact that power is not tied to formal institutions only. Khan argues that, while donors have influenced the presence of some formal institutions in the developing world, state capacity is still weaker in many countries, and influential individuals and organizations derive power from

informal sources (Khan., 2010: 58). In such cases where formal institutions do not serve the interests of these groups, informal institutions are important in promoting such interests and in addressing what Khan call the ‘mismatch between the scale and productivity of activities protected by formal institutions and the distribution of power’ (Khan, 2010: 30). This is echoed by Whitfield et al. (2015), who show that in some countries, particularly those with clientelist forms of political settlement, significant holding power lies outside formal institutions.
Informal institutions matter indeed, Pedersen and Jacob (2019) noted Hazel Gray’s take on the relevancy of informal institutions in developing countries

> ‘As Hazel Gray put it, informal institutions are important, especially in countries where the informal structures of governance dominate and certain elites ‘operate through informal routes, primarily through patron–client networks, to protect their political power and rights over income flows, including state-generated rents’. In her study of largescale corruption in Tanzania, Gray demonstrated empirically the importance of looking at the hidden level of informal deals and networks and the power held by those individuals, businesses and groups that influence and operate in the shadows and extend their influence over key sectors of the economy. She also offers insights into how the state tends to support business elites and domestic capitalists operating outside the formal sector’ (Pedersen and Jacob, 2019:7)

This criticism has been extended by Behuria and his colleagues in their recent analysis of the value of political settlement analysis as an alternative to other mainstream approaches (Behuria et al., 2017). Also, in their analysis of dominant coalitions, North and colleagues suggest that violence does not play a significant role. This is based on the assumption that a social order can be stable once competing elites have reached a settlement. This argument ignores issues such as the capacity of low-ranked groups and non-elites to mobilize and resort to violence to challenge the existing order and historical legitimacy of such groups (Behuria et al., 2017).

More recently scholars have also emphasized the need to move beyond the institutional and behavioral aspects of politics to dig more into power relations, elite interests and negotiations between national and local elites by using force and sharing rents and other forms of resource transfer (Hickey et al., 2015; Lavers Hickey, 2015; Behuria et al., 2017). Others have gone further to highlight the importance of ideas, transnational influence and policy coalitions which could shape developments and local political economies (Lavers and Hickey, 2016).

In explaining relations between the contemporary role of the state in the mining sector and the wider population, history matters. In this context, NIE approaches fall short of analyzing these complex relations. While the work of Douglass North and colleagues talks about how elites bargain, their Limited Access Order framework dismisses the role of coalition politics, neglects historical analysis of the changing nature of the relationships between national political elites and sub-national populations, and fails to grapple with the changing dynamics of state–society relations (Bebbington et al., 2018). NIE theory has paid too much attention to ‘good institutions’ and ‘good governance’ and ignored the role of ideas, elite commitment and the political conditions that make such institutions function. Having ‘good institutions’ is one thing, but whether such institutions deliver on the ground is a different story, one that is influenced by the relationships between elites, their ideas and their relationship with the wider society. NIE theory is therefore insufficient: one needs to go beyond this analytical lens to inquire more into how ideas, ideologies, domestic politics and the relationship between national and sub-national elites shape state–society relations through struggles and bargaining. This is particularly relevant for my work, which looks at how changing ideas about resource governance have pushed Tanzania into a nationalist turn and how the state is staging a comeback in the mining sector by reviving state-owned enterprises. This ‘return of the state’ and its changing role creates a need to go beyond merely the institutional aspects advocated by NIE theorists.

2.3 From mainstream political settlements to ideas and transnational influence

This section begins with an overview of the basic components of the mainstream political settlement literature and the ways in which this theoretical approach has already been used to analyze the role of the state in development, including in contemporary natural resource governance. I am particularly interested in how I can build on this work, especially the concept of holding power. I then move on to discuss the need to incorporate ideas and transnational influence and elucidate what exactly it is about ideas and ideologies, transnational influence and elite commitment that gives the Tanzanian case and its findings their explanatory force. The incorporation of ideas, transnational influence and elite commitment is an attempt to fill the theoretical gap left by the mainstream political settlement literature.

As many states in Africa and elsewhere in the developing world seek to expand their involvement in the mining and oil and gas sectors, it is imperative to understand the influence of changing ideas and transnational influence, their impacts on renewed state participation in development and how they reconfigure the relationship between the state, foreign investors and local populations. By bringing ideas and transnational influence to the forefront, I hope to enable the study to examine the ‘return of the state’ beyond the traditional power dynamics of mainstream political settlement and include changes and continuities in ideas about the role of the state in development. Discussions of ideas are particularly important in the Tanzanian case, which represents a contemporary example of a country in sub-Saharan Africa which has reframed its ideology and embarked on a more interventionist role by reviving state-owned enterprises.

2.3.1 Mainstream political settlement

The literature on mainstream political settlements has focused on how the configuration of power between different groups within a society dictate the nature and forms of institutions in a given country. For the same reason this body of literature focuses on how such institutions emerge and how they function in practice both formally and informally. This is influenced by historical changes in the distribution of power between various groups and contestations over property and rents. This theoretical approach consists of three dimensions which shows differences in the distribution of power: the horizontal distribution of power between both the included and excluded factions of the ruling elite; the vertical distribution of power within the ruling elites; and how ‘political settlements’ have been financed over time (Behuria et al., 2017: 6; see also Khan, 2000, 2010).

According to Khan (2010), the horizontal dimension has to do with the relative power of excluded factions outside the ruling coalition. The existence of weak excluded factions means that ruling elites face fewer electoral challenges, thus allowing the ruling coalition potentially to deliver long-term developmental visions. On the other hand, when excluded factions are strong, the ruling coalition prioritizes short-term goals to ensure its political survival. Behuria et al. (2017: 5) have emphasized that this dimension involves analysis of how the ruling coalition has evolved over time and what have been the historical sources of opposition to it and its vulnerabilities, an analysis that should include both elite and non-elite groups.

The second dimension is the vertical distribution of power, which Khan defines as ‘the relative power of higher compared to lower factions within the ruling coalition’ (Khan, 2010: 5). In other words, this dimension involve the interplay of stronger lower level factions within the ruling vis-à-vis the top, higher-level elite groups. Khan suggests that when the relative power of higher factions in contrast to lower-level factions is greater, the ruling coalition becomes stronger and more capable of implementing various development projects.

The final aspect of political settlement involves the financing of the ruling coalition. On this dimension, Behuria et al. (2017) have emphasized the need to trace historically how the state and different actors have financed the ruling coalition. The sources of finance tend to be both capitalists and actors outside the mainstream capitalist system. This last dimension is important for this study, as it points to the relative importance of different extractive sectors for the ruling CCM coalition. Khan has also devoted time to discussing the clientelistic relations that underpin ruling coalitions (Khan, 2010: 64–9). His discussion led to the emergence of four categories of political settlement with clientilistic and patronage relations, as well as the varying capacities of factions to implement development projects. The four typologies are (i) the 'potential developmental', (ii) the '(vulnerable) authoritarian', (iii) the '(weak) dominant party', and (iv) the 'competitive clientelist'.[5]

Whitfield et al. (2015: 97) added that the vertical dimension is not only a matter of lower versus higher level factions, but also the relative power of different higher level factions that compete over the control of scarce resources and power. Often high-level competition can be as important for long- or short-term policy implementation than the relative power of lower level factions. Recent work to extend political settlement theory by Behuria and colleagues (2017) and Pedersen and Jacob (2019) has called for scholars to pay more attention to the concept of legitimacy while analyzing the vertical and horizontal distributions of power. Legitimacy informs how regimes in particular are seen as more popular or unpopular versus the rest. This suggests that ideas about legitimacy matter. Furthermore, questions related to legitimacy allow us establish whether the relative 'holding power' of the ruling coalition is faced with threats from lower-level factions and non-elite groups.

2.3.2 Holding power

Khan's political settlement approach includes the concept of 'holding power' (2010: 6; see also Behuria et al., 2017: 8-10), which is central to understanding the distribution of power in a given society. The concept has proved useful in theorizing and unpacking different processes of bargaining and conflicts between the state and other actors, as well as relations of power between included and excluded factions and between a ruling coalition and its factions. Although it is important to understand domestic politics and the role of ideas and ideologies in extractive investments involving state-owned enterprises, little is known about how different actors such as the state, investors and local communities organize themselves to defend and promote their interests, versus other actors in such investments. This is one area where holding

[5] However, the four categories have been contested. According to Whitfield et al. 2015 and Behuria et al. 2017, they can only be used as indicative of certain behavior on the part of ruling elites and the coalition they form part of.

power can potentially help problematize these complex relations. The strategies deployed by these actors in legitimizing their claims are often shaped by different power configurations, alliance-building, mobilization capacity and bargaining techniques. In the context of this study, where state-led investments involve alliances forged between a revived SOE and foreign investors, the big question is how local populations position themselves to boost their leverage against the state and their investment partners. Equally important are the relative power differentials between the SOEs and foreign investors and between the ruling coalition and its opposition, as well as the relative power of different ruling elite groups in relation to other elite groups.

Mushaq Khan's concept of 'holding power' is useful in understanding these complex relationships, which involve constant bargaining and different ways of exercising power. Khan describes holding power as 'the ability of individuals or groups to impose costs on others and absorb costs inflicted on them' during conflicts (Khan, 2010: 6). 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' (Khan, 2010: 6). As noted by Jacob (2018), Khan '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' (Jacob 2018: 5, also Khan, 2010: 79).

The relative holding power of the different actors (the state, ruling elites, SOEs, the opposition and the local population) differs, and the political settlement approach offers potentially important insights into how the holding power of different groups can alter the configuration of power. This, for example, is an important aspect in the Tanzanian case, where the state plays a double role as an investor and as the protector of the rights of local populations. The role of the state as the custodian of local populations is linked to the issue of legitimacy, which, I suggest, has become increasingly important in respect of extractive investments involving state actors.

In Latin America, national elites and state-owned enterprises have used various techniques to legitimize their presence in contested sites of resource extraction. Political elites have forged new relationships with ordinary citizens and indigenous groups by expanding social programmes such as housing and cash transfers in what Eduardo Gudynas (2016: 103–17) has described as 'compensatory states'. He suggests this shows the pressure Latin American governments have faced to redistribute mineral and oil wealth to local populations and thereby justify more mineral and oil exploration through an extractivist development model. These forms of distribution represent a different kind of social contract between state and citizen, one designed to cement the legitimacy of the ruling elite and state, or in political settlement language to strengthen the relative holding power of the ruling coalition that controls the state (Whitfield et al., 2015). I find the concept of holding power to be useful, as it places both the state and SOEs within local politics and the process of bargaining, rather than being a separate entity, which is how many SOEs see themselves.

Mainstream political settlement theory has been useful in explaining how the state and ruling elites intervene in economic development, why state interventions take the shape they do, why certain interventions are preferred to others, and why certain interventions produce beneficial development outcomes, while others lead to only limited development. It does this by placing the distribution of power, bargaining, coalitions, informal institutions and 'holding power' at the center of the analysis. However, mainstream political settlement theory has paid little attention to how ideas and ideologies as well as transitional factors influence the role of ruling elites that are in control of the state in development and affect the politics and governance of natural resource extraction.

In summary, mainstream political settlement theory is not useful when it comes to incorporating the role of local populations, this being an area where holding power provides a useful analytical angle, especially in Chapter seven, which examines the intersection of resource nationalism and the double role of the state, with local populations being caught in the middle between the state and its joint venture partners. Khan noted that 'Unpacking the components determining the holding power of different groups can give us insights into the likelihood of conflict and the way in which power, institutions and economic outcomes may be related' (Khan, 2010: 6). This further illustrates how useful the concept of holding power can be in unpacking conflicts at the sub-national level, as discussed in Chapter seven.

2.2.3 Ideas and ideologies

There are two important issues that the literature on mainstream political settlement has failed to develop, namely the role of ideas and ideology, and transnational influence. This literature has made little attempt made to incorporate the place of ideas and ideologies of transnational influence in shaping the role of ruling elites and the state they are supposed to control in development terms. However, this is changing, as recent work conducted mainly by the ESID in Manchester has focused on extending the political settlement analysis specifically by addressing the role of ideas and transnational influence in development. Hickey and Lavers

(2016), for example, have called for mainstream political settlement theory to be adapted and extended to include a stronger focus on ideas and ideologies. This is a combination with the potential to offer important insights into recent attempts by the CCM government to exert greater control of the Tanzanian economy and into how the ruling CCM coalition relates to political constituencies in a rapidly changing world.

Watts (2004) and Schmidt (2010) have called for a stronger focus on the 'border ideas' that define the political imaginaries of the ruling elite and on how this helps to shape their approach to natural resource governance and their relationship with the wider society. 'Border ideas' are overarching ideas which act as roadmaps and both identify problems and propose solutions. Michael Watts (2004: 57) has gone further to suggest that the discovery of rich resources can shape expectations and socio-economic imaginaries of both national and sub-national political actors. As many extractive projects are seen as nationalist development projects, they also tend to trigger sub-national claims, especially from regions where extraction is taking place. These claims are mobilized around the idea of community struggles and claims to a share of oil rents.

Recent work on extended political settlements has responded further to this call and gone beyond mainstream political settlement analysis to view ideologies and transnational influence as an integral part of understanding the role of ruling elites and their coalitions, including the state in development (Behuria et al., 2017: 7). Also, recent studies of extractive resource governance in Ghana and Uganda have acknowledged and discussed the return of ideology in resource governance after two decades of liberalization (Mohan et al., 2017; Childs and Hearn, 2017; Hickey and Izama 2016).

Ideologies are based on a set of core ideas and beliefs that form a structure on which a society can be organized. These sets of ideas can therefore be used to establish a strategy for governments to formulate their policies as a vehicle to realize their political goals. Furthermore, by following sets of ideas, governments can enact policies that are considered legitimate by the people. According to Lavers and Hickey (2012: 12-14), there are three different levels of ideas, manifested as 'overarching paradigms', 'problem definitions' and 'policy ideas'. An overarching paradigm is a model based on a set of core principles for how a society should be governed and what political goals should be achieved. Therefore, by means of overarching paradigms, regimes decide what defines problems within a society and subsequently how to formulate policy ideas that addresses these problems. These levels of ideas can be used as tools by regimes to legitimize their authority over their subjects. Consequently, regimes achieve this by framing problems according to the paradigm of the society. Therefore, in order to improve understanding of the actions and perceptions of a regime and its society, we must first grasp the fundamental ideas on which they are founded.

Ideas and ideologies matter especially in the extractive sector, where the state's involvement through SOEs is often framed and mobilized through nationalism and the notion of fighting against a foreign enemy, usually foreign multinational companies and FDI. A separate idea from resource governance, whether 'resource nationalism' or 'neoliberal governance', can influence and shape the relationship between ruling elites and opposing elite factions. The mobilization of nationalism and ideas around 'national unity', for example, can also inform how the state relates to the electorates and how natural resource rents are controlled and distributed (see Salimo et al., 2020 forthcoming; see also Buur and Salimo 2018). Ideas influencing state strategies and different developmental paths are thus crucial in complementing some of the weaknesses of political settlement theory, especially its difficulties in elaborating actors motivations and interests, among other things (Bebbington, 2013; Hickey et al., 2015; Lavers and Hickey, 2016; Mohan et al., 2017; Buur and Salimo, 2018).

Just as the debates concerning global extractive sectors have revolved around changing discourses between neoliberal and state-oriented approaches, in the African extractive sector, due to its limited financial and technical capacity, political elites have been pushed to embrace both statist and market-based policies at different times (and sometimes in combination), based on the ideological preferences of the ruling coalition, country-specific socio-economic and geopolitical conditions, and their relationship with the global commodity market. In many cases a combination of foreign interests and domestic elites has sold liberal reforms as a solution and has generally been influential in shaping the ideological choices that are adopted (Singh and Bourgouin, 2013: 21-39).

Recent literature on African extractives has recognized the role of ideas in the policies and strategies that political elites adopt to govern the sector. Some of the most recent examples where ideology and elite preferences have featured strongly include Zimbabwe in the 2000s, when the ruling ZANU-PF under Robert Mugabe embraced economic nationalism as a form of black economic empowerment and as an indigenization policy aimed at empowering domestic investors to take control of the agriculture and mining sectors, which were dominated by white settlers. This ideological turn was shaped by a perceived sense of neo-colonial exploitation of the country (Magure 2012). In South Africa, the governing African National Congress (ANC) came under enormous pressure to re-think its ideological stand in relation to mining and consider nationalization of the major mines, which were mainly in the hands of white South Africans. The pressure came from the ANC's core constituency of its Youth League, the Communist Party and the Congress of South African Trade Unions (Andreasson, 2015). The pressure from the ANC's left-wing and other radical factions has shaped its approach to the mining sector since then (ibid.).

Another example is Nigeria in the early 2000s, when the government adopted a tougher approach in the oil sector in opposition to the neoliberal, British-influenced petroleum regime that existed at the time. The move saw the government expanding the role of its national oil company and introduction of new requirements for the active participation of domestic capitalists in the industry's mid- and downstream operations (Ovadia, 2016). In East Africa, Hansen et al. (2016: 214-16) have argued that ideational factors have hampered the capacity of domestic firms and subsequently affected the implementation of local content policies in Mozambique, Tanzania and Uganda (ibid).

In Uganda, when the country discovered oil in the mid-2000s, the discovery reinvigorated ideas concerning national development. The ruling National Resistance Movement (NRM) has adopted a highly resource-nationalist stand in the oil sector. President Museveni, who is personally heavily involved, has tussled with international oil companies over taxes, and Uganda seemed to resist quick oil gains by holding off international oil companies in order to gain better deals that would benefit the country in the future. These nationalistic ideas have led to numerous disagreements and delays (Hickey and Izama, 2016).

Most recently, discussing ideological preferences in the governance of oil in Ghana, Mohan et al. (2017) have described the ideological battles between Ghana's two dominant parties, the more statist National Democratic Congress (NDC) and the pro-market New Patriotic Party (NPP). Mohan and colleagues argue that Ghana's existing investor-friendly and generous oil contracts and the reduced role of the state-owned Ghana National Oil Corporation reflect the NPP's liberal approach, which it credits with oil discoveries in 2007, made possible due to its efforts to attract international oil companies. This is contrary to the NDC's strong resource nationalist ideology, which seeks greater participation by the Ghanaian state in the oil sector. The NDC has also deployed a more resource-nationalist position than the NPP when negotiating oil deals with international oil companies, as reflected in a stricter fiscal regime.

To sum up, this sub-section has explored how ideational factors have influenced policy choices in the governance of extractive resources, which has seen a greater trend towards strong state intervention. This thesis builds on these recent works to explore the ideational return of the state in extractives in the Tanzanian case. I am thus interested in how new ideas and ideologies have become part of the current wave of reforms and how we can best explain the recent renewed interest of the state in the Tanzanian mining sector through ideology.

2.2.4 Transnational influence

Transnational influence is an important phenomenon that has received little attention from the mainstream political settlement literature (Lavers and Hickey, 2015, 2016). Transnational influence is also strongly linked and related to ideas and ideologies, particularly in relation to states' renewed interest in development and especially resource extraction through state-owned enterprises. Just as ideas on resource governance are influential and shaped by domestic politics, transnational factors are crucial too. This is particularly true for many countries in global South. High global commodity prices driven by high demand for commodities especially from China and India and the global commodity boom from 2000 to 2015 were fundamental gamechangers for many mineral- and oil-producing countries in the global South (Pedersen and Jacob, 2017. The demand for commodities created conditions that allowed many countries to attempt to break away from the neo-liberal development model that most governments had been under the influence of from structural adjustment in the 1980s. Many countries introduced a number of nationalist policy interventions and began to articulate resource nationalism as a development strategy (Wilson, 2015; Andreasson, 2015; Haslam and Heidrich, 2016).

With limited access to capital and technology, many resource-rich nations have depended heavily on transnational capital in the form of external investments, joint ventures between multinationals and state-owned enterprises, and sometimes concessional loans. Although the extractive sector has become deeply embedded in international commodity chains and global markets, the existing political economy literature in resource-rich states has given less attention to transnational influences in the sector. In his critique of the incumbent literature's failure to incorporate transnational influences, Michael Watts noted, 'What is striking in all of this resource-politics scholarship is the almost total invisibility of both transnational oil companies and the forms of capitalism that oil or enclave extraction engenders' (2004: 53).

Recent studies of the politics and governance of natural resources have emphasized the influence of transnational actors and the need to bring this perspective into analyses of the political economy of resource governance (Mohan and Asante, 2015; Hickey et al., 2015). This is particularly important when inward extractive FDI flows effectively serve the interests of both political elites and foreign multinationals. This is particularly relevant in developing countries where ruling elites are deeply dependent on FDI due to a weak domestic private sector and a lack of technological and entrepreneurial capacity among the domestic capital class that has few real ‘capitalists’ (Whitfield et al., 2015). In such cases FDI becomes important in funding the survival of the ruling coalition and implementing ideas concerning economic development.

I suggest that the Tanzanian mining sector needs to be explored within the wider trends of the transnational nature of the sector, which has seen foreign mining companies play a dominant role in running their own operations and joint ventures with primarily state-owned enterprises. When the Tanzanian government opened up its economy following the liberalizing reforms of the late 1980s, it started to encourage the flow of foreign capital in the belief that foreign multinationals might contribute to fuelling economic growth after years of stagnation. According to the United Nations Conference on Trade and Development (UNCTAD), the highest level of FDI into Tanzania was recorded in the period between 1994 and 1995, when FDI inflows rose from $50 million to $119 million. The country also received a total of $1 billion in FDI inflows between 1995 and 2000 compared to less than $2 million between 1981 and 1986. Mining and manufacturing investments had the highest percentages of total FDI between 1999 and 2001. By 1999, FDI inflows accounted for 11.2% of GDP, an increase of 4.2% from 1995 (UNCTAD 2011). As a result of the recent performance in FDI flows, in 2007 the World Bank and the International Finance Corporation (IFC) listed Tanzania among the top ten global reforming nations for improving conditions of doing business and flow of investments (World Bank, 2007). In the same year, the national investment agency, the Tanzania Investment Centre (TIC), was named by the World Association of Investment Promotion Agencies (WAIPA) as the best investment promotion agency in the world, alongside those of Portugal and Korea (WAIPA, 2007). More recently, in 2016, Tanzania was dubbed Africa’s investment success story by the Financial Times (Financial Times, 2016).

According to UNCTAD’s World Investment Report (2014), in recent years Tanzania has experienced an enormous increase in FDI, and the country has become a model for attracting investments (UNCTAD 2014). The annual FDI flow grew from $10 million or less in the 1990s to over $1,000 million by 2013. In 2013, Tanzania recorded the highest FID inflows ($1.9 billion) in the East African region, surpassing Kenya, the region’s top FDI performer in recent years. A large proportion of this flow in recent years has been directed to minerals and oil/gas projects (UNCTAD 2014). In 2015, UNCTAD’s annual World Investment Report ranked Tanzania among the top five FDI recipients within the group of Least Developed Countries.

According to the report, Tanzania attracted FDI flows amounting to $2.1 billion in 2014, an increase of 1 percent from 2013. Natural gas discoveries and mining accounted for the largest share of FDI in 2014. Tanzania was again the leading FDI recipient in the East African region for a second year running (UNCTAD, 2015), and Africa Investor Platform named the TIC as the best investment-promotion agency in Sub-Saharan Africa in 2015.

The increase in FDI flows and the rapid expansion of mining activities facilitated by transnational actors have shaped relations between the state and multinational corporations, communities and corporations. It has also influenced the conduct of Tanzania's state-owned enterprises through the introduction and promotion of best practices such corporate social responsibility and various voluntary standards related to community rights, dispute resolution, labour, transparency, and respect for human rights and environmental protection (Jacob et al., 2016). In Tanzania, the trend towards calls for greater state control and direct involvement in resource extraction through revived SOEs and increased limitations on foreign investment emerged from the late 2000s, at the peak of the commodity boom. The flow of transnational mining capital in the form of foreign direct investment was crucial in paving the way for revived SOEs to form joint ventures with foreign mining multinationals. The renewed interest of the state and the efforts to 'bring back' the state in the mining sector must therefore be analysed from the broader transnational perspective of the extractive sector and the ever-changing transnational political economy of development, which continues to shape both resource governance and the strategies and ideas of political elites concerning natural resources.

2.3 Conclusion

This chapter has discussed various dominant theoretical approaches used to analyze the role of the state in development, analyzing their weaknesses and strengths, and proposing an alternative analytical lens. Given Tanzania's ambition to expand the role of the state in mining through the revival of state-owned enterprises, understanding the ideological processes that are linked to domestic politics and the transnational factors that shape the role of the state and those that directly affect natural resource governance are the key to understanding and interpreting the quest to bring the state back in resource extraction. Understanding various ideas of economic development and how they have shifted over time in recent years is crucial.

The extended political settlement theory that incorporates holding power, ideas and ideologies as well as transnational influences is considered useful in examining the case study in this thesis. Unlike the existing dominant theoretical approaches, which have paid a great deal of attention to bargaining and competing interests, mainly at the national level, and especially between governments, national-level elites and foreign investors, analyses of holding power take the discussion further and emphasize that these investments are mediated by not only the narrow relationships between states and international capital, but also by wider domestic processes and other actors at the sub-national level. Analysis of the power struggles between national and sub-national elites is important in understanding the changing dynamics at the center of the renewed interest of the state in resource extraction. The incorporation of holding power, ideas, ideologies and transnational influence further helps to expand the analytical reach of this study and offers new ways of understanding complex interactions in the mining sector and the renewed interest of the state while avoiding the usual reductionist and mainstream explanations.

Chapter 3: Methodological approach

3.1 Introduction

The main task of this chapter is to describe and discuss the methodological approach used to carry out the research and select cases, as guided by the overall research question and the working questions. The chapter is divided into eight sections. After this brief introduction, the following section begin with a discussion and reflections on ontological and epistemological positions and limitations associated with qualitative research. The third section presents the research planning and selection of the case study, some aspects of the latter having been covered extensively in the introduction. This section also discusses the issues of the validity and generalizability of the research, the preliminary research and planning, the selection of a study site at the sub-national level, and the justification for choosing the Ngaka coalmine. In section four I then move on to describe the sampling techniques employed in the research, the sample and the methods of data collection. The following section (five) reflects on the challenges encountered in the field before, during and after fieldwork and data collection and writing. Section five also some reflections on matters of positionality and the complex process of negotiating access, early struggles to win trust at sub-national level and a spying incident. In section six I describe and reflect on the challenges and opportunities of interacting with NGOs nationally. Section seven assesses the challenges of keeping up with a rapidly changing research environment. The final section sums up the chapter.

3.2 Ontological and epistemological reflections

As the present research is mainly qualitative, it is worth reflecting on philosophical positioning and acknowledging some of the ontological and epistemological tensions and limitations involved. When fieldwork started, the aim was not to test any particular hypothesis. Instead the research was guided by a list of questions developed in order to explore the issue under investigation. Ontologically, qualitative research is subjective in nature and focuses less on statistical description or generalization (Watson, 1999). In this context, the main justification for the adoption of a qualitative methodology as an appropriate technique is that the research seeks to arrive at an understanding of the broader context and process shaping the state's renewed interest in the mining sector and re-emerging resource nationalism through SOEs and its interactions with other actors over the years. These are mostly explanatory and require acknowledging the role of history, ideational factors and the state's engagement, which could not be measured quantitatively. It is also worth pointing out that, when I began the fieldwork, I had very little knowledge of SOEs or their involvement in the extractive sector. My knowledge of SOEs and the coal sector was developed by means of an extensive literature review and early interviews conducted during preliminary visits to potential sites.

Research at the sub-national level involved capturing the personal experiences of the local population living adjacent to the coal mine. In such localities, conducting interviews with respondents does not provide enough justification to claim to have captured the truth as narrated by their daily experiences. On the contrary, interviews in such contested sites reveal how respondents describe their experiences as influenced by particular socio-economic contexts. In this case, epistemologically the experiences respondents relate during interviews and focus-group discussions are not considered to constitute empirical representations of reality (Hinchman and Hinchman, 1997). This is important especially at the sub-national level, where fieldwork locations become sites of negotiation, and the researcher collects data by relying on people's experiences as they themselves describe them. Data emerging from such personal experiences and interviews are embedded within a particular context and hence are not perceived to be entirely independent (ibid.).

3.3 Research planning and case-study selection

Justification of what this thesis is a case of (Lund, 2015) requires a brief discussion of the revival of state-owned enterprises (SOEs). As mentioned in the Introduction, the revival of state-owned enterprises and the re-emergence of resource nationalism is a global phenomenon. There are presently few studies of the subject in relation to Sub-Saharan Africa. Tanzania is important as an example of the phenomenon because it was an early-mover resource-nationalist state, and the recent shift towards state-led development in the mineral and energy sectors make it an appealing case. The choice to focus on coal is in part pragmatic. As part of the Hierarchies of Rights programme based at Roskilde University, I was hired to study the coal sector. However, coal is also important for reasons described in the introduction (sub-section 1.6.1) and sub-section 3.3.1 in this chapter.

This study is therefore a case of the re-emergence of resource nationalism and the revival of state-owned enterprises in the coal sector. I examine the renewed interest of the state in the mining sector by tracing changes and continuities in the Tanzanian mining sector, coal in particular. The thesis contributes to scholarship on the resurgence of the state, resource nationalism and the political economy of natural resources.

The thesis also uses a case-within-a-case form of selection in that if focuses on the National Development Corporation and the Ngaka coal mine in south-western Tanzania. While Tanzania's re-emerging resource nationalism and recent efforts to counter the influence of foreign investors by reviving once dormant state-owned enterprises offers an interesting case study, the research design also involved selecting what Gerring and Seawright (2008) call a case within a case. The choice of a case within a case was prompted by the need to examine a specific revived state-owned enterprise that was actively involved in coal extraction. This provides a clear link to the main topic of revived SOEs and re-emerging resource nationalism. The case within a case in this context is Ngaka coal mine, located in south-western Tanzania. This is a specific extraction site which the Tanzanian ruling elite chose as an opportunity to pursue resource nationalism through a revived state-owned National Development Corporation (NDC). The justification for selecting the NDC and the Ngaka coal mine is provided in section 3.3.3 below.

3.3.1 Validity and generalizability

The research design, as well as the selection of the main case study and the case within case, have implications for the validity of the research findings. As far as external validity is concerned, the study focuses on a single-country study, the main motive not being to generalize how the state, through state-owned enterprises in the mining sector, engages with foreign investors in other geographies. However, as discussed in the Introduction, being a first mover in term of resource nationalism, Tanzania has the potential to offers lessons to other countries in Sub-Saharan Africa when it comes to assessing the stated intentions of ruling elites to maximize the state's interests on one hand and the actual outcomes on the other.

As Yin suggests (2017), where possible it is crucial to ensure that the case speaks with other cases. That is, the findings from the main case may resonate with other examples of emerging resource nationalism such as the Democratic Republic of Congo, Mali, Sierra Leone and Zambia, to mention just a few. On the other hand, the selection of a case within a case at the sub-national level allows me to examine how resource nationalism and the state's direct involvement in coal extraction through revived SOEs is shaping relations between the Tanzanian state and local populations.

3.3.2 Preliminary research and planning

During the initial stages prior to the actual data collection, various activities were undertaken with the aim of becoming familiar with the research process and sites. Prior to fieldwork, extensive literature reviews were conducted on the coal sector and SOE involvement. These reviews involved going through published and grey literature and archival materials from newspapers, the NDC's annual reports from the 1970s, budget speeches, energy policies and power master plans, NDC magazines and brochures, notes from past NDC board meetings, documents from the Tanzanian Chamber of Mines offices, the Intra Energy Corporation's (the NDC's joint venture partner) annual reports, and company documents available at the Australian Stock Exchange. This stage also involved visit to the homes of some former NDC staff to gather useful insights and additional archival materials.

Besides the literature reviews, in June 2015 a reconnaissance survey was arranged on a visit at an early stage of developing the research proposal. The survey trip took me to the Njombe region in south-western Tanzania, where the Mchuchuma coal reserves and the iron ore in Liganga are located (in Ludewa District). The coal and iron joint project in Mchuchuma and Liganga, a $3 billion joint venture between the NDC and China's Sichuan Hongda group, is aimed at developing the Mchuchuma coal mine and is being accompanied by the construction of a 600-megawatt coal-fired power station in Ludewa and an iron-ore mine in neighbouring Liganga.

This particular project was still at its initial stages at the time of the visit. The main finding from the trip was the discovery that the Mchuchuma-Liganga coal project was still in its initial stages and that talks between the government and its Chinese partners had become deadlocked over various issues, such as investment incentives and disagreements over the power-purchasing agreement. Since, among other things, my research sought to explore how the renewed interest in SOEs was manifested on the ground and what its implications were for local populations' land rights, Mchuchuma-Liganga was found not to be an ideal site for my purposes, since there were no any activities on site there due to the deadlocked negotiations between the joint-venture partners. This preliminary visit to Ludewa was important in making me acquainted with potential research sites and exploring other options. The trip was also helpful in acquiring initial insights into the issues of large-scale investments in the coal sector and SOE involvement. I was able to establish important contacts with local bureaucrats, SOE representatives, members of civil-society organizations, ordinary community members and other potentially key informants.

Much of the research concerning the renewed interest of the state, resource politics and the NDC was conducted in Dar es Salaam, as described in Section 3.4 below. While we know that the politics of giving the state a greater role in natural resource extraction, resource nationalism and involvement of revived SOEs in the coal sector happen at the national level, the actual implementation and related activities take place at the sub-national level, where issues such as land acquisition, local community interests and the overall impacts of resource extraction and SOE involvement can be observed.[6] As a result, the preliminary visit to Mchuchuma was highly insightful in this regard. While I was aware that I would have to spend considerable time in national ministries and NDC offices, much of the research was also to be conducted locally, where active coal-mining is actually taking place. Once back in Dar es es Salaam, I held further discussions with NDC officials and representatives from the Ministry of Energy and Minerals. Through such discussions, I decided to select the Ngaka coal mine as a site to understand how the renewed interest in the coal sector was being manifested on the ground.

3.3.3 Why the Ngaka coal mine?

The Ngaka coal mine is located in Mbinga District, southwest Tanzania, and started production in 2011. It was the only active (in production terms) coal mine in Tanzania at the time (See Jacob, 2017 for more) and hence an ideal research site for exploring developments and politics at both the national and sub-national levels. The mine is under the ownership of TANCOAL, a joint venture company between the National Development Corporation of Tanzania (NDC) and Intra Energy Tanzania Limited (IETL), which is part of Intra Energy Corporation of Australia. Under the terms of the joint-venture agreement, IETL owns 70% of TANCOAL and the NDC 30%.

Ngaka coal mine was selected because at the time it offered a window into understanding Tanzania's mining policy, the politics of the state's renewed interest in resource extraction and re-emerging resource nationalism. The start of coal mining in 2011, which involved the state's participation through the NDC, marked a new chapter for Tanzania in terms of engaging with foreign mining companies. In a speech at the ceremony opening the coal mining in Ngaka in September 2011, the then Tanzanian Minister of Industry and Trade, Cyril Chami, stated that the coal mining in Ngaka:

[6] In the context of this study, national-level research involves fieldwork undertaken in the commercial capital, Dar es Salaam, and the state capital, Dodoma, where the ministries, other government departments and SOE offices are located. Sub-national research includes fieldwork conducted at regional and district headquarters, as well as at the village level. National and sub-national research includes both preliminary visits made during the reconnaissance and actual data collection.

> represents a new chapter in mining industry and signifies a turning point in terms of the government role in the global mineral trade and natural resources and this time things will be different as the government is part of this venture. (*The Citizen*, 2011)

Chrisant Mzindakaya, who was the NDC board chairman at the time,[7] added further that the Ngaka coal project:

> comes at the right time and I would like to assure Tanzanians that this project will be of greater benefits to Tanzania more than to the investor. Apart from our 30 percent participation through NDC, the country will also benefit from reliable electricity production which will help to boost industries and trade. (*The Citizen*, 2011)

The Ngaka case therefore had the potential to shed light not only on the involvement of an SOE in a joint venture, but also the ideas behind reviving the involvement of SOEs generally. As previously stated, the research seeks to explore the renewed interest of the Tanzanian state in the coal sector through revived SOEs. At the time the Ngaka coal mine was hailed by political elites and state bureaucrats as a new dawn in the Tanzanian mining sector. Through the SOEs the state is now involved in actual mining investments, contrary to the previous mining regime, when mining activities were carried out by foreign companies, and the state only received royalties and taxes. The Ngaka mine was seen as a project of national significance to Tanzania, as indicated by the statements from members of the political elite quoted above. Coal mining was planned to exist alongside the production of coal-fired power amounting to 270 megawatts of electricity. The ruling elites saw coal mining as vital in meeting Tanzania's huge energy deficit and to ensure the country's energy security. The deficit in energy access is indeed a big developmental challenge. During the 2015/16 budget speech in Parliament, finance minister Saada Mkuya indicated that energy access in Tanzania increased from 7 to 36 percent between 2011 and 2014 (URT, 2015a), a small improvement at the time, but the deficit still remains. The Ngaka coal mine was envisaged as playing an important role in producing coal-fired power to address both industrial and residential demand. As part of efforts to make use of abundance of coal reserves to address the energy deficit, in 2016, the Ministry of Energy and Minerals unveiled an updated Power System Master Plan (URT, 2016b), which stipulated ambitious

[7] Mzindakaya resigned as NDC board chairman in the months of the Magufuli presidency. See Chapter six for more discussion.

plans to increase the share of electricity generated from coal (see scenario 2 in Table 3.1 below) from zero at the time to 35 percent in 2040.

Table 3.1. Tanzania's electricity generation mix: scenarios by 2040.

Scenario	Generation Mix			
	Gas	Coal	Hydro	Renewables and others*
Scenario 1	50%	25%	20%	5%
Scenario 2	40%	35%	20%	5%
Scenario 3	35%	40%	20%	5%
Scenario 4	25%	50%	20%	5%
Scenario 5	50%	35%	10%	5%
Scenario 6	40%	30%	20%	10%

Source: Power System Master Plan, Ministry of Energy and Minerals, 2016.

To sum up, there are four main justifications for selecting Ngaka as a localized case study. First, unlike Mchuchuma, which was still at the planning stage, Ngaka was well developed and was already being actively mined. Secondly, Ngaka offered the opportunity to examine the increased role of the Tanzanian state in mining. Thirdly, with an SOE involved in coal extraction, Ngaka mine also provided a chance to explore how the interests of the state and its joint-venture partner conflicted with those of surrounding local communities. Finally, the NDC's direct involvement in coal extraction as an investor provided a chance to investigate the SOE's activities and to examine the role of ideas and the re-emergence of resource nationalism in shaping the state capacity's and its engagement in the coal sector.

Once TANCOAL's Ngaka coal mine had been identified as suitable for a sub-national case study, prior to fieldwork I drew up interview guides and shared them with our research group for inputs. Sharing with the research group was important because the research was part of the 'Hierarchies of Rights' research project, which aimed to investigate conflicts in large-scale investments in agriculture, mining and natural gas in Mozambique and Tanzania. I developed an interview guide detailing major questions and sub-questions, the type of data to be collected, data-collection methods, the types of respondents to be interviewed, issues to be addressed during interviews etc. Nationally the questions in the interview guide touched on various issues, such as the revival of SOEs and renewed state ownership of mining, the NDC's operations, commercial and non-commercial objectives, and the NDC's relations with political elites. In the case of sub-national interviews, the questions focused on relations between SOEs (here the NDC) as investors and local communities, the land acquisition process and its consequences, unfulfilled expectations, spaces for consultation and negotiation, and exchanges between SOE-led investments and local populations.

3.4 Sampling techniques

I employed purposive and snowballing sampling techniques in selecting respondents for interview. Purposive sampling involves the researcher making direct judgments about who to include in the sample (Overton and van Diermen 2004). Purposive sampling was appropriate for interviews at both the national and sub-national levels. First individuals from the NDC, the Ministry of Energy and Minerals and other retired officials whose backgrounds were known and who had been involved in SOEs and mining issues at different times would provide more knowledgeable insights and perspectives relevant to the study than others. In the case of the purposive sampling, the emphasis was to obtain a better understanding of the issue under investigation, rather than focus on the generalizability of the findings.

Snowballing was also useful because the complete sample of respondents could not be determined in advance due to difficulties in locating other useful respondents. This sampling technique is well recognized as the best sampling strategy, especially when researching sensitive topics and targeting individuals who are difficult to trace (Biernacki and Waldorf, 1981; Heckathorn, 1997, 2002). While I had both national and sub-national contacts, there were other individuals with great understanding of the issues under study of whom I was not aware at the very beginning, while others could not be contacted directly due to their positions and were therefore not included in the initial sample. This is common especially in seeking elite interviews, as Odendahl and Shaw (2001) argue: 'Candidacy for elite interviews often cannot be planned for adequately in advance of the project; rather, it emerges as part of the fieldwork' (Odendahl and Shaw, 2001: 299-306). Through snowballing, other respondents who were considered useful to the study were added. Respondents recommended through snowballing were reached by telephone and emails, and face–to-face meetings were arranged afterwards. In the case of high-ranking officials in SOEs and prominent private and government departments, I requested those who provided me with information to introduce me to them. These introductions were useful and offered rare access to important respondents.

3.4.1 The sample

The initial national-level sample contained respondents who met the criteria for the study, which included people with experience and knowledge, and influential individuals involved in SOEs and mining activities, either currently or in the past. Respondents selected through purposive sampling and those added through snowballing had to meet the above criteria. Broadly speaking, participants for in-depth interviews were drawn from various backgrounds and organizations to ensure adequate representation. The initial sample consisted of government officials, including retired ones, SOE officials and NDC staff selected on the basis of their current positions and experience. Respondents from the private sector affiliated with mining companies, academics, representatives of donor agencies and the staff of non-governmental organizations were also selected depending on the nature of their experience, their knowledge of current developments in the extractive sector and events linked to renewed interest of the state in mining..

In the case of the qualitative research, the exact number of respondents at the national level was not known in advance. The initial plan for in-depth interviews was to select 35 respondents at the national level. I ended up interviewing 52 people and stopped when no new information was being uncovered, suggesting I had reached saturation point. In some cases, I have used the actual names of some well-known respondents I interviewed, but in most cases I have omitted names for reasons of confidentiality, as agreed with those respondents.

At the sub-national level in Songea, Ruvuma's regional headquarters, Mbinga District and the villages of Ruanda and Ntunduwaro, where the Ngaka coal mine is based, the sample was created from respondents from diverse backgrounds, and a total of 74 respondents were interviewed. In Songea and Mbinga, I conducted in-depth, semi-structured interviews with government officials from the regional office involved in natural resources, the office of the land valuer, the zonal office of the Ministry of Energy and Minerals, the leaders of political parties and investigative journalists. My initial two and half month stay in 2015 in Ruanda and Ntunduwaro, the two villages adjacent to the Ngaka coal mine, led to further connections and interviews with village leaders and ordinary residents of the two villages. Through interactions with officials from the land valuation department, I was able to obtain a preliminary list of 105 people whose land had been acquired by the NDC on behalf of TANCOAL to pave the way for coal mining in Ntunduwaro. From the list, a total of 35 landowners were randomly selected and interviewed. During follow-up visits between June and August 2016, and again between July and September 2017, additional interviews and three focus-group discussions were conducted with village leaders, villagers affected by land acquisitions and members of political parties. Table 3.2 gives a list of the interviews I conducted at both the national and sub-national levels.

Table 3.2. Numbers of interviews conducted by category and location

Category	National	Sub-national	Total
NDC and other SOE officials	13	2	15
Current and retired government officials	14	18	32
Landowners adjacent to Ngaka coal mine	0	35	35
Academics, consultants and journalists	10	1	11
Private mining and energy companies	5	5	10
NGO representatives	6	2	8
Members of Parliament and representatives of political parties	4	11	15
Total	52	74	126

3.4.2 Research methods

As described in Section 3.2, data were collected both nationally and sub-nationally. In the former case, two research methods were used. First, I conducted key informant interviews to get the views from a wide range of stakeholders nationally on the state's renewed interest in the mining sector and the prospects for SOEs. Such interviews were conducted with government officials affiliated with the Ministry of Energy and Minerals, the Ministry of Trade and Industries, the Treasury Registrar, the Tanzania Mineral Audit Agency, TPDC, STAMICO, the NDC, and their TANCOAL joint-venture partner, the Intra-Energy Corporation. Other interviews were held with academics and with current and experienced policy-makers from relevant ministries and the parliament (see list of interviews in Table 3.2). Interviews with NDC officials specifically focused on their mandate in the coal sector, their administrative and managerial capacities, their degree of autonomy over the years and their relations with foreign joint-venture partners and political elites. As described in Section 3.2, these key informants are knowledge-bearers with vast experience of a wide range of issues, such as state-business relations, economic history, SOEs, the extractive sector and corporate governance, among others.

Nationally, interviews were arranged in various places such as government offices and other formal offices for non-government staff, coffee shops and restaurants and, in a few cases, respondents' residences. Interviews were conducted in both English and Swahili and both during and after working hours. Interviews conducted in English include those with TANCOAL officials, the expatriate staff of international organizations, NDC representatives, and retired government officials who were eloquent in English and preferred to answer the questions in that language. Interviews at the sub-national level were mainly conducted in Swahili, with a few exceptions at the Ngaka coal mine, where three interviews were conducted in English.

The second method used was documentary and archival research, including analysis of materials such as the reports of government entities, government policies, and reports from the extractive and energy sectors, including audited SOE reports. The generosity of staff at the NDC's headquarters allowed me to access key documents in the NDC library. These archival materials included NDC annual reports from the late 1960s, minutes from Board of Directors' meetings, the backgrounds of all the previous managing directors, and cabinet papers on issues involving the NDC.

At the sub-national level, I specifically wanted to understand the revival of SOEs and competing interests between them and local landowners. To achieve this, I conducted extensive multiple ethnographic visits and field trips to Songea, Mbinga District and Ruanda and Ntunuwaro villages. The visit involved three rounds of fieldwork from June/July to mid-September 2015, June to August 2016, and June to August 2017. On these trips I relied on four methods, namely semi-structured interviews, analysis of documents, focus-group discussions and participant observation, each method being deployed according to its suitability for particular research questions and themes (Kvale and Brinkman, 2009). In Songea and Mbinga, semi-structured interviews were conducted with key informants, including state officials from the Ministry of Energy and Minerals southern zone, the Ruvuma region Natural Resources Department, members of political parties, investigative journalists and officers from the Land Valuation Department.

In Ngaka I conducted semi-structured, in-depth, key-informant and group interviews with a diverse group of respondents residing in Ruanda and Ntunduwaro villages adjacent to the Ngaka coal mine. These interviews focused on SOEs' involvement in coal-mining and its implications for land rights and community well-being. Respondents were purposively selected primarily from affected landowners, representatives of the NDC and TANCOAL, local village leaders, members of political parties, young people, NGO workers and medical professionals (see the list of interviews in Table 3.2). During various phases of data collection, I also took part in activities such as village meetings and political rallies and was given two guided tours inside Ngaka coal mine, where I was able to observe active coal extraction. My participation in meetings at the village level was the result of relationships formed with local villages after earning their trust. The data include a transcription of a two and half hour-long village meeting held in Ruanda in August 2015, when villagers from both Ruanda and Ntunduwaro convened to discuss land-related issues associated with the NDC's investments in Ngaka.

Methodologically I could not rely on views expressed in mixed-group interviews due to power imbalances between men, women and young people, which may have resulted in some respondents being excluded or being afraid to express their views. To address these power imbalances in interviews, I conducted two separate focus-group discussion sessions with women landowners and young people in Ruanda and Ntunduwaro respectively. In these sessions, which lasted about two hours each, twelve participants were purposively selected. Open-ended questions were posed on a wide range of issues, including expectations regarding SOE investments, experience in land acquisition processes and their impacts, and mine–community relations. Discussions were guided by a checklist of semi-structured questions.

Finally, analysis of various village documents was also useful. These include notes from meetings between the village government and TANCOAL, promises to the villagers made by the NDC and its joint-venture partner, letters of complaint from the village government to the Office of Land Valuation, and the results of laboratory tests on the quality of local water sources after allegations that coal dust was polluting local water. These documents provided insights into the various grievances the villagers held against TANCOAL.

Research at the sub-national level was conducted with the help of one research assistant who helped to organize meetings, gather participants and in some cases take additional notes. The local assistant was a graduate I already knew from the University of Dodoma, where I had worked before starting my doctoral research.[8] He had grown up in the area and hence was knowledgeable about the local context. The presence of the research assistant in the villages

[8] I was granted study leave by the University as soon as I started my doctoral research, having received a scholarship from a project funded by the Danish Ministry of Foreign Affairs.

was beneficial, as he was able to connect with people of various social groups and to create a sense of trust with them.

During fieldwork, I kept a diary to record daily activities and outputs in the form of notes taken during semi-structured interviews, focus groups and a few instances of participant observation, for example, two guided tours inside Tancoal's Ngaka coal mine in 2015 and 2017. Recorded interviews and focus-group sessions were transcribed. At the national level, I transcribed interviews immediately after they ended, but interviews conducted at the subnational level, particularly in Mbinga, were transcribed upon my return to Dar es Salaam and Dodoma. This was owing to the working environment at the sub-national level, which involved fatigue after fieldwork and erratic power cuts. After transcription, core themes were identified within transcripts. Table 3.3 (next page) gives a summary of the methodological approaches used, including the research questions, corresponding methods, and how various data collection methods are linked to various chapters.

Table 3.3 Research questions, Corresponding data collection method and output in thesis chapters

<table>
<tr><th>Main research question</th><th>Sub-questions</th><th>Data collection method</th><th>Links with chapters</th></tr>
<tr><td rowspan="9">How has the re-emergence of resource nationalism and the revival of state-owned enterprises shaped state engagement in the mining sector with a particular focus on the coal sector and its relations with other actors such as local populations?</td><td rowspan="3">How has state engagement in the mining sector and resource nationalism evolved over time?</td><td>Literature review</td><td rowspan="3">Chapter one
Chapter two
Chapter four
Chapter five</td></tr>
<tr><td>Archival research</td></tr>
<tr><td>Semi-structured interviews</td></tr>
<tr><td rowspan="2">What has been the role of ideas and re-emergence of resource nationalism in shaping state capacity and engagement in the coal sector?</td><td>Archival research</td><td rowspan="2">Chapter five
Chapter six</td></tr>
<tr><td>Semi-structured interviews</td></tr>
<tr><td rowspan="4">How is re-emerging resource nationalism and changing role of revived the SOEs affecting relations between the state and local populations?</td><td>Semi-structured interviews</td><td rowspan="4">Chapter seven</td></tr>
<tr><td>Documentary analysis and archival research</td></tr>
<tr><td>Focus-group discussions</td></tr>
<tr><td>Participant observation</td></tr>
</table>

Source: created by the author.

3.4.3 Informed consent and tape recording

During fieldwork I constantly reminded respondents of their right to answer or refuse to take part in interviews and guaranteed anonymity and confidentiality. The guarantee of anonymity was especially important in the two villages adjacent to Ngaka coal mine, where villagers have endured tensions between themselves and the state-led mining operation. Before interviews I took the time to describe my background and institutional affiliations in both Tanzania and Denmark, explaining the content and aim of the study and why I wanted to speak to them about issues concerning state-owned enterprises, the state's renewed interest in the coal sector and competing interests between SOEs and local populations, among other things. To avoid any misunderstandings, I also spent a considerable amount of time explaining and making sure that respondents understood that I was an independent researcher with no connections to the government, state-owned enterprises or any private entities.

I also assured them that the interviews and materials collected would be used for research purposes only and that their participation was voluntary. There were mixed feelings among respondents, some at both the national and sub-national levels being very concerned about issues of confidentiality and anonymity, while others were more relaxed or not concerned at all. There were a few cases at the sub-national level of potential respondents indicating that they were not interested in taking part in interviews when approached, due to existing tensions between TANCOAL and the villagers at the time. I respected their decisions and avoided persuading them further in order to respect their privacy and freedom to consent. Interviews with elites and SOE officials at the national level were conducted in a very casual and friendly manner. I started with informal conversations, which served as ice-breakers before the interviews. This technique was seen as a suitable way to navigate the challenges of elite interviews ((Evans, 2006; Bogner et al., 2009; Kvale and Brinkmann, 2009).

I employed a tape recorder during interviews. Respondents were informed about the purpose of using a tape recorder, and they were given the option of deciding whether to be recorded or not. The advantage of using a tape recorder is that recorded interviews offer detailed and accurate expressions from respondents (Opdenakker, 2006). Most respondents, except for four, agreed to be taped. The use of a tape recorder brought its own challenges, as other have encountered before and after interviews (Easton et al, 2000; DiCicco-Bloom and Crabtree, 2006; Faircloth, 2012). In one interview with SOE officials, after an hour and half of conversation, he requested that we reschedule the interview to another day because he was not happy with his responses and asked the already recorded conversation to be deleted. This reflected the sensitivity of the issues being discussed and the pressure facing SOE officials to share information while maintaining a positive image of SOEs. This particular incident was a result of concerns among SOEs and government officials, who felt as if they were acting as spokespersons for their respective departments and that they had to choose their statements carefully because they could be held accountable for what they said. I deleted the file in the respondent’s presence, and the interview was conducted three days later. Interviews with and tape recordings of government officials took longer than usual due to constant interruptions from guests, phone calls and fellow staff members.

3.5 Reflections and challenges between fieldwork and writing

In this section, I discuss the challenges I faced during fieldwork. Given the conflicts and tensions surrounding large-scale investments in natural resources, especially in the mining sector, conducting fieldwork involved a complex negotiation of the institutional and social barriers and challenges to researcher positionality, which are worth reflecting on (Mason-Bish, 2019).

3.5.1 Positionality and negotiating access

At the national level, gaining access to NDC officials and their joint-venture partners was not at all easy. During the first round of fieldwork, I did not manage to interview any NDC officials. On my first visit, NDC officials and the heads of various sections at the headquarters said that they were not prepared to discuss issues related to coal and the NDC, but asked for more time to prepare and consult with their senior officials. In the following weeks, I was able to establish contacts with officials from the public relations and investment departments at the NDC. I had to navigate multiple positionings as both a student and a perceived ‘expert’, as I was told the NDC itself expected to benefit from my research in some ways. This was mentioned by my contacts at the outset, and I was assured that access would be guaranteed so long as my research would contribute to the NDC’s goals in some way. NDC officials were also concerned about their image and that of their joint-venture partner. In some interviews, they raised the possibility of their checking my draft research outputs before they were published, but I had to make it clear to them that any such request would be unacceptable under the university’s own procedures.

My main contact at the NDC turned out to be very friendly, helpful and remarkably generous, and he assisted me a great deal in gaining access to other relevant departments and personnel at the NDC. He sometimes also acted as a gatekeeper and made sure I did not talk to other employees without his approval. All in all, the research trip, multiple visits to NDC headquarters and interactions with its staff offered great opportunities to observe the activities of a state-owned company closely. This also paved the way for future interactions with NDC officials at their other operations in the field in Ngaka and Mchuchuma. In many instances, I had to manoeuvre from one position (student/researcher) to another ('expert') depending on the context. The notion of being 'expert' had to do with my position as a University lecturer.

In preparing for field research, I was aware of possibly complex interactions with respondents, both nationally and sub-nationally, and their impacts on my positionality. In Ruanda and Ntunduwaro, villagers asked about my position, my affiliations and my involvement in the coal sector (for more on this, see section below, where I discuss the challenge of earning trust at the sub-national level). There was a sense of both suspicion and expectation among the villagers. Some saw me as a member of the urban elite connected to the mining industry, but they changed their perceptions once villager leaders gave me a lengthy introduction. Others saw me as their advocate in respect of the perceived harm generated by the NDC and its joint-venture partners. As one villager asked in one of the focus-group discussions, 'Before we start, we need to know if this research will help us in any way?' I repeatedly insisted that my research did not have the ability to hold the state-owned company and its partners to account, only that it might contribute to informing government policies and might offer lessons for SOEs as they expand their operations in the future. It could also offers insights into how revived SOEs interact with communities in mining projects.

In Dar es Salaam, while it took seven weeks to access NDC officials, gaining access to key informant interviewees from the NDC's joint-venture partner, the Intra-Energy Corporation (IEC), was more problematic and took much longer. Although I had intended to interview eight officials from the IEC, I only managed to interview five officials, two senior managers at TANCOAL's head office in Dar es Salaam, and a mixture of three senior and junior staff at the Ngaka coal mine. This limitation of interviews was a result of TANCOAL's complex corporate structure, which restricted access to the company's Australian staff. For the sake of reliability and triangulation, I did my best to use materials and updates posted by IEC with the Australian stock exchange. In some rare cases access was not a problem: in the capital city of Dodoma, for instance, my positionality as a lecturer and researcher from the local university was key in gaining access and permission to arrange interviews in institutions such as the Geological Survey of Tanzania and the Tanzanian Parliament.

3.5.2 Early struggle to earn trust at sub-national level

In the first round of preliminary research in Ngaka, villagers acted with suspicion and were not willing to talk to me openly, fearing that I would pass information on to their 'opponents' at TANCOAL. In one of the first interactions with a selected group of villagers, a man asked, 'Why should the villagers trust someone from the city who claims to be a researcher!' He went on to say, ‘So many people have visited here from Ruvuma regional headquarters and Dar es Salaam, and most of them are either agents of the government or NDC and their European friends, the people who have created all problems here’. The village government official who accompanied me offered clarification about my mission and intentions, and the discussions moved on. I realized the villagers had no faith and trust in the government officials and urban elites who visited the place frequently. During my second visit, I realized that the issue of trust between me and the villagers was no longer a problem. I was now accepted, and some villagers had gone so far as to claim that ‘I was on their side’ and they thought my research could be important in helping to put the national spotlight on their conflicts with NDC and TANCOAL.

3.5.3 Being spied on, and being suspected of spying

During my second field trip to Mbinga and the Ngaka mine, I found I had become a victim of surveillance in separate incidents by mining company staff and a group of representatives of opposition political party. I was also accused of ‘spying’ in different environments. The first incident involved being spied on by a member of the casual staff at the mine who disguised himself as a villager. On my second visit to the Ngaka coal mine, I met the senior safety and environmental officer and was given a second, larger tour of the mine following my brief initial tour on my visit in August 2015. When the tour ended and I was driving back to the village, I met someone who claimed to be a villager and who asked me for a lift back to the village. Since I was cautious about villagers seeing me with staff and people from the mine I asked him who he was, and he replied that he was just an ordinary individual who had gone to visit his relative working at the time. I was not convinced, refused to give him a lift and drove off. Later the same day, as I was having lunch in one of the restaurants in the village, the same individual showed up and sat down close to me. We started chatting, and I apologized for not picking him up earlier. All of a sudden, he became interested in what I was doing and kept asking me about this and about the purpose of visit. I told him that I was a student and a researcher interested in mine-community relations. He volunteered to take me somewhere we could watch English Premier League football, and we watched a couple of games together. Our interactions became stronger, but his questions about the purpose of my visit never ceased.

In one of the focus-group discussions with landowners a week later I entered the room and followed the normal protocol by first thanking respondents for showing up and for their time. I then asked each of them to make sure they were familiar with the person seating next to them, as I wanted to make sure no intruder was present while we were discussing sensitive topics like their experiences of the land-acquisition process conducted by the NDC and its joint-venture partner. To my surprise one of the villagers identified someone seated at the back, who was wearing a jumper which slightly covered his head so that he could not be recognized easily. To my surprise this was the same individual I had met a few days earlier who had tried to befriend me. The villagers identified him as a member of the casual staff at the mine and were furious about his presence in the room. When I revealed that the individual had told me that he was not working for the mine, it became clear that he had been spying on me. The incident created tensions, and we had to intervene to prevent the villagers assaulting him. I was happy that I had not shared many details during our previous interactions. I raised the issue with the NDC representative at the mine, but they denied all involvement and claimed that the individual concerned had not been doing any spying on their behalf. This incident nonetheless served as a warning of the risks of becoming subject to others' surveillance. As a result, my assistant and I made sure we closely examined the participants in our future meetings.

The second incident happened when I was suspected of being a spy at the office of the main opposition party, Chama Cha Demokrasia na Maendeleo (CHADEMA), at its headquarters in Mbinga. A few days before visiting CHADEMA's offices, I had interviewed representatives of the ruling Chama Cha Mapinduzi (CCM) in Mbinga on various issues, including coal and electoral politics in the district. When I visited CHADEMA's offices two days later, I was surprised by the unusual reception. I was first received by young people from the party's militant wing, known as the Red Brigade, was required to handover my documents and was asked to sit in a room for a cross examination process which went on for about 35 minutes. They expressed suspicions about my visit and my previous interactions with CCM officials. It felt like a dispiriting interrogation session, but I remained calm and asked them to allow me present to my credentials, which include research permits from the regional and district authorities, plus my student and employment identification card, but there were still suspicions even after I had presented these credentials. I then remembered that I had a contact in one of CHADEMA's regional officials, who was aware of my ongoing research. I called him over a loudspeaker and explained that I was visiting CHADEMA's offices in Mbinga but was being suspected of spying. He then reassured my interrogators that I was not on a spying mission and that I was a very credible researcher. His intervention led to an apology and a meeting for coffee, which was later followed by an interview at the party offices. My interrogators later explained that there have been increasing incidents of their being spied on by the ruling CCM and that what had happened to me was just a routine check to thwart any spying attempt. This incident shows that in some cases having all the required credentials might not be enough to fend off challenges to one's activities and that a reliable contact nationally is useful.

3.6 Interactions with NGOs at the national level

While I was in Dar es Salaam and in some cases in Dodoma, I attended various workshops and symposia organized by think tanks, NGOs and civil-society organizations, both local and international. During these events I took part as an ordinary participant, a discussant and sometimes a presenter. Various issues pertaining to SOEs and the political economy of extractive resources, such as the accountability and transparency of SOEs, were discussed. I used these avenues to learn about key developments in the sector and discuss preliminary findings. In some instances, I was also invited (twice) to present and discuss my initial research findings with the general public and a policy audience. Some of the events I attended were organized by NGOs that position themselves as strong partners of the state, positioning that has enabled them to bolster their own legitimacy and gain access to key government officials in the mining and energy sectors. This is the kind of access that researchers struggle to establish. By attending such events, I had a rare opportunity to gain similar access, albeit indirectly, and I used the opportunity to collect additional information relevant to this research through observations and interviews with other participants.

Some of the NGOs' events I took part in were organized by NGOs that were viewed with some suspicion by the political elites. Hence, although engagement with NGOs offered interactions with wider groups of stakeholders, I was concerned at some point that being seen as too close to NGOs that were deemed critical of the state could limit my access to certain government departments and officials. This fear turned out to be reality: two state officials I interviewed warned me that aligning myself with some critical and 'noise-making' NGOs and taking part in their debates would mean assuming an activist position which would discredit my work. One of the officials emphasized that 'I wonder why it is hard for you to concentrate exclusively on your academic research and forget these noise makers?' I did my best to clarify that I try to do both (academic research and NGOs interactions) and maintained that there a lot of interesting discussions happening in NGOs circles and that even those who are perceived to be critical of the state do say 'good' things about the state .

Overall this was a very delicate balance to have to strike, especially at a time when the emphasis is to ensure that academia does not become an ivory tower, as researchers are increasingly being encouraged to widen their interactions with other actors, such as local communities, NGOs and policy-makers. Personally, it was and still is hard to focus entirely on academics, but I acknowledge that, while it is important to engage in both academic research and activism, there is a slight risk one will do neither especially well. This also reminded me of my own reflections in 2016 about the danger and barriers facing early career researchers involved in scholar-activism (Jacob, 2016).

3.7 The challenges of keeping up with a rapidly changing research landscape

When I began my research in August 2015, I proposed the title the 'return of the state' in the extractive sector and the revival of state-owned enterprises involved in resource extraction, particularly coal. This was based on changes observed in the sector from 2009, especially during the second term of President Jakaya Kikwete, which was characterized by policy and regulatory changes, limitations on foreign companies, new strategies for capturing rents, calls for a strong direct role of the state in investments, the revival of SOEs, especially in the mineral, oil and gas sectors, and concerns over wider developmental spillovers from the extractive sector.

Between 2015 and 2016, colleagues and other researchers were sceptical on the idea that the state was making a comeback in the sector. In order to convince the sceptics, in 2016 I spent time documenting changes in the sector, and together with other members of the research group, we came up with a working paper (Jacob et 2016) which described trends and legal and regulatory reforms in Tanzania's extractive sector. As a lead author, I showed how the reforms had strengthened the role of the state and how this was affecting other players in the sector, notably smallholders and investors. The working paper clearly showed that the state was making a comeback and that the respective bargaining powers of the state and investors was shifting. While the sceptics became convinced, leading the writing of the working paper at that early stage of the PhD meant I had to divide my time into periods of early proposal development, preliminary fieldwork and writing.

By 2016, a new president was in power and was promising to deliver on one of his campaign promises, which was to reverse the decades of unfair deals between Tanzania and the multinationals. He showed strong signs of a state-centric approach, which favoured a strong role for the state and a greater role for SOEs, especially in resource extraction. At this time, the extractive sector was changing rapidly, and although I had argued that the state was making a comeback even before the arrival of the new president, I never imagined things would turn out the way they did. With new trends and developments occurring in the mining sector on almost a daily and weekly basis, it was necessary to follow things up, but it also became challenging to keep up to speed with new developments.

By mid-2017, resource nationalism was in full swing, and coal and the extractive landscape in general were changing very rapidly. It was very tricky to keep up with such changes in the midst of fieldwork and writing. Attention had switched to Tanzania, and there was a great deal of interest in understanding the changes that were unfolding on the ground. As one of the upcoming researchers in the field working on the topic, I had to take some time away from main thesis writing and divide my time between fieldwork and writing in order to document these changes in the coal sector (Jacob 2017; Jacob 2019) and more broadly in the extractive sector in general (Jacob and Pedersen 2018)a. With such rapid changes, it was important to analyse the changes that were observed in the new administration in relation to continuities from the previous one. This was unplanned, for, as described earlier, the original intention was to focus on the changes observed from the liberation period and from 2009-2014, which marked the beginning of the return of the strong role of the state in governing extractive resources.

To sum up, my efforts to do my best to keep pace with the sector that was and is still undergoing rapid changes were very tricky and meant investing significant amounts of time keeping a close eye on the changing landscape, as well as helping others to make sense of such changes through the publications I have mentioned and through engagement with other actors, such as civil-society organizations and the media, in the middle of fieldwork and writing. While the changes that unfolded in the extractive sector mainly happened in the gold sub-sector and did not affect my initial framing of the research, they had to do with the increasing role of the state. As a result, I experienced increasing pressure to track the changes as they happened, which impacted on the research, as it became difficult to maintain a regular fieldwork and writing routine while following these developments on the ground. There were also many moments of self-reflection and sometimes a temptation to rethink research questions and the theoretical framework I had adopted. On a positive note, while on the one hand keeping up with this pace of change brought about these challenges, on the other hand it also opened up new possibilities and opportunities in terms of widening research networks, collaborations and publications in the middle of the writing process. This had its own challenges, as I describe in the next sub-section.

3.7.1 The risks and challenges of publishing in the middle of one's PhD

While publishing an article or two during doctoral studies is a trend these days, I wish someone had told me of the risks of publishing one's findings in the middle of ongoing doctoral research. Like other doctoral students, I managed to publish extensively in peer-reviewed journals during the early years of my PhD. Although it took a significant chunk of time away from my main research, the feedback I received from anonymous reviewers was very useful. While publishing in middle of research was an achievement of a sort, one of the articles I published was considered critical by some government and SOE officials, and this affected my relations with them. This was awkward because the paper came out in February 2017, at a time when I had been conducting two extra rounds of fieldwork. Some government officials reacted by avoiding interactions with me, while others opened up to me and advised me to re-think my future writing, otherwise they wouldn't make themselves available for interactions in the future. This was happening at a time when the civic space was generally shrinking in Tanzania, and I was concerned about future access. I underestimated the ability of government officials to access a paywalled publication, but some were curious and managed to access it through their networks in local universities. In the end, I was able to explain myself and managed to renew my relationships with the few discontented officials and to regain access to them.

On 20 February 2017, something strange happened while I was in United States as a visiting fellow at the Department of Afroamerican and African Studies at the University of Michigan. I woke up early that Monday and was ready to go on with my daily routines, but my laptop computer failed to restart after several attempts. It was strange because I had been working with it the night before, and the computer had had no problem, and there was also enough battery power. After a brief moment of panic, I took the laptop to a recommended technician at my host department. After a close examination for about 45 minutes, I was notified that, the laptop diagnosis revealed suspicious problems I was informed that the problem with the laptop was a bit suspicious and was advised to take it to Library Information Technology unit at the Hatcher Graduate Library, a unit which provides support for staff and students on computer technologies and cyber security issues at the University. I did report the problem as recommended and was asked to leave the laptop and pick it up the next day. While I was able to work that day using a desktop computer at the office, I became increasingly anxious about the state of the laptop and the possibility of losing recent data which had still not been backed up at the time.

The following Tuesday morning, I reported to the Library Information Technology unit to get feedback from the experts. I was informed that they had conducted a thorough diagnosis and had discovered an attempted malware attack, which they were able to trace to a IP address in Tanzania. This was shocking, but on a positive note, they were able to solve the problem and had installed an anti-malware protector to prevent such attacks in the future. The revelation of the attempted cyber attack was followed by questions from the experts on whether I belonged to any activist group in Tanzania and whether the government or ordinary Tanzanians have a reputation for targeting people online. I explained that I knew little about online targeting and as a researcher I didn't belong to any activist groups that could be target by private individuals or the state.

In trying to connect up the dots that might related to the attacks, I realized that six days prior to the attempted malware attack, I had published a journal article on the politics of coal in Tanzania and various competing interests (Jacob, 2017). When the article came out, some colleagues warned me that the article was critical of the new president. The same colleagues in Tanzania indicated that the article might have been the reason for the attempted cyber attack, but at that point I did not want to speculate as to who was the hacker behind it, I was just relieved that the laptop was working again and that my data were safe. On top of the anti-malware protector he had installed, the expert also advised me to avoid clicking on random links and to consider cloud storage for data protection purposes in the future.

While initially I did not want to speculate on the motives and the source behind the malware attack, following conversations with experts and colleagues in Tanzania, I took some time out to reflect in the following days and to recall my article that had come out six days before the attack. In the publication in question I discuss the state's renewed interests in the coal sector and identified new opportunities for rent-seeking linked to the ruling party and the new president, who had only been in power for fifteen months at that time. The article attracted conflicting views in Tanzania and was deemed too critical of the new government. One Tanzanian commentator who reached me picked a particular paragraph in the article where I discuss the president's new managerial appointments in SOEs. He noted that a number of people had said, in relation to that particular paragraph, that I had criticized the president unfairly in light of his efforts to restructure and turn around SOEs by removing old corrupt officials and appointing new faces. Other messages from Tanzania suggested that the president had good intentions and that it was wrong on my part to criticize his intentions, bearing in mind it was at the early stages of his presidency. One member of a Tanzanian online discussion group which I belong to expressed his concerns about the risk of criticizing the government and went on to warn me, 'Don't you worry that you will be picked upon by the big boss, since he does not tolerate anyone expressing views regarding him except praises?' Such concerns made me reflect about the risks of making such criticisms and how to make them in future writings.

Although I had some concerns that my interpretation of the president's appointment of new SOE heads as a battle to access rents between old and new CCM factions might not please the government, I had assumed that most politicians and SOE bureaucrats would have had no time to read the article, but it appears that some of them were briefed about it. Criticizing the president directly was seen as very politically sensitive at that time, and to many it seemed like I had crossed a red line at a time when the new government was not tolerating any form of criticism. Although I was not able to establish whether the attempted cyber-attack was directly linked to the criticisms I had made in the article, the attack and comments I received offered important lessons at the time. This was at the early stages of the PhD, and I was concerned about future access to field, but I managed to conduct next rounds of fieldwork smoothly.

During later stages of the PhD, at a time when the government was increasing its crackdown on political opponents and other critical voices in civil society and the media, my research and Twitter engagements were in the spotlight for allegedly being critical of the government. This time it was the result of a co-authored working paper (Pederson and Jacob 2019), which among other things touched on the president's inner circle, his patronage network and rent-seeking incentives within his administration. I was informed that I was among those who had been targeted, and I was advised to increase my personal protection, rethink my Twitter posts and take a host of other precautionary measures. Some of these measures include a lengthy stay outside Tanzania and changing the allegedly provocative Twitter engagements. Unfortunately, towards the final stages of my studies such threats were extended beyond Tanzania's borders.

3.8 Conclusion

This chapter has presented the research methods and modes of data collection and has reflected on the challenges I encountered before and during fieldwork, as well as in the period between fieldwork and writing. I have presented my analytical methodology (Table 3.3), where I link the overall research question, the sub-questions, the methods of data collection, the data themselves and the chapters of the thesis. The analysis presented in the following chapters draws on primary fieldwork and various data collection methods at the national and sub-national levels as discussed in this chapter. Chapters five and six discuss the research and findings at the national level, while Chapter seven presents findings from the sub-national level where coal extraction is taking place.

Chapter 4: State-owned enterprises: a review and discussion of the global and Tanzanian literature

4.1 Introduction

This chapter discusses and reviews the literature on SOEs in the global economy in order to offer historical insights into their origins, aims and performance. It draws insights from experience with SOEs in East Asia, Latin America and Africa, as well as the recent return of contemporary SOEs to the extractive industry and their evolution in Tanzania. Since the thesis seeks to analyse the return of the state in development, particularly in the extractive sector, such a review is important in complementing the empirical portion of the study. We cannot understand the role of the state without paying attention to the role and uniqueness of SOEs. It is therefore important to analyse the strategic roles played by SOEs in development and to understand why state ownership has persisted even during decades of economic liberalization, when privatization co-existed with the continuing presence of SOEs. The extractive sector offers evidence of their strong presence and the persistence of state control. Even when SOEs remained inactive due to financial constraints, many of them continued to exist, as countries refused to give up their control of sectors that were deemed strategic to their economies. In this chapter, I argue that both globally and in Tanzania SOEs have expanded and persisted even in turbulent times and after decades of (neo)liberal policies. This is because, apart from serving strategic functions for the state such as job creation and service provision, they also enable political elites to take control of the means of production and thereby capture revenues and rents that might otherwise flow to private companies. Ruling elites use such revenues, rents and other benefits from SOEs to boost state coffers, bolster their legitimacy and secure economic and political support to keep themselves in power.

The chapter is divided into nine sections. After this brief introduction, sections two and three discuss definitions and origins, and the motives behind SOEs. Sections four, five and six review experiences with SOEs in Africa, East Asia, and Latin America. Section seven focuses its discussion on SOEs and natural-resource extraction. Section eight discusses the history and evolution of SOEs in Tanzania from the early years of independence to recent developments up to 2016. The concluding section provides a summary of the chapter.

4.2 What are state-owned enterprises?

Despite widespread privatization in the 1980s and the neoliberal restructuring of the 1990s, the role of state-owned enterprises (SOEs) in the global economy remains strong. Globally SOEs have re-emerged and are continuing to expand, especially in the developing world. As Table 4.1 shows, the number of SOEs in the *Fortune 500*[9] global list more than doubled between 2005 and 2014 (Kwiatkowski and Augustynowicz, 2015). This dramatic rise in SOEs' share of the global economy is largely due to their re-emergence after surviving privatization. The aftermath of the 2008-2009 global financial crisis and renewed interest in state-driven capitalism, as well as the ever-increasing rate of state intervention by the BRICS group of countries (Brazil, Russia, India, China and South Africa), are among the forces that driven the re-emergence of SOEs (Mussacchio and Lazzarini, 2015; Florio, 2014a; Florio, 2014b; *The Economist*, 2012; Musacchio and Flores-Macias, 2009; Van Apeldoorn et al., 2012).

Table 4.1. Number and shares of SOEs on *Fortune Global 500* list between 2005-2014

Year	**Number of SOEs**	**Share by quantity**	**Share by employment**	**Share by revenues**	**Share by assets**	**Share by profits**
2005	49	9.8%	18.4%	8.0%	8.9%	8.2%
2006	54	10.8%	19.9%	8.8%	9.2%	9.9%
2007	55	11.0%	19.7%	9.2%	8.8%	10.4%
2008	57	11.4%	19.9%	10.3%	9.1%	12.0%
2009	69	13.8%	23.6%	14.5%	15.7%	11.9%
2010	75	15.0%	24.8%	15.3%	18.8%	9.35
2011	86	17.2%	27.7%	17.8%	22.2%	16.95
2012	95	19.0%	29.8%	19.6%	19.3%	22.25
2013	107	21.4%	30.4%	22.0%	19.7%	23.15
2014	114	22.8%	n.d.	24.1%	23.0%	19.9%

Source: adapted from Kwiatkowski and Augustynowicz (2015) based on data from the Fortune Global 500 list.

Despite the expansion of SOEs and the vast scholarship on them, they have no commonly accepted definition. For many, SOEs are simply business ventures established and controlled

[9] The Fortune 500 list ranks global companies by revenue. The annual list includes both private and public companies, listed and non-listed.

by governments. One of the earliest definitions of SOEs was that suggested by Renato Mazzolini in 1979. He defined an SOE as a company in which the ultimate formal authority rests in the hands of the state. And he went on to add, ‘This power corresponds to that of stockholders, in private sector companies. To have such authority, government must own a company's equity or at least a substantial part of thereof’ (Mazzolini, 1979: 1). This definition is a reflection of an era when SOEs were under strict government control and had to seek the state’s approval to operate beyond the national borders.

The Organization for Economic Cooperation and Development (OECD) defines an SOE as ‘any corporate entity recognized by national law as an enterprise and in which the central level of government exercises ownership and control. This includes joint stock companies, limited liability companies and partnerships limited by shares’ (OECD, 2017: 11). The OECD also emphasize that SOEs are companies over which the state exercises control, regardless of the share of state ownership, that is, whether they are fully owned, majority-owned or significant minority-owned (ibid.). The OECD further notes that, even where a government has a minority of shares in an SOE, it can still control the enterprise, regardless of its formal voting rights (Büge et al., 2013). This unique government control in SOEs has been analyzed further by Cuervo-Cazurra and colleagues (2014) who note that ‘for instance, when the government holds only a golden share, it can block crucial internationalization efforts perceived as detrimental to its interests even though such efforts might be deemed profitable by shareholders’ (Cuervo-Cazurra et al., 2014: 924).

Generally, SOEs have three distinctive features. First, they are part of the public sector and hence either must be fully owned by the government, or the government or state must own a share of the company as a minority shareholder. Secondly, SOEs are enterprises and must be involved in the production, sale and distribution of goods and services. Thirdly, there must be a relationship between an SOE’s sales revenues and its costs of production. The enterprise element of SOEs means they are expected to be financially viable commercial organizations, although in fact many of them do deliver non-commercial services too (Cuervo-Cazurra et al., 2014). Given the lack of any universally accepted definition of SOEs, it is clear that future definitions will have to go beyond the state having stakes in these enterprises to include emerging forms of state ownership and the incorporate existence of both listed and non-listed SOEs.

4.3 Origin and Motives behind SOEs

The existence of SOEs is not a new phenomenon, as for many years they have acted as the cornerstone of state capitalism around the globe (Toninelli 2000). In western Europe, Russia, Asia and Africa, SOEs have played a massive role in the development of both established economies and those that are catching up with them. As Mussachio and Flores-Macias stated:

> State intervention in economic activity was ubiquitous prior to World War I in places as varied as Victorian Britain, republican Brazil, and Bismarckian Germany. Across countries and industries, governments sought to provide incentives for wary investors to purchase securities in everything from banks to railways and other infrastructure endeavours. While in 1840 around 80 percent of railway tracks worldwide were in private hands, by 1910 states owned nearly 60 percent of a much larger network of total operating railway tracks. (Musacchio and Flores-Macias, 2009).

Historically, five key factors were influential in the emergence of SOEs globally. Fernandes (1986) identifies these factors as SOEs having been formed through state entrepreneurship, nationalization, inheritance, historical accident and the take-over of badly performing private companies. The first SOEs to be formed as a result of state entrepreneurship emerge when national states act as investors and entrepreneurs by creating new capital and assets. SOEs under state entrepreneurship thrive when the state is constantly injecting new productive assets into the economy.

Second, SOEs formed through nationalization involve the state making a decision to take over private investments. Nationalization is fuelled by states' desires to control their economies, and the companies that are take-over tend to be in strategic sectors.

Third, some SOEs emerge as a result of inheritance, newly independent states having inherited already existing enterprises left behind by colonial governments or private companies abandoned by their former owners during the transitional phase for both push and pull reasons (see Pitcher 2012 for a discussion of experiences of SOEs in 27 countries in East, Central, South and West Africa, including in-depth country cases from Mozambique, South Africa and Zambia). This was especially common in Africa and Asia.

Fourth, Fernandes (1986) argues that SOEs often emerge initially as a result of historical accidents, and not through deliberate state intervention. This includes companies that were taken over by the state after foreign investors fled because of political instability.

Finally, some SOEs were formed as a result of state take-overs of 'sick' or under-performing companies. This involves the state taking over mostly private enterprises that were struggling and were on the verge of collapse and bankruptcy. This type of take-over is different from nationalization and involves ailing enterprises with a huge employment potential and companies that are considered essential to the economy being acquired by the state, as their collapse might lead to economic stagnation (ibid.).

4.4 Motives behind SOEs

SOEs were established by the state to take over strategic sectors from private ownership. They are considered crucial instruments for the state to achieve its wider socio-economic, political and ideological goals. Sectors that may be deemed highly strategic by ruling elites and where intervention by SOEs was seen as crucial include energy and power generation, mining, public transport, telecommunications and aviation. Some motives behind the establishment of SOEs were political, and they included a wave of nationalization as part of efforts to expand the public sector as a means to guarantee employment to the national labour force. Some SOEs were profit-oriented, while others delivered mainly non-commercial services (Aharoni, 1986; Fernandes, 1986; Mazzolini, 1979).

Generally, there are five motives for the establishment of SOEs. First, SOEs are established in order to give the state control over strategic sectors and priority national projects that are important in steering economic growth and social stability and ensuring the survival of ruling elites. Many SOEs are established to oversee certain sectors and national projects that are considered critical to the economy of a particular country and are deemed too important to be left to the control of the private sector. This include SOEs involved in projects such as national defence and space exploration, nuclear energy and other energy investments, the medical sector, biotechnology, and other projects with security and geopolitical significance. States prefer direct control over these critical industries, which are seen as key in implementing certain state policies (Aharoni, 1986; Fernandes, 1986).

Second, SOEs are established to administer unattractive investments. Some crucial investments, especially in the social sectors or infrastructure, are considered unattractive by the private sector. These normally involve sectors and projects characterized by slow growth, low returns and high risk to investments. In this case the state has set up SOEs to run these 'unattractive' projects, which struggle to attract private capital. SOEs established for this reason have non-commercial objectives and are characterized by low productivity, fiscal burdens and low returns. State intervention in such sectors is directed to taking care of the population rather than to making a profit (Fernandes, 1986).

Third, SOEs are created in order to seize existing natural monopolies. In many countries some activities, such as the supply of power and other utilities, tend to enjoy constitute a natural monopoly. Most governments see these sectors as a crucial opportunity to establish SOEs and enjoy the existing monopolies. Natural monopolies enable states to generate enough surpluses to be injected into the national economy. Sectors such as infrastructure and services, where consumers do not have much choice in choosing a supplier, are always dominated by monopolistic SOEs (Aharoni 1986).

Fourth, SOEs are created where a strong domestic private sector is lacking. This was common in many developing countries with a weak industrial base, especially in the early years of post-independence in many African states, where domestic capitalists were missing, and the private sector was weak and dominated by foreign-owned firms. The state in this case deployed an interventionist strategy in establishing SOEs to fill the void left by the absence of a strong domestic private sector (Mazzolini, 1979).

Finally, SOEs are established in order to produce equality and social justice. Some SOEs are established to these ends for purely ideological reasons, as well as to reduce class differences in the population. In China, for instance, many SOEs were established at the sub-national and provincial levels to cater for the needs of the rural poor, profit maximization not being their main objective. This was a deliberate strategy on the part of the Chinese Communist Party to reduce rampant urban-rural gaps in poverty, control unemployment and promote social stability. The majority of SOEs set up to implement the social objectives of the Communist Party turned into loss-making enterprises but were kept alive by cheap loans and government bailouts (Yi-Chong, 2012; Zhu, 2012). A similar trend was observed in Venezuela under Hugo Chavez and his Bolivarian Revolution, which sought to create a 21st century socialist republic by using the country's oil wealth (Hults, 2012). As far as China is concerned, to date Chinese SOEs have remained very influential. China leads the world in terms of the total number of SOEs (OECD, 2017). In 2018, three Chinese SOEs in the energy and oil and gas sectors made it into the top ten of the *Fortune Global 500* ranks of the largest global companies by revenue (see Table 4.2).

Table 4.2. Fortune 500 global ranking of companies 2018.

Rank	**Company**	**Type**	**Country**	**Sector**	**Revenues in USD ($)**
1	Walmart	Private	United States	Retail	500 billion
2	State Grid	State-owned	China	Energy	349 billion
3	Sinopec	State-owned	China	Oil and Gas	327 billion
4	China National Petroleum	State-owned	China	Oil and Gas	326 billion
5	Royal Dutch Shell	Private	Netherlands and United Kingdom	Oil and Gas	312 billion
6	Toyota	Private	Japan	Automobile	265 billion
7	Volkswagen	State-owned	Germany	Automobile	260 billion
8	BP	Private	United Kingdom	Oil and Gas	245 billion
9	Exxon Mobil	Private	United States	Oil and Gas	244 billion
10	Barkshire Hathaway	Private	United States	Holding	242 billion

Source: constructed on the basis of data from the *Fortune Global 500* list, 2018.

In the above sections, I have discussed various aspects related to SOEs, including definitions of them that still divide opinion, their origin and evolution, as well the motives driving ruling elites to establish SOEs in the first place. The following sections discuss regional and sector experiences with SOEs, drawing on examples from Africa, East Asia and SOEs in the extractives sector, as well as the historical role of SOEs in Tanzania specifically.

4.5 SOEs in Africa

The state's engagement in business in Africa goes right back to the post-independence era. In many post-colonial African countries, SOEs were the pillars of early development projects and key instruments in implementing development plans. SOEs were seen as important providers of social and commercial services (OECD 2013, 2014). In the early days of independence, most African leaders associated liberal capitalism with colonialism and chose to adopt centralized economic planning as an alternative. Many of these countries, ideologically inspired by Russia and China, embraced state control of their economies, as socialism was seen as the most appropriate model for transforming independent African states (Nellis, 1986).

Interventionist strategies were widely popular in Africa in the 1960s and 1970s, and SOEs enabled African governments to intervene directly in their economies while also allowing political elites to implement various measures, such as the creation of new factories, employment opportunities and price controls for basic goods and services. The private sector was very small in many African countries, being mainly dominated by foreigners, especially Europeans and Asians (Whitfield et al., 2015: 26). Setting up SOEs was seen as crucial due to the small size of the indigenous private sector and the few local capitalists. In some countries in Africa most SOEs were involved in agriculture, public utilities, transport and manufacturing (Barker et al., 1976; Mytelka, 1989). SOEs, it was reasoned, could provide essential services that the small and, in many cases, non-existent private sector could not (Shirley, 1999). This was common in sectors where local capitalists were scarce and foreign investors were cautious in investing. State intervention through SOEs was also popular with the ruling elites, as it provided lucrative rents to African political elites, strengthened state coffers and offered opportunities for personal wealth accumulation through the distribution of patronage. These enterprises were also attractive for patronage by African politicians wishing to distribute jobs to their associates (Nellis, 2005; Grosh and Mukandala, 1994).

Public ownership of productive assets became popular in many African states, including Algeria, Angola, Ghana, Senegal, Mozambique, Tanzania and Zambia, among others. African countries deployed various measures to establish SOEs, but nationalization was a common method of creating them, especially in countries such as Angola, Burkina Faso, Guinea Bissau, Mozambique, Zambia and Tanzania (Balbuena, 2014; OECD, 2013; Grosh and Mukandala, 1994; de Oliveira, 2007). Other countries created SOEs out of failing enterprises left behind by the former colonial masters. A number of public enterprises were established especially in sectors such as power production (electricity), water, transport and communications, agriculture, construction and infrastructure. Some SOEs were entirely commercial enterprises, but the majority were social in nature (OECD, 2013, 2014).

The heyday of SOEs in Africa was between the 1970s and the early 1980s, when they dominated many African economies. One conservative estimate put the number of SOEs at over five thousand in the 1980s, but the actual number must have been higher than the stated figure due to the lack of reliable data at the time. Mozambique led the way with over 1200 SOEs, followed by Nigeria with close to five hundred and Tanzania with over four hundred (Pitcher, 2012), but despite the high number of privatized companies, Mozambique still kept all its strategic SOEs under state ownership (Whitfield et al., 2015). In the early 1980s, African SOEs accounted for a quarter of total formal employment, a very high rate compared to employment in SOEs in other regions of the world at the time. In the same period, employment in Asian SOEs was 15%, while Latin America recorded 5.5% and the OCED stood at 4% (Nellis, 1986). In the same period, SOEs also accounted for 20% of gross domestic investments and one-third of total domestic credit. They also accounted for 17% of GDP compared to 10%, the global average at the time. In Ethiopia, SOEs accounted for 90% of manufacturing and added value, while in Zambia they accounted for over 50% of manufacturing (Grosh and Mukandala, 1994; Nellis, 1986).

SOEs in many African countries performed badly in the mid-1980s and early 1990s for various reasons, such as inadequate capital, poor investment decisions, poor managerial skills, poor reporting systems, corruption and the interference of political elites, including the appointment of inexperienced party cadres to run them (Nellis, 2005; Grosh and Mukandala, 1994). Poor performance, coupled with intense pressure from the international donor community, led to mass privatizations of SOEs across Africa in the 1990s during the period of the so-called ‘Washington Consensus’, when developing countries were forced to reduce the role of the state in their economies and promote foreign investments and the privatization of state assets. But even at the peak of liberalization, when many countries embarked on privatization and reforms were focused at attracting FDI through facilitation and deregulation, African states kept state enterprises deemed to be strategic by political elites in sectors such as mining, defence, electricity, telecommunications and transportation, among others.

4.6 SOEs in East Asia

Wade (1990) depicts East Asian states, especially Japan, Taiwan, South Korea and Singapore, as being among the most successful cases where economic growth and improvements in living standards have resulted from extensive state intervention through SOEs. These countries chose several SOE-driven industries they considered ‘priority sectors’ at the time and provided them with heavy state involvement and support, ranging from subsidized credits to government-backed investment funds and tax holidays. These measures transformed these countries from poor agrarian economies in the 1960s into industrial and technological powerhouses in 1990s (Di John, 2009; Chang, 2007; Stiglitz and Yusuf, 2001; Wade, 1990).

In South Korea, the economy was dominated by local private enterprises with strong backing from the state. Through its Heavy and Chemical Industries Program in the 1970s, the South Korean government embarked on promotion and investments in heavy industries in sectors such as metal and steel, machinery, automobiles, electronics, and chemicals ship building, a move that benefited local private enterprises such as Samsung, Hyundai and Daewoo (Lee, 1995). Most SOEs that were linked to heavy industrialization were deliberately set up by the Korean state to undertake activities that the private sector was unable to tackle. The Korean government established POSCO, a state-owned steel-maker, in 1968, which expanded rapidly and by the mid-1990s had become one of the most efficient steel-makers in the world, currently being the world's fourth largest steel producer. Most commercial banks were nationalized, and cheap loans were made available to SOEs (Wade 2012; Chang 2007).

In Singapore, the government embarked on a rapid process of state-led industrialization as early as the 1960s. The state stepped in and assumed the investor role through SOEs by fulfilling gaps in sectors that were considered strategic but in which private firms and multinational corporations were less interested in investing. By 1980, the SOE-dominated public sector accounted for over 30% of gross fixed capital. In 1974, Tamasek Holdings, a state-owned holding company, was formed to oversee the SOE sector. Tamasek has a controlling stake in many of Singapore's strategic SOEs, such as energy giant Singapore Power and Singapore Airlines, which has emerged as one of the world's best airlines in recent years (ibid.).

Japan's successful industrialization in the 1970s and 1980s was galvanized by the country's industrial policy, which was based on centralized investment and technological planning in which SOEs played a central role. Japan's economic miracle was a result of the efficient management of its SOEs, which was credited to its unique bureaucratic structure and the compatibility between developmental goals and bureaucratic agencies. Japan's elite bureaucrats in charge of SOEs were competent and goal-oriented (Chang, 2007).

SOEs also played a key role in the Taiwanese state-sponsored development model, which was based on a dual system of both state-owned enterprises and small and medium-size local private enterprises. The country achieved and sustained rapid economic growth from the 1970s, one of its main factors in this success being strong state intervention through SOEs, which were used as key tools to implement national policies (Liou, 1994). The state discouraged the creation of large-scale private enterprises, but state-owned banks provided financial support to both SOEs and local private enterprises. Taiwanese SOEs specialized mainly in capital-intensive sectors such as petrochemicals, fertilizers and construction, as well as in natural monopolies such as communications, energy, transport and finance, while local private enterprises focused on export-oriented sectors such as electronics and semi-conductors. Like other East Asian states, Taiwan was also characterized by its strong links between the state and local business, both state-owned and private (Rodrik et al., 1995; Fields, 1995; Wade, 2004).

4.7 SOEs in the Extractive Sector

State control of the extractive sector (oil/gas and mining) has become widespread over the years due to the sensitive nature of the sector, which is characterized by its capital intensity due to the heavy investments and costs involved, and also its high exposure to risks. Governments around the world have considered control over oil/gas and mining highly important for both political and economic reasons. Direct state control through state-owned national oil companies (NOCs) and national mining companies (NMCs) has become common in the sector (Victor et al., 2012). The sensitivity of these resources has fuelled a mixture of nationalism and the desire to control national economies, justifying state intervention in the extractive sector through NOCs and NMCs in various oil- and mineral-rich countries. Historically, extractives-based SOEs were seen as crucial in enabling states to promote socio-economic development through employment creation, redistribute national wealth, mobilize popular support and foster national pride (ibid.).

SOEs have dominated the coal sub-sector for many years, and recent global trends show increasing patterns of state control through SOEs. From China, India and Europe to Africa, SOEs dominate in coal-mining and coal-fired power plant projects (Ericsson and Löf, 2011; McPherson, 2008). In India, state-owned Coal India, the largest coal company in the world, represents massive state control of the coal sector. Coal India is seen as a national icon and is crucial in creating job opportunities and securing India's energy security and sovereignty (Lahiri-Dutt, 2016; 2014).

In the oil and gas sector, state interventions fuelled by nationalist sentiments saw the establishment of state companies in both developed and developing economies. NOCs were established in Austria, France and Italy in the 1920s. In developing countries, most NOCs were created by nationalizing the operations of international oil companies (IOCs) due to increased nationalist tendencies. The trend started with nationalization in Bolivia in 1937 and Mexico in 1938 and spread with nationalizations and/or the establishment of NOCs in countries such as Brazil, Iran and later Algeria, Saudi Arabia, Malaysia, Venezuela, Kuwait, Nigeria and Angola (Victor et al., 2012). While IOCs maintained 85% control of global oil and gas reserves by 1970, as opposed to NOCs with 1%, by 1980 the rise of the latter had seen them gain 59% control of global reserves compared to IOCs (12%) (Victor et al., 2012). In 2011, 25 of the world’s top fifty oil and gas companies were NOCs. NOCs also controlled 90% of the world’s oil and gas reserves and accounted for 75% of total production (Tordo, 2011). According to Rystad Energy (2018), between 2011 and 2017, NOCs accounted for 55 percent of total oil and gas produced globally. Predictions by the International Energy Agency indicate that by 2030, 80% of total global oil and gas output will come from NOCs (IEA, 2008). Most recently NOCs from the BRICS countries have been expanding overseas and have successfully penetrated markets previously dominated by western-based IOCs (de Graaff, 2012).

As in the oil and gas sector, the mining sector is also familiar with SOEs and has been dominated by state intervention over the years. State ownership was popular, as it was associated with national sovereignty in many countries, where the mining sector has for many years been considered strategic for ruling elites and their various political and economic motives. State control in the mining sector can be traced back a long way in the Soviet Union, where mining companies were considered a top priority for the Soviet socialist project, and many were nationalized in the 1920s. Communist countries in the Soviet bloc accounted for 25% of total global minerals and metals mining in the 1970s. In the western world, state ownership began in the 1930s and continued in the post-war period of the 1950s, Finland having created its own state-owned mining company, Outokumpu, in 1932. This was followed by the Swedish government’s purchase of the privately owned iron L-KAB mining company in 1956. State ownership spread quickly in the western world, especially after the Second World War, which triggered high demand for raw materials (Ericsson and Löf, 2011).

From Latin American to Africa, NMCs were also established to ensure direct state participation in the lucrative minerals and metals sector. Brazil established Vale, a state-owned mining company, in 1942, while Peru nationalized its copper sector in the late 1960s, followed by Chile in 1971. State control in both Latin America and Africa was achieved through the nationalization of foreign-owned mining companies and also through mandatory joint-venture operations with the private sector. A wave of nationalizations dominated the mining sector in the 1960s and 1970s. Countries in Latin America and the newly independent African states had huge expectations on the socio-economic and political potential of the mining sector due to the rise in demand and the high mineral and metal prices. Nationalist sentiments and what were perceived as continued imperialist domination by western countries fuelled nationalization and the creation of NMCs in countries such as Chile, Zambia, Venezuela, Zambia and Tanzania, among others (Mussacchio and Lazzarini, 2014b; Ericsson and Löf, 2011).

State ownership continued to flourish until it stalled in the early 1980s due to the poor management of state-owned mining companies and the introduction of neo-liberal policies encouraging free markets and the privatization of SOEs and their assets. State control of minerals and metals has fallen sharply from its heydays in the 1980s. In 1986 NMCs accounted for 46% of total global production. Their contribution then declined to 39% in 1989 and stood at 22% during the peak of the privatization wave in the mid-1990s. In 2008, MNCs' share of production stood at 28%, an increase fuelled by strong demand from China. The fall in mineral and metal prices in the 1990s and early 2000s, coupled by enormous pressure from the World Bank, forced many developing countries, especially in Africa, to reform their mining legislation in order to attract foreign investments into the sector and encourage privatization (Ericsson and Löf, 2011; McPherson, 2008).

Even with the series of privatization in the 1980s and 1990s, the level of state control over minerals and metals is still very high. The commodity boom in the late 2000s inspired renewed interest in state-controlled mining ventures. Countries, especially in Africa and Latin America, found various ways to increase state ownership and maximize revenues, especially when prices were high. Among measures adopted in recent years have been increases in the taxes paid by MNCs, local content requirements, and the mandatory participation of SOEs. Many SOEs, especially in Africa, are increasingly involved in joint ventures with MNCs.

More recently, ruling elites in South America, Asia and Africa have reiterated the need to assert full or partial state control over the extractive sector, mineral and oil and gas resources increasingly being regarded as national economic projects. This trend is characterized by a wave of protectionist rhetoric and new legislation, combined with the securitization of economic interests to legitimize such nationalistic claims. This has taken place in both developed and developing economies and has been characterized by the (re)emergence of powerful state-owned enterprises in the mineral and oil/gas sectors, acting as a reminder from national states to IOCs that they still exist (Szakony, 2007; Pryke, 2012).

A few well-managed SOEs in the mineral and oil/gas sectors have grown to become key global players in resource extraction. Scholars have identified several supposedly successful SOEs in mineral- and oil/gas-rich countries where state involvement in the management of these resources has enabled the countries concerned to turn resource wealth into socio-economic development by allocating resource rents to sectors that benefit the wider population. In the oil/gas sector the successful cases include Norway's Statoil, Malaysia's Petronas, Saudi Arabia's Saudi Aramco and Abu Dhabi's National Oil Company (Heller et al., 2014; Victor et al., 2012; Tordo, 2011; Hertog, 2009; Wright and Czelusta, 2007; Stevens, 2006). Despite the success story of some NOCs, studies show that on average IOCs outperform NOCs in terms of commercial strength and profitability (Eller et al., 2011; Wolf, 2009). In the case of minerals and metals, however, the Chilean National Copper Corporation (CODELCO) and Botswana's state-owned Debswana have been hailed as very successful state-owned mining companies (NRGI, 2015; Cypher, 2005; Mbayi, 2001).

On the other hand, many extractive SOEs have performed miserably, especially in the so-called predatory states, which are characterized by the unproductive distribution of oil and mineral rents to ruling elites and their closest political constituencies (Evans, 1989; Karl 1997). Predatory states are also referred to as rentier states and are dominated by widespread corruption, neopatrimonial practices and clientelism (Ross, 2001; Auty and Gelb, 2001). Governments in these countries tend to use mineral and oil SOEs to implement populist initiatives aimed at perpetuating their staying in power. SOEs also create the conditions for ruling elites to enrich themselves, leading to mismanagement and inefficiencies in many mineral and oil SOEs (Di John, 2009). Among these SOEs are Nigeria's National Petroleum Corporation (NNPC), Mexico's Petróleos Mexicanos (Pemex), Venezuela's Petróleos de Venezuela, S.A. (PDVSA), and most recently Brazil's Petrobras and Angola's Sonangol. They also include the Democratic Republic of Congo's national mining company, Gécamines, and Zambia's Consolidated Copper Mines (ZCCM) in the mining sector (Heller et al., 2014; Victor et al., 2012).

The worst performing SOEs in the extractive sector typically have strong ties between the ruling elites and the state bureaucrats in charge of their day-to-day operations. SOEs in the countries mentioned above have been used by elites to squander resources and increase regional and ethnic patronage, instead of promoting national development. Most of these SOEs are also likely to concentrate on non-commercial objectives (Ascher, 1999; Kang, 2002).

4.7.1 Recent populist initiatives

From the mid-2000s, a number of left-wing movements have emerged in certain Latin American countries, with ruling elites aiming to expand state control over extractive resources through SOEs and increase the redistribution of mining, oil and gas rents to the masses, a phenomenon that has been described by Latin American scholars as extractivism or neo-extractivism (Arsel et al., 2016; North and Grinspun, 2016; Burchardt and Dietz, 2014; Acosta, 2013; Veltmeyer, 2012; Kennemore and Weeks, 2011; Webber, 2010). Such movements include the Bolivarian revolution led by Hugo Chavez in Venezuela, Evo Morale's Movement to Socialism (MAS) in Bolivia, the National Alliance in Ecuador under Rafael Correa, and the Workers' Party in Brazil under Luiz Lula da Silva. State interventions in all these countries took the form of redistributive social projects and various forms of compensation to the poor, a phenomenon that has been labelled 'compensatory states' (Gudynas, 2016: 103-118).

Figure 4.1. Hugo Chavez, Evo Morales, Luiz Lula da Silva and Rafael Correa in 2009

Source: Brazil Presidency, 2009.

Venezuela's PDVSA under the reign of Hugo Chavez offers a good example of an extractive SOE being used by the state as a political tool to achieve certain populist objectives. Prior to the Chavez intervention, PDVSA was performing well as an autonomous company, was profitable, and was ranked among the best NOCs in the world until the early 2000s. The late President Chavez and his 'Bolivarian revolution' (2002-2003) sought to use Venezuela's massive oil wealth to implement his vision of twentieth-century socialism and the creation of a communal state. This involved nationalization of the national oil company, the expulsion of some IOCs[10] and the implementation of a series of popular social projects, such as health care, food subsidies and education, using rents generated by the PDVSA (Hults, 2012).

Under the reign of Chavez, the PDVSA's restructuring involved the appointment of a group of men loyal to him. The PDVSA lost its autonomy, as the state spent billions of dollars from its oil earnings in financing populist projects at home and abroad, ranging from the construction of low-income housing for the poor to fuel subsidies and food distribution at home to oil diplomacy policies overseas, which included supplying subsidized oil to seventeen countries in central America and the Caribbean. This led to the massive deterioration of the PDVSA from a commercially oriented company to a less profitable and mismanaged NOC. In the wake of declining oil prices in late 2014, the PDVSA under Chavez's successor, Nicolas Maduro, has struggled to sustain popular projects, leading to a social uprising. The PDVSA currently operates simultaneously as an operating company, development agency and political tool (Gott, 2008; Hults, 2012).

4.8 State-owned enterprises in Tanzania

In this section, the discussion focuses on the history and evolution of SOEs in Tanzania from independence to the peak of the liberalization of the late 1980s and recent developments spurred by resource nationalism up to the late 2000s and 2010 onwards. The section attempts to review the history of SOEs and its implications for the current practices of present-day revived SOEs. Revived SOEs in the context of this thesis are those state-owned enterprises that were never privatized and that remained inactive for many years but have been revived more recently (NDC, STAMCIO etc.). Most of these SOEs survived privatization due their perceived importance by ruling elites and the desire of the state to retain control of some sectors deemed to be strategic. In doing so, I provide a review of the history of SOEs and explore their problems, including why they were weakened during the 1980s and 1990s. I also describe some SOE successes and document some of the lessons that might be relevant to the plight of SOEs in the current changing context and evolving phase of their revival.

[10] At the peak of resource nationalism in 2007, Chavez forced international oil companies (IOCs) into joint ventures as minority partners in an arrangement that would give the PDVSA a 51% stake. While some IOCs, such as Total, Chevron, Statoil and BP, agreed to the terms, ExxonMobil and ConocoPhillips had their assets expropriated and were expelled from Venezuela after they rejected them.

The history of government entities – hereafter referred to as state-owned enterprises or SOEs – in Tanzania falls into four phases. Before describing these phases, it is worth defining SOEsboth in the Tanzanian context and in respect of how it is used in this thesis. State-owned enterprises in the Tanzanian context refers both commercial and non-commercial public entities in the state owns shares. SOEs in Tanzania range from government commercial companies, education institutions, regulatory agencies and marketing boards among others. Many of these SOEs are established by the Tanzanian parliament through various laws such as the Public Corporation Act of 2002, which has gone through several amendments over the years. In this thesis, state-owned enterprises (SOEs) and government parastatals are used interchangeably.

The first sub-section of the chapter commences with a discussion of SOEs during the post-independence phase (1961-1967), the era dominated by foreign-owned private enterprise and weak domestic enterprises and the existence of only a few government parastatals. The second sub-section discusses SOEs during the post-Arusha Declaration phase (1967-1986), which saw a wave of nationalizations of private enterprises and the creation of many public parastatals in different sectors, such as finance, agriculture, oil, mining, manufacturing and utilities. The third section focuses on the third phase of SOE developments (1986-2005), the era of structural adjustment programs (SAP) and liberalization-driven reforms, which saw the mass privatization and liquidation of SOEs under pressure from the International Monetary Fund (IMF) and the World Bank (Matiku, 2008; World Bank, 1988; Mwapachu, 1983). The fourth sub-section discusses developments in the SOE sector from the mid-2000s to 2017. The final sub-section provides a summary of the section

4.8.1 The post-independence phase (1961-1967)

SOEs have played an important role in Tanzania's economic trajectory immediately after independence. In the early years after the then Tanganyikan government gained independence, the state embarked on a series of plans to stimulate the economy through a socialist path under the ruling Tanganyika African National Union, TANU. A three-year World Bank-sponsored development plan (1961-1964) was adopted after the World Bank advised the government to embark on a programme of industrialization and to encourage the development of free enterprise (Rweyemamu, 1979; Matiku, 2008). There was dissatisfaction within the TANU-led government over the World Bank's plan. Most nationalists within the ruling party associated the plan with neocolonialism and forced Nyerere and the party leadership to come up with an alternative plan to boost Tanzania'ssocio-economic development and reduce poverty (Rweyemamu, 1979). The alternative plan involved a number of home-grown reforms and austerity measures, which I discuss later (Section 4.8.3).

By 1961, when the country won independence, most businesses were dominated by Asians and Europeans, who also owned most of the investments. The Asian traders were not originally from Tanganyika but mainly based in Kenya and Uganda (Gray, 2013). The government mainly played a regulatory role and provided infrastructural support. It owned only three enterprises, namely the Williamson Diamond Mining Company, the Nyanza Salt Mines and a meat-packing company (World Bank, 1988). It therefore established a number of parastatals after independence, including the Tanganyika Development Corporation, established in 1962 and changed into the National Development Corporation or NDC in 1965, the Tanganyika Bank of Commerce (1962), the National Insurance Corporation (1962) and the National Housing Corporation (1963) (Chachage, 2007).

The NDC, the first SOE to be established, was tasked with the role of steering Tanganyika's economic transformation. The corporation was given the task of promoting and establishing SOEs through various means, such as public enterprises and joint ventures, and of setting up light manufacturing and processing industries. It was able to establish various public parastatals, and it took holdings in private companies (Mramba and Mwansasu, 1972). As a result, in 1966 there were about 64 parastatals compared to only three in 1961. The assets of the 64 parastatals were mainly in electricity and minerals (over 65%), with manufacturing accounting for ten percent, while the remainder were in agriculture, construction, tourism and finance (World Bank, 1988).

4.8.2 Post-Arusha declaration, nationalization and the expansion of SOEs

By 1966, there was growing frustration among nationalists within the ruling TANU party over the condition of the country's economy. Increased nationalist feelings led to an emphasis on the state playing a greater role in the economy, promoted through a turn to a socialist planned economy (Pratt, 1976). On 5 February 1967, this process culminated in the government announcing the Arusha Declaration and officially declaring Tanzania a socialist country (ibid.). The Arusha Declaration and the associated policy of self-reliance had implications for the ideological position and attitude of the state on the role of both state-owned enterprises and foreign corporations in what was still Tanganyika.

The then Tanganyikan government under Nyerere emphasized collective control of the major means of production as stipulated by TANU's creed. Among TANU's principles was the desire 'to see that wherever possible the Government itself directly participates in the economic development of this country' and 'to see that the Government exercises effective control over the principal means of production and pursues policies which facilitate the way to collective ownership of the resources of this country' (Nyerere, 1968). The main pillars of the Arusha Declaration were public ownership of the means of production, distribution and exchange, rural development, equality, economic self-sufficiency, and self-reliance through education and production (Dyer, 2005; Nyerere, 1968). The Arusha Declaration also provided for the nationalization of many private enterprises, as documented by Chachage:

> On the 7th February, the government nationalized all commercial banks, eight import/export firms, eight milling firms, took total control of the National Insurance Corporation, and announced the intention to acquire compulsorily up to 60 percent of shares in 7 firms. The list of nationalizations implied in the Arusha Declaration was completed with the nationalization of 60 percent of the sisal industry. (Chachage, 2007: 54)

Nyerere also declared that 'The policy of TANU is to build a socialist state, the state 'must have effective control over the principal means of production and it is the responsibility of the state to intervene actively in the economic life of the nation' (Nyerere, 1968, 230–2). The wave of economic nationalism after the Arusha Declaration continued when the Nyerere-led government announced plans to nationalize Tanzania Breweries, at that time one of the best performing foreign-owned firms. Nyerere stated that the industry was the key to the country's economy and should therefore be under state control (Chachage, 2007). Economic nationalism was manifested not only through nationalization, but also through import and export restrictions and price controls. After 1967, SOEs assumed an important role in the economy and became critical instruments in steering the socialist transformation. Government parastatals came to dominate strategic sectors of the economy, such as banking and insurance, mining, transport and communications, agriculture, construction and housing (Mramba and Mwansasu, 1972). However, in rare instances some private companies thrived under Ujamaa and managed to escape nationalization, especially in the sisal sector. Some companies, such as Amboni Estate, Lugongo Estate and the Karimjee group, managed to cultivate their political capital and maintained strong ties with bureaucratic elites both nationally and regionally (Sabea, 2001).

After nationalization, the state transformed all nationalized industries and projects into SOEs. During this time the NDC became extremely influential by establishing various government projects and forging joint ventures with a few existing foreign-owned enterprises such as CMB Packaging (UK) and General Tyre East African Limited (USA) (Roe, 1969; Baker et al., 1986). By 1968 the NDC, acting as a holding company (including joint ventures), owned most large investments in the country. Foreign enterprises preferred joint ventures with the NDC because that protected them from state intervention and provided them with security in case of bankruptcy (Roe, 1969).

According to the World Bank, there were 64 SOEs in Tanzanian by 1967, due to expanding role of the state in 1970's, total number of SOEs increased to 139 by 1974 (World Bank, 1988). The bank also noted that SOEs assets grew 5.5-fold between 1964 and 1971. About 30% of the increase was through nationalization, while the remaining 70% was due to the establishment of new parastatals and the expansion of existing firms (Ibid). The number of manufacturing-based SOEs rose from twelve in 1966 to 47 in 1975 (Coulson, 1982). According to Chachage, 43 state-owned industries or joint ventures were established between 1977 and 1982, while 28 more were in the final stages of their establishment (Chachage, 2007). By the early 1980s there were over four hundred parastatals in Tanzania, which controlled about 80% of the country's major social and economic activities (Green, 1979). Table 4.3 (next page) shows the NDC's shareholdings in selected industries and extractive enterprises by June 1968.

Table 4.3. Shareholdings of the National Development Corporation (NDC) in selected industries and extractive enterprises by June 1968

#	**Industry**	**NDC Shareholding**
1	Friendship Textile Mill Ltd.	100
2	Ubungo Farm Implements Ltd.	100
3	Nyanza Salt Mines Ltd.	81
4	Tanganyika Instant Coffee Co. Ltd.	80
5	National Small Industries Corporation Ltd.	80
6	Tabora Msitu Products Ltd.	75
7	Tanzania Diamond Cutting Co. Ltd	75
8	Lime Products Development Ltd.	74
10	Kilimanjaro Breweries Ltd	60
11	Tanganyika Packers Ltd.	51
12	Tanzania Breweries Ltd	51
14	Williamson Diamonds Ltd.	50
15	Tanganyika Portland Cement Co. Ltd	50
16	Tanzania Tobacco Processing Co. Ltd.	50
17	National Steel Corporation Ltd.	50
18	Mwanza Textiles Ltd.	40
19	Mkomazi Mining Ltd.	25

Source: Roe, 1969.

4.8.3 Crisis, SAPs, liberalization and the privatization of SOEs (1986-2005)

While the economic policies adopted after the Arusha Declaration registered some success, such as the expansion of parastatals, rapid growth in the manufacturing and agricultural sectors and improved economic growth,[11] by the late 1970s many parastatals were underperforming,

[11] According to an IMF staff report (1984), the country recorded a 4.6% average annual increase in GDP in the 1970s.

the economy had deteriorated, and the pressure for economic reform was mounting (Muganda, 2004). Poor economic performance in the late 1970s and 1980s was attributed to both internal and external factors. The domestic causes of the crisis included the existence of many loss-making parastatals and natural disasters like the floods of 1979 and recurrent drought in 1980s, which resulted in drastic fall in agricultural yields. The Tanzania–Uganda border war (1978/79), which forced the government to expand the military and affected cross-border trade (Chachage, 2007), was another factor, as was the intervention in 1986 launched in order to prevent Mozambique from being cut in two by the Renamo insurgency (Ishemo, 2000). International events that were blamed for the crisis included the oil crisis (1973) and the world financial crisis (1974), both of which led to an increase in oil prices, the devaluation of the dollar and the subsequent decline in the foreign currency reserves. Economic deterioration manifested itself through failures in agricultural production, negative growth rates, hyperinflation, low industrial production, shortages of basic consumer goods and the poor living conditions of the general population (Hyden and Karlstrom, 1993). International financial institutions and donors had shunned the country, but Nyerere remained determined to carry on with the socialist development model (Stein, 1992).

At the height of the crisis in 1979, the IMF offered the government a credit line. This came with various conditions, such as a currency devaluation, the lifting of government subsidies, reductions in the budget deficit, import liberalization and the privatization of SOEs (Stein, 1992). Nyerere rejected the IMF's policies, and the Fund suspended its support to the country. The World Bank soon followed suit and cancelled its support to the government following Nyerere's disagreement with the IMF (Hyden and Karlstrom, 1993). Nyerere was very critical of the IMF and accused the Fund of 'acting as an International Ministry of Finance' (Chachage, 2007). In 1981, a number of domestic and international reviews were conducted to examine the condition of Tanzania's parastatals. They revealed the poor performance of many parastatals due to various factors, such as insufficient capital, poor management due to unqualified and inexperienced staff, fraud, negligence, and a lack of incentives even to carry out their day-to-day activities (World Bank, 1988).

Following publication of the reviews and Nyerere's disagreement with the IMF, the government reacted by introducing various cost-cutting measures and embarking on a series of home-grown reforms to address the crisis. The National Economic Survival Program (NESP) was introduced in 1981, a home-made structural adjustment program (SAP) in 1982 and the National Agricultural Policy (NAP) in 1982. The NESP sought to intensify state control of the economy, but the Program failed to improve the economy and, even though the NESP was introduced in part to improve budget deficits through domestic borrowing, it failed[12] to stimulate economic growth. The NAP focused on encouraging private investment in agriculture, but it failed to stimulate growth in the sector. The NAP's problems were due to a shortage of funds after it failed to satisfy the requirements of the international financial institutions. These institutions became increasingly critical and eventually stopped disbursing funds (Chachage, 2007; Muganda, 2004; Stein, 1992).

4.8.4 IMF- and World Bank-sponsored economic reforms and the privatization of SOEs

The departure of Julius Nyerere in 1985 and the arrival of President Ali Hassan Mwinyi saw declining support for the old statist system and the ideal of self-reliance under African Socialism. This was coupled by elite defections in favour of the new marketized system from 1986, when Tanzania reached a deal with the IMF. The Mwinyi era was characterized by the political elites' loss of faith in the idea of the state as the main actor and engine of development. This loss of faith in the state subsequently led to the latter embracing neoliberalism, which in Tanzania took the form of a combination of both the push from global financial institutions on the one hand and the ideas of domestic radical reforms focused on dismantling the statist developmental model on the other hand. Although Nyerere had resigned as president, he was still chairman of the party. As a result Mwinyi, who was reform-minded, had to struggle to fully implement his market-oriented agenda due to resistance from parts of the bureaucracy and from within the party, especially a faction allied to Nyerere who were critical of the market reforms (Lofchie, 2014).

Following Nyerere's departure in October 1985, the new government under President Mwinyi held a number of negotiations with the IMF and agreed to meet its conditions. Negotiations between the two parties were finalized with an agreement to sign a plan to boost growth dubbed the Economic Recovery Program (ERP) between the government and the IMF in June 1986, which ushered in a new era of liberalization. The ERP aimed at improving the general condition

[12] According to an IMF staff report (1984), Tanzania's GDP fell by an average of 1.7% between 1981 and 1983, as opposed to the 4.6% annual increase achieved in the 1970s.

of the economy, especially the balance of trade (IMF, 1986; Stein, 1992; Wobst, 2001; Matiku 2008).

In implementing the ERP, Tanzania agreed to liberalize the economy, restructure and privatize SOEs, create an enabling environment to attract foreign investments, and guarantee minimal state involvement in the economy. Other measures included fiscal and monetary reforms, the removal of agricultural subsidies and cost-sharing in the public services (Stein, 1992). As discussed in previous sections, there were only three SOEs when Tanzania gained independence in 1961, a figure that had grown to 64 by 1966 and 139 by 1974. Their number continued to increase, reaching 413 by 1988. As one of the conditions for new loans that formed part of the IMF- and World Bank-sponsored reform package, in 1992 the government announced that most SOEs would be privatized. In the same year the IMF funded the establishment of a national agency, the Parastatal Sector Reform Commission (PSRC), to oversee these privatizations (Mukandala, 1996). According to Matiku (2008), the objectives of the reforms spearheaded by the PSRC were to 'promote the operational efficiency of the enterprise involved; enhance their contribution to the national economy; reducing the burden of the parastatals on the government budget; expanding the role of the private sector participation in the economy; and promoting the wider participation of the people in the ownership and management of business' (Matiku, 2008: 366).

For the IMF, privatization was a means of proving that SOEs were not only underperforming but also draining the state's coffers, and it was also the most efficient way of dealing with loss-making parastatals. The process of privatization also signalled a departure from the country's socialist past, and the state was sending a message to financial institutions that Tanzania had been transformed from a socialist economy into a free-market economy (Mukandara, 1996, Moshi, 1996). The PSRC adopted different modalities for the privatization of different SOEs, including outright sales, placing SOEs under the Loans and Advances Realization Trust (LART), selling shares, liquidations, leasing agreements and joint-venture purchases. The process of restructuring and privatizing SOEs started slowly, only eleven having been privatized by the end of 1992.

4.8.5 From Structural Adjustment to privatization bonanza: SOEs in the mid-1990s to 2000s

The election of President Mkapa in 1995 was a defining moment that ushered ideas of a fully fledged market-based system. Privatization began slowly due to some disagreements within the party and state, but it gradually gained speed under Mkapa's two terms (1995-2005), at that time a staunch believer in the role of the private sector as the main engine of economic growth in the country (Gibbon 1999; Mkapa, 2013). For the sake of maintaining stability within the party, Mkapa never openly criticized the ideas of self-reliance, important because some of the party's old guard still believed in the old statist model. However, on many occasions Mkapa emphasized the importance of the private sector, FDI and the need to maintain good relations with donors (Edwards, 2014). Mkapa's liberal economic policy privileged private capital and especially foreign investors as the main drivers of economic growth. Mkapa also advocated a reduced role for the state in economic development.

It was during Mkapa's time that privatization gathered pace and many SOEs were partially or fully privatized. Two years after he took over (1997) a total of 202 parastatals out of 395 existing at the time had been privatized through various modalities. They included 83 which were sold, 71 closed or liquidated, 21 converted into leases, twenty placed under LART and five placed under contract management. The process continued at a rapid pace, and by 2000 a total of 299 parastatals had been privatized, 136 through outright sale, 81 closed, 32 leased, 34 placed under LART and sixteen non-core assets sold. By 2003, 140 of the privatized parastatals had been 100% acquired by foreigners and twenty by Tanzanians, while 121 parastatals were under joint-venture arrangements between Tanzanians and foreigners (Chachage, 2007; URT, 2004; PSRC, 2000; PSRC, 1999). It was also during this period that even SOEs in strategic sectors such as transport, communications and water moved to various forms of private participation. Such strategic SOEs include the Tanzania Telecommunications Company Ltd, the national carrier Air Tanzania Company Limited, the state power utility Tanzania Electric Supply Company, Tanzania International Container Terminal Services, and the Dar es Salaam Water and Sewage Authority, among others.

In the 2000s, President Mkapa emerged as one of the strongest proponents of free market ideas and globalization in sub-Saharan Africa and the third world in general. The United Nations appointed him co-chair (with President Tarja Hallonen of Finland) of the Commission on the Social Dimensions of Globalization from 2003 to 2004. The two co-chairs co-authored a report in 2004 for the International Labor Organization (ILO) entitled '*A Fair Globalisation: Creating Opportunities for All'*, in which Mkapa and his co-chair expressed confidence in globalization as the new road map for economic development (ILO, 2004).

On many occasions, Mkapa showed how far he would defend foreign investors, as noted in one of his statements below:

> Today very few people in the world can dare to dispute the critical role of the private sector in shaping not only the domestic economies of countries, but the global economy as well. This role becomes especially critical for present-day Tanzania because the resources at the disposal of our government cannot satisfy the many competing demands on these resources. I have, on several occasions, beginning with my election campaign, clearly explained that the third phase government considers the private sector to be an indispensable engine for the economic growth and development of our country. (Mkapa, 1996)

Addressing residents in Dar es Salaam in 2003, he warned that Tanzania must take necessary steps to avoid frustrating foreign investors because 'if you reject them, or give them difficult conditions, they will go to neighbouring countries' (Mkapa, 2003: 44). Under Mkapa, new laws and institutions were established to improve the policy environment and investment climate , particularly the mining sector. In collaboration with the World Bank, Mkapa revamped fiscal regulations (tax related) to attract the flow of FDI in mining. Detailed discussions of investor-friendly policies in the mining sector are set out in Chapter five.

Though long a champion of liberalization and privatization, Mkapa recently acknowledged that during his own presidency privatization should have been monitored more closely. In an interview in 2016, the former President said:

> Our preoccupation shouldn't just have been in privatization, but there should have also been monitoring instruments. We established an instrument to carry out privatization, but at the time it did not have the mandate of monitoring the development of privatized companies. We admit this mistake. *The Guardian*, 15 June 2016

Mkapa's views are shared by President Magufuli, who, however, has gone further and declared privatization to be 'wrong' (Mbashiru, 2017).

4.8.6 From privatization to the return of SOEs: resurgence from the 2000s to 2017

The departure of Mkapa in 2005 and the arrival of President Jakaya Kikwete prompted an ideological rethink within the CCM, a move which saw the gradual return of statist approaches from the late 2000s. Whereas foreign investors and domestic businessmen, often Tanzanians of Asian origin were influential in establishing the local private sector which was important for Tanzania's development post liberalization, they also played a bigger role in financing the party in and helped CCM to maintain power (Gray 2015; Pedersen and Jacob, 2019), the thinking on resource mobilization and the role of capital started changing in the CCM from the late 2000s. The move to strengthen the state's direct participation in the economy gained further momentum after the highly competitive elections in 2010, when the CCM saw its share of both presidential and parliamentary votes falling sharply. The opposition has a strong presence in Parliament and registered wins in a number of local town and cities. It was after the competitive 2010 elections that a shift in thinking gradually emerged within the CCM. As the state was now envisaged as playing a greater role in the economy, the Tanzanian government under Kikwete embarked on an ambitious plan to use existing and increasingly revived SOEs to achieve its development goals through enterprises where the state held either majority or minority stakes (Jacob et al., 2016).

This move towards a greater role for the state and calls for re-emergence of SOEs in mining began after several criticisms from faith-based organizations and the political opposition who questioned mining agreements signed with foreign companies. The government reacted by commissioning various investigative reports which concluded that foreign companies were benefiting more at the expenses of Tanzanians. (see Chapter five for a detailed discussion of this). As analysed by Pedersen and Jacob (2017), 'a major aim of Tanzania's 2010 Mining Act (section 10) was to strengthen the role of the state as a direct investor in resource extraction'(Pedersen and Jacob, 2027: 918). A strategy that was followed with 'the revival and recapitalization of state-owned enterprises (SOEs)' (ibid) in the mineral sector, as stipulated in the relaunched Five Year Development Plan, which advocated the 'recapitalisation of the state corporations dealing with minerals, petroleum and gas', starting with the NDC (URT, 2011). The Mining Act empowered SOEs to 'own and run mines on their own or to take an equity stake alongside their domestic or foreign joint-venture partners' (Pedersen and Jacob, 2027: 918).

The resurgence of SOEs has been given a further impetus by the current President Magufuli, who since 2016 has a shown strong desire to use and expand SOEs' operations in various sectors, including efforts to revive dormant industries through state-owned pension funds. As part of a larger industrialization drive, the trend has now expanded to other sectors beyond mining and oil and gas. Acknowledging that the Tanzanian state has only limited resources, the most recent Five-Year Development Plan envisages pension funds, which are also state-controlled entities, to use their liquidity to implement industrialization and other state-led efforts (URT, 2016a; Jacob, 2017; Kamndaya, 2017). Under Magufuli, this trend has also been radicalized through a number of interventions that increased the state's involvement in the economy in other sectors as well, the most recent being the consolidation of all public pension funds into one state-administered fund. And for the first time, President's action has touched upon the interests of the business elites that had benefited from liberalization.

In the mining sector, as we shall see in Chapter five, in July 2017the state's interests in mining operations were reinforced by three new extractive sector laws after President Magufuli pushed through legislative amendments under a certificate of urgency. These new laws seek to challenge the FDI-driven model and the dominance of foreign multinationals by denying investors access to international arbitration, promising to restore Tanzania's lost sovereignty over mineral resources, in addition 'it is mandatory for the state to own at least sixteen percent of future mining operations, and state-owned enterprises are entitled to acquire up to fifty percent of the shares in mining companies' (Jacob and Pedersen, 2018: 288). This was part of an 'economic war' against foreign mining companies declared by President Magufuli (Jacob and Pedersen, 2018; Pedersen and Jacob, 2019).

By comparison, in the oil and gas sector, the state-owned Tanzania Petroleum Development Corporation (TPDC) was assigned a role to represent state from the early days although it's interests in investments declined over time (Pedersen et al, 2016). In their analysis of TPDC's changing role, Pedersen and Jacob (2017) note that the national oil company has 'always maintained a presence, though its proposed interests in projects have fluctuated. The first Model Production Sharing Agreement (MPSA) from 1989, which aimed at attracting FDI, maintained the company's right to an interest of 'up to' fifty percent in operations, a decade-old target for state participation in key sectors (Pedersen et al., 2016). This was reduced to 'up to' twenty percent in 1995 and 2004. Under the influence of rising global oil prices during the 2000s, it was then increased to 'not less' than twenty-five percent in the 2008 and 2013 MPSAs, a provision that was repeated in the Petroleum Act of 2015, with the addition, however, of the words 'unless the National Oil Company decides otherwise' (Pedersen and Jacob, 2017: 919).

This section has discussed the history and evolution of SOEs in Tanzania from the post-independence era, during liberalization, through the heyday of privatization in the 1990s up to recent developments which have seen a series of reforms aimed at increasing national ownership from the late 2000s to 2017. The formation of SOEs as a strategy to boost economic growth and achieve self-reliance had mixed results; SOEs played a significant role in Tanzania's economic development from the early after years after Tanganyika's independence, and particularly in the socialist era from mid-1960's , but many had become a burden to the state and were later privatized following the introduction of liberalization in the mid-1980s. Although the government embraced neo-liberal reforms in the 1990s, it has never totally relinquished its intervention in the economy. Many SOEs, especially those in the extractive and energy sectors, utilities and infrastructure, survived privatization, as the state deemed them to be strategic.

Most SOEs were highly centralized bureaucratic organizations, and decision-making remained unplanned and uncoordinated. Poor planning was made worse by unclear and conflicting roles between the party, the cabinet and sectoral ministries (Loxley and Saul, 1975). Some SOEs, like the NDC, became too big and complex to manage. In the early 1970s the NDC had forty subsidiaries and 25 associated companies under its portfolio, ranging from agriculture to food-processing, manufacturing, mining and tourism (Mukandala, 1988; Gray, 2012). By the late 1970s the NDC was struggling to handle the huge volumes of business under its operations. A former senior government economic adviser[13] who was interviewed indicated the reasons why the NDC became too big to manage. They include conflicts of interest within the ruling party and the failure to control SOEs managers. He continued:

> The government was too ambitious and made naïve decisions. A lot of SOE managers became too powerful and resisted technical advice offered to restructure the NDC, which was the main body controlling all SOEs at the time. The ownership within the NDC and its subsidiaries was fragmented, and the party was having trouble to control and discipline underperforming SOE managers. – Interview, Dar es Salaam, 2017

Although many SOEs were relatively autonomous, party-state elites and state bureaucrats became too involved in their daily operations, leading to the emergence of entrepreneurial elites

[13] Interview with Brian Van Arcadie, Dar es Salaam, May 2017. Brian was a long-term economic advisor to President Nyerere. He also served as economic advisor to the Ministry of Economic Development and Planning between 1967- 69.

or 'bureaucratic bourgeoisies', a term coined by Issa Shivji (1976). On the other hand, the party failed to control the behaviour of the more entrepreneurial SOE managers, leading to competition for rents and private wealth accumulation (Gray, 2012). SOEs were dominated by bureaucratic rent-seeking activities, a process accelerated by the weakening control of SOEs by the presidency and parliament, leading to a decline in the quality of services, inefficient production and a falling share of manufacturing by SOEs, and ultimately to the eventual collapse of many of them (Loxley and Saul, 1975; Barker et al., 1976; Coulson, 1982; Mukandala, 1994). In 2008, the Public Audit Act introduced thinking on corporate governance derived from the private sector aimed at ensuring greater independence and financial accountability on the part of SOEs (Mwapachu, 2013a; Mwapachu, 2013b). By 2014, however, 72 non-financial parastatals still existed (Bank of Tanzania, 2014). There are still conflicting policies, weak supra-organizational control systems, and unclear roles for different decision-making authorities, including political interference and weak organizational systems within the SOEs (Mwapachu, 2013a).

To sum up, this section has shown that the Tanzanian state's transformation from the socialist era of the 1960s to the post-liberalization period has significantly shaped and transformed SOEs. This transformation has also reconfigured party-state/SOE relations from SOEs being allowed relative autonomy to their being subjected to more direct control by party-state elites and their patron-client networks. The section has shown how the character of state-owned enterprises in Tanzania has shifted over time. During the period of African Socialism, the official position was that the means of production should be under the control of the peasants, a principle translated in practice into ownership through state-owned enterprises and state-controlled co-operatives (Nyerere, 1967). These entities came to play a key role in holding assets from the nationalization of businesses, private property and cooperatives, just as they also turned into drivers of industrialization. As de facto monopolies, they also had some regulatory functions, for instance, setting prices in various sectors (Mukandala, 1989). During liberalization in the 1980s and 1990s, they gradually lost their monopolies.

Historically SOEs were key to centrally planned economy, as well as useful platforms for CCM during elections (Mukandala, 1989). Recent developments from the second half of the Kikwete era to the current government under Magufuli suggest that the trend is likely to continue with a new pace. The current President has been touring various parts of the country to launch projects implemented by SOEs and there have been promises to ensure SOEs play a role in reducing the acute problem of unemployment through job creation (Pedersen and Jacob, 2019).

While the President has promised to boost the role of the private sector on several occasions, the actual conduct of the state from 2016 suggest a radical change in policy environment which seek to weaken the influence of the private sector. By 2017 resource nationalism was in full swing in the mining sector, and efforts to curb the influence of the private sector gathered momentum. Pedersen and Jacob (2019) sums the efforts by the state to boost SOEs and limit the role of the private sector below.

> 'The role of Western development donors and FDI is decreasing, and domestic entrepreneurs are complaining that the business climate has become unfavourable. The presidential order that state entities must procure resources from other state entities to a greater extent, and the directive that SOEs should transfer their accounts from commercial banks to the central bank, have significantly weakened the role of private capital in a country where the public sector makes up such a large part of the economy. The larger domestic entrepreneurs previously an integral part of the political settlement, have been weakened in various ways, and several entrepreneurs have left the CCM parliamentary caucus, while the seizure of property involving some formerly influential actors has led to protests from these businesses and their business associations' (Pedersen and Jacob, 2019: 20)

The recent (between 2016-2018) restructuring and sacking of top managers in various SOEs has allowed the President to deploy his own loyalists in these state entities and ensure SOEs fall under the control of himself and his inner circle. While the restructuring was done in the name of cleaning up the mess SOEs were in, this move by the current president was intended to prevent certain networks associated with the former President Kikwete from accessing rents under Magufuli's stewardship (Jacob, 2017). As one interviewee put it, while Kikwete had a reputation of being 'much more generous in spreading opportunities around; Magufuli and his people are hoarding up everything to themselves' (interview, 2017). The big question is whether the revived SOEs will avoid falling into similar problems like those in the late 1970s to mid- and late 1980s. It is clear that predatory state elites and bureaucrats still exist, making the fate of the revived SOEs uncertain.

Another recent trend has been the growing role of enterprises owned by the military, especially in the construction, agriculture and security sectors. These enterprises, such as the Mzinga Corporation, part of the Tanzania People's Defense Forces, SUMA -JKT, a commercial arm of the National Service, and Prisons Corporation Sole, the commercial corporation under the Tanzania Prison Service, have all been assigned a bigger role in various activities and are increasingly competing in areas dominated by the private sector. This is part of Magufuli's efforts to centralize rents and power through the military on which the President has become over-reliant. Ruling elites have used military-owned enterprises with mixed results by Paul Kagame and the Rwandan Patriotic Front (RPF) in Rwanda (Behuria, 2016) and Melesi Zenawi and the Ethiopian Peoples' Revolutionary Democratic Front (EPRDF) in Ethiopia (Gebregziabher, 2019).

4.9 Conclusion

This chapter has discussed the history of SOEs from their heyday in 1950s–80s until today globally, regionally and specifically in Tanzania. I have analysed several aspects of SOEs, including definitions, origins, roles and motives. The chapter has drawn on the experiences of various SOEs from Africa, East Asia and Latin America, SOEs in the extractive sector, and the history and evolution of SOEs in Tanzania. The chapter has shown that SOEs remain important players globally even after decades of privatization and the withdrawal of the state from direct participation in the economy from the 1980s and the most recent financial crisis in the late 2000s. These state-owned entities have and continue to play a greater role in their national economies, particularly in sectors that are considered vital by ruling elites. From China, Brazil and Saudi Arabia to South Africa, SOEs dominate a wide range of sectors, often being re-nationalized after few years of privatization due to their strategic importance. The literature shows that in most cases the performance of SOEs is poor, with the exception of the East Asia experience, which has seen the emergence of modern-day SOEs with clear and strategic objectives and which sometimes perform better than their private counterparts.

Most SOEs operate under the control of multiple actors with conflicting objectives: national governments see them as a source of taxes, employment and prestige, while political elites use them as political tool, a source of cash for personal enrichment, or vehicles through which to distribute patronage and clientelistic favours in collaboration with SOE managers acting as gatekeepers. The public, on the other hand, expect SOEs to provide quality and cheap goods and services. Given such multiple and ever-changing objectives, most SOEs tend to underperform. Bureaucratic and political interference and ultimately the lack of independent managers have worsened SOEs' problems further in recent years. While present-day SOEs can learn much from the troubles of the 1970s and 1980s, it remains to be seen how present-day SOEs, including those in the extractive and energy sectors, can be insulated from predatory political elites seeking to achieve various political goals.

The sections on Tanzania show the evolution and changing fortunes of SOEs down the years and how the state has recently embraced an SOE-led development strategy. Under the Kikwete and current Magufuli governments, the Tanzanian state has taken an increasingly active role in economic development and begun to use active and revived SOEs in development activities. I have argued that this move towards a return to state-led development represented the CCM's adaptation to both the new politics of increasing electoral competition and the new political economy in the way that the ruling party sought to win back its traditional support and deepened its control of Tanzania.

Chapter 5: The political economy of the state's engagement in the mining sector

5.1 Introduction

How has the state's engagement in the mining sector changed over time? In this chapter, I discuss how the relationship between ruling elites, multinational companies and mineral extraction have shaped ideas about mineral governance and the state's involvement in the mining sector over the years. I describe the historical evolution of this process of state engagement by discussing the rise and fall of state intervention and SOE involvement in the sector. Historically, the state's engagement in the Tanzanian mining sector has been dominated by tense and often conflictual relations between the Tanzanian state, foreign mining capital and local communities, which have shaped the nature of the engagement over the years. The tensions provoked by the state's involvement are also a result of the changing relations between political elites and their transnational allies in form of foreign mining multinationals, intensified electoral competition and the relationship with local communities, intertwined with new ideas related to resource nationalism that have seen resource governance become focused on keeping mineral wealth within the country.

The chapter proceeds as follows. The first section discusses the state's involvement in the mining sector during the colonial and pre-independence periods, this being followed by a description of its continuation during the Ujamaa period, when Tanzania adopted state-led mining development. I then discuss the state's engagement during the crises of the late 1970s and mid-1980s, which saw the withdrawal of the state from mining and the re-emergence of foreign investments after the liberalization reforms. The third section discusses the state's involvement at the peak of neoliberalism in the mid-1990s during the Benjamin Mkapa government, when the mining sector was dominated by large-scale foreign companies. In the fourth section, I describe the period which saw the rise of resource nationalism in the late 2000s, when there were calls to bring back the SOEs and give the state, yet again, an active role in the mining sector during the reign of President Jakaya Kikwete. The final section describes the most recent period of state involvement in the mining sector under President Magufuli, a period that has seen strong calls in favour of resource nationalism through SOEs, marked by both change and continuity from the Mkapa and Kikwete eras.

I argue that the mining sector has witnessed mixed and multiple interventions by the state and private capital over the years. In its efforts to find the best way to benefit from its natural resource endowments, the Tanzanian state has navigated between state-centric and liberal approaches in respect of mining governance over the years. This has seen Tanzania go back and forth between strengthening the state's interests by embracing resource nationalism and involving private capital in the mining sector. These political choices have been influenced by both global and domestic factors that that have influenced Tanzania's development. The high global commodity prices in the boom era between 2004 and 2008, driven by China's and India's economic growth, was a gamechanger and created conditions that allowed mineral rich countries like Tanzania to attempt a break away from the neo-liberal mining regime. The Tanzanian case shows that the statist response by the CCM's elites was also driven by concerns about ideas related to resource nationalism and to winning elections, that is, the CCM's electoral survival. This in turn paved the way for the return of resource nationalism from limited to moderate to what possibly more radical levels of promoting state involvement in the mining industry.

The resource nationalist ideology of the ruling CCM faced implementation problems in the mining sector, reflected in the discrepancies between stated intentions articulated in the mineral policy reforms and actual implementation on the ground as discussed in the next chapter (six). The role of ideas and resource nationalism was also affected by elite fragmentation and in some parts of the coal sector by the desire to reward loyal party cadres through rent-seeking.

5.2 State participation in mining in the colonial period and pre-independence period

Like many other African states, Tanzania has a history of mining which can be traced back to the colonial era, with early exploration activities before WWI by Germans in what was then German East Africa. Mining activities peaked under British rule with the enactment of the 1929 Mining Ordinance, which preferred large-scale mining (LSM) and discouraged artisanal and small-scale mining (ASM) (Chachage, 1993; Knight and Stevenson, 1986). After the Second World War, what was still Tanganyika attracted a number of foreign mining companies from Britain and South Africa interested in gold and diamonds, including the Tanganyika Diamond and Gold Development Company and the Anglo-Transvaal Consolidated Investment Company from South Africa, as well as the South Nyanza Development Company from Britain (Pedersen et al, 2016). British and South African investors initiated LSM projects, mainly in the mineral-rich Lake Victoria region (Chachage, 1995).

As Pedersen et al (2019) note, ‘in the 1950s there were calls for state participation in LSM’ (Pedersen et al, 2019: 340). The British administration went to establish the Colonial Development Corporation (CDC) in 1958 to act as a holding company to steer government projects, while in in the same year the Tanganyikan government acquired a 50% stake in the Williamson Diamond Mine in a partnership the De Beers group (Pedersen et al., 2016; Jacob et al., 2016; Pedersen et al, 2019). Apart from the Williamson Diamond Mine, the state also held stakes various mines such Tanzania Gemstone Industries Ltd, Rungwe Coal and Liganga Iron (Jacob et al., 2016). The participation of the colonial state prior to independence was seen as a win-win situation for both itself and the LSM companies. It provided the state with much needed foreign currency while providing companies with a buffer against expropriation (Pedersen et al., 2016).

5.3 Mining and state-led development in post-independence Tanzania

The early years after independence saw the beginning of tense times for private mining companies. Soon after the independence of what was still Tanganyika in 1961, the government created the Tanganyika Development Corporation (TDC) as a replacement for the Colonial CDC. Direct government intervention in mining and the whole economy intensified in 1962 with the establishment of the TDC. The new corporation was tasked with overseeing and financing government mining ventures and controlling the government’s stake in the mining companies that formerly came under the CDC. The first Five-Year Plan (1964–69) emphasized the need to expand existing gold and diamond operations and to continue prospecting for new mining areas (URT 1964).

In January 1965, the TDC changed its name to the National Development Corporation (NDC). The change in name was accompanied by a company restructuring, which among other things saw the transfer of administrative control from managers to the Office of the President, its relocation from the Ministry of Commerce and Industry to the central Ministry of Economic Planning, and finally changes to its board of directors. In the process, older administrative personnel were replaced by cabinet ministers and other presidential appointees (Mukandala, 1989). The NDC was tasked with catalysing the mining sector and all other sectors of the broader economy. Like its predecessor, the TDC, the NDC took control of Williamson

Diamonds and other mines previously under the TDC (Mramba and Mwansasu, 1972; Pedersen et al., 2016). Whereas the NDC was initially set up to leverage indigenous private investment through joint ventures, the adoption of a nationalization policy in 1967 changed its mandate dramatically following the 1967 Arusha Declaration, which officially declared Tanzania to be a socialist state.

Under the Arusha Declaration, most private mining companies were taken over by the state and nationalized. Nationalization, which was aimed at reducing the influence of foreign states and investors, saw the NDC playing a much bigger role, NDC 'soon became a tool for the state to acquire and hold major stakes in key sectors of the economy, including the extractive sectors, aiming at a minimum of 50% state ownership' (Pedersen et al, 2016:12). The NDC was given more powers under the second Five-Year Plan (1969–1974), which directed economic activities in during the first post-Arusha Declaration era. The Plan emphasized state control of the major mineral resources, especially gold and diamonds, through the NDC (Pedersen et al., 2016).

The most important developments in terms of state engagement in the mining sector came between 1972 and 1979. In 1972 the government created the Tanzania Gemstone Industries Company (TGI), which had a monopoly in buying, producing and exporting coloured gemstones. Also, in 1972, through the Public Corporations Act, the government established the State Mining Corporation (STAMICO). TGI became a subsidiary of STAMICO, and the new company was tasked with overseeing the development of the mining sector, exploring new mining areas and fully operating the nationalized mines. Once STAMICO had been established, the NDC transferred to it ownership of the seven mining companies previously under its management, giving STAMICO full control of all mining ventures in the country at that time; it started full operations in 1973 (Phillips et al., 2001).

In 1979, Tanzania drafted its first post-independence and socialist-inspired Mining Act. The 1979 Act offered formal opportunities to all Tanzanians to engage in mining activities and further cemented the state's position in mining operations through STAMICO. In reality the Mining Act was not interested in participation by individuals. A striking feature of the Act was the fact that it vested ownership of minerals in the hands of the state, although the state involvement in exploration was no longer necessary (Lange, 2008; Pedersen et al, 2016). This signalled a moderate retreat by the state t in the mining sector as an investor, as discussed in the next section.

5.4 Crisis, withdrawal of the state, and liberalization of the mining sector

In the late 1970s Tanzania was faced with a deep economic crisis, and in the early 1980s it came under enormous pressure from the international community to reform its economy. Despite rising global gold prices, capital-starved STAMICO failed to increase gold production. The period from the late 1970s to the mid-1980s saw the worst performance of the mineral sector and mines under the control of STAMICO. Mineral exports declined sharply due to the drastic fall in gold and diamond production. The contribution of the mining sector to GDP was below 1 percent at the time (Phillips et al., 2001). With SOEs in other sectors of the economy lacking capital and performing poorly, the crisis saw the beginning of state's and SOEs retreat in mining and the beginning of the collapse of state-led mining activities (Pedersen et al., 2016).

With STAMICO struggling, the government attempted to promote artisanal mining throughout the country, but with little success. The government of President Mwinyi, coming under pressure from the IMF and World Bank, finally reached an agreement to formally liberalize the economy in 1986. With the adoption of a structural adjustment program (SAP), neoliberalism was embraced as an alternative developmental path to former President Nyerere's state-driven Ujamaa social model, which dominated after independence. This move further limited the capacity of the state to invest in mining. STAMICO's mining operations throughout the country were collapsing, and in the late 1980s the government reached a decision to end STAMICO's monopoly of mining and to allow all Tanzanians to become involved in the minerals trade. With STAMICO operations crumbling across the country, the Chinese government came to the rescue with financial assistance to construct the Kiwira coal mine, which began coal and coal-fired power production in 1989. By the late 1980s, Kiwira was STAMICO's only active mine (Jacob, 2017). The period after 1986, when the economy was slowly liberalized, saw the re-emergence of foreign mining investments in the form of junior mining companies. The decision to allow Tanzanians to become involved in mining activities prompted the withdrawal of the state from the sector (Mukandala, 1989).

The withdrawal of the state from mining saw the government adopt a friendlier attitude to foreign investors, a move which would see the dominance of private mining companies years later. Among these private sector- and investor-friendly decisions, four stood out. First was the liberalization of the mineral trade, which was under state control through STAMICO. By the early 1990s, STAMICO's monopoly in the mineral trade had ended, and the gold sector had become fully liberalized.

Second, all the companies that were part of STAMICO were kept in the hands of the state through the Public Corporations Act of 1992, which transferred all SOEs to the Treasury Registrar (TR) in preparation for their privatization. STAMICO would later be listed for privatization by the Presidential Parastatal Sector Reform Commission (PSRC), but it survived despite the inability of the state to invest in new exploration projects, by and large because of the lack of investors interested in buying it. It eventually closed down all its operations in April 1996, but re-emerged years later, as discussed below. The collapse of STAMICO constituted one of the efforts to dismantle SOEs that were underperforming at the time (STAMICO, 2014; Jacob et al., 2016).

Third, an important step underpinning privatization was the decision taken in 1990 to enact the National Investment (Promotion and Protection) Act which sought to promote private investments and attract foreign companies. The Act offered safeguards protecting investments from nationalization and provided different types of incentive. The Act offered safeguards protecting investments from nationalization and provided different types of incentive. It was also the 1998 Act which inspired the creation of the Investment Promotion Centre, later the Tanzania Investment Centre (TIC), a body tasked with attracting and regulating foreign investments in Tanzania (Pedersen et al 2016; Gibbon, 1995a; Gray, 2013).

Fourth, by means of a directive by the Bank of Tanzania in 1994, the government took the fundamental decision to liberalize the currency, the Tanzania shilling, by floating it and removing currency controls (URT, 1994). This decision allowed foreign exchange to finance the importation of mining equipment and other necessary machinery needed by the sector at that time. These decisions saw an increase in gold production in the early 1990s, and production surged further in the following decades. Lucie Phillips and her colleagues observed that ‘By 1994 the currency was allowed to float freely, and importers were allowed to use their own sources of foreign exchange. Mineral markets began to flourish in Tanzania, and the influx of capital spurred new exploration’ (Phillips et al., 2001: 17).

Following the adoption of investor-friendly policies and decisions to open up the mining sector to foreign investors, the period after 1996 can be described as the golden age of large-scale mining in Tanzania. Thanks to its liberal tax regime, this period saw a rapid increase in the number of junior exploration companies, which helped pave the way for large-scale players. Mineral development agreements were signed, and major mining companies like Canada’s Sutton Resources and Australia’s Resolute initiated early mining projects focusing on gold

(Curtis and Lissu, 2008; SID, 2009; Cooksey, 2001). These tax and investment incentives, combined with the liberal mining policy, saw a massive influx of large foreign companies, particularly Canadian, South African and Australian companies, which entered the Tanzanian market in the late 1990s. The administration of President Benjamin Mkapa (1995–2005) played a key role in this expansion. Mkapa promoted the mining sector as an engine of the economy by putting in place an enabling environment aimed at attracting foreign investment in the mining sector. Mkapa worked closely with the World Bank and IMF staff to accelerate reforms in the sector, the major turning point coming in 1998, with the enactment of a new Mining Act.

The reforms during this period were part of the wider mining-sector reforms in Africa being pushed alongside the structural adjustment programs and conditionalities that the IMF and World Bank imposed in return for liberalization and the privatization of state assets. African countries were pushed to revise their mining laws, reforms that the Canadian scholar Bonnie Campbell called 'three generations of African mining codes', a reference to the different times and countries, starting with Ghana in 1986, and followed by Guinea and Tanzania in the mid-1990s, and later Mali and Madagascar (Campbell 2010). In the case of Tanzania, the World Bank was not happy with the 1979 Mining Act, which it saw as lacking incentives to foreign companies and also 'state centred, ant-private sector, outdated and unable to cope with socio-economic and political dynamics of Tanzania under liberalisation' (Pedersen et al., 2016: 21).

The Mining Act of 1998 signalled a major shift in mining governance. The Act's central aim was to attract foreign investment into the mining sector. Accordingly, it offered a wide range of incentives to foreign mining companies as highlighted in Chapter One. These exemptions did indeed result in big increases in investments in the mining sector. Between 1996 and 2007 seven large-scale mining companies were operating in the country, mostly Canadian, Australian and South African, as well as the now defunct and controversial gold company Meremeta, which was controlled by Tanzania People's Defence Forces, which had a 50-50 joint venture in the Buhemba gold mine with the South African company Triennex Limited (Chachage 2005; Cooksey, 2011; Anonymous, 2012). The military-owned Meremeta and its South African joint-venture partner became involved in a corruption scandal in the mid-2000s after receiving illegal transactions of over $150 million from the Bank of Tanzania through a separate subsidiary named TANGOLD, a decision that did not involve the Ministry of Energy and Minerals (Cooksey, 2011; Anonymous, 2012. Mining-related FDI nearly doubled from US$1.3 billion to US$2.5 billion, while the contribution of the mining sector to GDP rose from

1.4% to 3.0% between 1998 and 2008 (Muganyizi, 2012: 15). The total value of mineral exports increased from US$26 million in 1997 to US$420 million in 2002 (ibid).

Although the influx of foreign mining companies was accompanied by improvements in employment rates and government revenues, there was growing public disquiet over the sector's contribution to the wider economy. Opposition to Mkapa's liberal mining policy came mainly from civil-society organizations (CSOs) and opposition parties such as Chama Cha Demokrasia na Maendeleo (CHADEMA), the Civic United Front (CUF), the Tanzanian Labour Party (TLP) and the National Convention for Construction and Reform, NCCR - Mageuzi. Local CSOs actively engaged in campaigns against foreign mining companies on issues such as the transparency of contracts, compliance with environmental law and mining's poor fiscal contribution to the economy. They also defended small-scale and artisanal miners and local communities against forceful evictions by the state, made in order to pave the way for foreign mining companies.

The most vocal group was the Interfaith Standing Committee on Economic Justice and Integrity of Creation, a religious-based group made up of representatives from protestant and catholic churches as well as Muslims. In 2008 this Committee published an influential report titled 'A golden opportunity: how Tanzania is failing to benefit from gold mining'. The findings denounced the liberalization of the mining sector and concluded that Tanzania had not benefited from mining as much as it should have done (Curtis and Lissu, 2008; SID, 2009; Munga, 2014; Santella, 2015; Jacob et al., 2016). The discontent reflected a broader impatience with Mkapa's FDI-driven model of development that was seen as giving the private sector the upper hand, thus dwarfing the public sector.

A senior retired government official who served in the Ministry of Energy and Minerals in different capacities under Presidents Mwinyi, Mkapa and Kikwete defended the generous terms and concessions offered to foreign companies in the mid-1990s. In an interview in the commercial capital, Dar es Salaam, he recalled that:

> People always question why the government did not get involved in mining and why we gave private companies generous terms. In my view there are three main explanations. First, people should understand that mining is a very expensive business and neither the government nor individuals had the money and other resources needed to invest and operate mines at the time, and the only option was to invite people who could do it. President Mkapa invested the little money we had into education, infrastructure and health care, which were the main priorities at the time due to our

> commitment to protect the poor. Second, the whole economy was going through private sector-led transformation, and mining was no exception. Third, people who don't understand the situation back then always talk about generous offers to companies. They may look generous in today's environment, but under the situation at the time, where the government simply could not do anything with the mines, I think we made the right decision. Others always blame the Bank (World Bank). Yes, we received advice from the Bank, but the government made decisions in the best interests of the country.[14]

Tensions were high at this time, as foreign investors in the mining sector came under attack from resource nationalist sentiments expressed by opposition parliamentarians. When the opposition political parties expressed their reservations over mining contracts at the time and called for them to be reviewed, President Mkapa dismissed the criticisms and asserted that Tanzania has benefited a lot from heavy capital investment, job creation and rising revenues. He even went so far as to defend the foreign mining companies, arguing that they were not 'not thieves but development partners' (The Guardian 2005; Daily News 2005).

The strong support President Mkapa gave the foreign mining companies demonstrates the extent to which these transnational actors managed to forge a stable alliance with the national political elites. Although the roles and influence of the foreign mining companies have changed over time, this alliance was very important, especially when they encountered resistance from the political opposition and civil-society organizations. This alliance was also important at a critical time when the mining sector was dealing with an image problem.

In another interview, a senior executive from one of the foreign-owned mining companies revealed that, apart from the President, foreign mining companies also maintained very close ties with the Minister of Minerals and Energy at that time, Nazir Karamagi. As foreign companies were becoming increasingly concerned about the mining industry's public image, which continued to deteriorate, the Minister advised the Chamber of Mines to work on eradicating the criticisms, which were creating a negative impact on Tanzania as a destination for mining investments. In the words of the senior mining executive,

> 'the minister suggested to us that senior editors and owners of media houses need to be engaged in workshops or seminars to educate them about the positive side of mining. He also urged us to continue the dialogue with wider stakeholders. From the advice given by the minister, we as mining companies started working with the Journalist

[14] Interview with retired government official, Dar es Salaam, 2017.

> Environmental Association of Tanzania (JET) on a countrywide media campaign aimed at enlightening the public on various issues in the mining sector in Tanzania with an emphasis on portraying the positive contributions to the economy and local communities. We went further and did our homework on the extent of anti-large-scale mining campaigns in Tanzania around 2006-07. During our tour to talk to various actors across the country, we realized that with the exception of a few NGOs, many other actors in society had a positive attitude to our efforts to trying to use mining to benefit the country, but we noted the information readily available painted a largely negative picture at the time. There was a widespread view that very little readily accessible information was available on what the large-scale mining companies were doing to support the socio-economic development of Tanzania. CCM parliamentarians were very enthusiastic to engage in dialogue and emphasized the need to highlight and disseminate widely positive stories about mining that are missing in the popular press'.[15]

This further illustrates that foreign mining companies had reliable allies from the cabinet to Parliament. Given the increasing public frustration being directed at foreign mining companies towards the end of the Mkapa government, the President responded by commissioning a number of reports to investigate what was going wrong in the mining sector at that time. These reports, such as the Robert Mboma Report (2002), the Jonas Kipokola Report (2004) and the Enos Bukuku Report (2005), all concluded that a complete overhaul of the regulatory framework for mining was needed to limit the influence of the private sector over the state and ensure that Tanzania benefited from its mineral resources.

The mining companies maintained their strong relationships with President Mkapa even after he had left office. In a confidential memo of 2015, obtained from an anonymous source, in 2014 the former president was invited for dialogue by the Tanzania Chamber of Mines, where he expressed his serious concerns about 'the deteriorating nature of mining investment contrary to the time during his presidency which saw new mines opening on annual basis.'[16] He was worried that the sector was declining at a very fast rate and was willing to start facilitating a dialogue between the state and mining companies.

Critics have questioned empirically the so-called success story of the World Bank-inspired regulatory and tax reforms in the mining sector. The Tanzanian scholar-activist Rugemeleza Nshala (2012), who has researched regulatory and tax reforms in the mining sector and the

[15] Interview with a senior official from a private foreign-owned mining company.
[16] Confidential memo, 2015.

consequences of World Bank-inspired tax concessions in Ghana, Tanzania and Zambia, found that Tanzania had benefited very little from the reforms in terms of direct taxes and revenues. The basic argument is that, while the immense profits made by foreign companies had been expatriated overseas, with very little being invested in the local economy, Tanzania had lost out on its own natural resource endowment (ibid.).

Mining companies were also abusing transfer pricing[17] and providing false production data. Rugemeleza Nshala also argued that Botswana is the only success story in this area because the state-owned company Debswana managed to renegotiate unfavourable terms with diamond giant DeBeers and ensure equal participation in its management (Nshala 2012).[18] John Jingu, another critic of the reforms, argues that, as well as tax–dodging, such reforms made transnational mining corporations operating in Tanzania extremely powerful, thus reducing the institutional capacity of the state and confirming Bonnie Campbell's (2009) argument that neo-liberal reforms undermined state capacity, as well as enabling these companies to maintain close ties with influential Tanzanian political elites. This situation Jingu suggests amounts to 'state capture' (Jingu, 2012: 52-4). Instead of promoting transparency and better living conditions, as promoted by the World Bank, the reforms were designed to attract FDI and to serve the interests of transnational companies and their local cronies while undermining Tanzania's economic development (ibid.).

This section has discussed the involvement of the Tanzanian state in the mining sector during the economic crisis and the peak of economic liberalization. With the economy in deep crisis, neoliberal reforms gained momentum in Tanzania, as in many other African countries. The state's approach to and engagement in the mining sector shifted from being interventionist to becoming more liberal, the aim being to open up the mining sector to foreign investors, while the state restricted itself to playing a more regulatory role. The withdrawal of the state and the

[17] Transfer pricing is associated with the illicit financial flows and profit-shifting practices of foreign mining companies and their vast webs of overseas subsidiaries. Companies tend to exploit the weaknesses in a country's legislation and use transfer pricing as a means of evading taxes. This is done through activities such as selling minerals at a lower price to to reduce their taxable income, paying fewer taxes in the country of production and overpricing the services a foreign company receives from its subsidiary, located in a tax haven (NRGI 2016). In Tanzania the Bomani Commission uncovered transfer-pricing practices in the then Resolute Goldmine Tanzania Ltd and the Geita Gold Mine.

[18] The image of Botswana's much-celebrated success story in the mining sector has been contested by Ellen Hillbom (2012), who argues that successive governments have used diamond rents from the state-owned diamond miner Debswana to turn the country into a gate-keeper state.

opening up of the mining sector to foreigners by Presidents Mwinyi and Mkapa fuelled nationalistic sentiments across Tanzania. The next section analyses these sentiments.

5.5 ‘We have been cheated a lot’: mining and intensifying electoral competition

The end of the Mkapa administration and the beginning of the Kikwete presidency in the mid-2000s witnessed the emergence of a strong movement against foreign mining companies. Although President Kikwete took over the project to promote FDI-driven growth from President Mkapa, things would change in the following years. As Jacob and Pedersen (2018) pointed out, ‘Kikwete assumed office in 2005 at a time of growing criticism of the outgoing President Benjamin Mkapa administration for its supposed failure to channel mineral wealth into socio-economic development’ (Jacob and Pedersen, 2018: 288). Opposition to foreign ownership and control of the mining sector has been a fertile breeding ground for opposition parties and NGO mobilizations from the early the late 1990s until today (Jacob and Pedersen, 2018a). For instance, the prominent Tanzanian lawyer Tundu Lissu, now a leading member of the main opposition party, CHADEMA, began his public career as a member of the Lawyer’s Environmental Action Team. This was a local NGO dedicated to fighting for the human and environmental rights of artisanal and small-scale miners evicted to make for large-scale foreign-owned mines in the Lake zone regions. Between 2001 and 2005 he was arrested multiple times and charged with sedition (CIEL 2001).

Various stakeholders, not least CSOs and opposition political parties, considered the existing mining laws, policies and fiscal regimes too generous to foreign mining companies. Their criticisms, combined with repeated accusations of shady negotiations, a perceived lack of the state’s capacity to negotiate contracts and consequently shoddy contracts that did not benefit Tanzania, put significant pressure on shifting CCM governments regarding mining governance (Curtis and Lissu, 2008; Bourgouin, 2011). These accusations grew even further during the 2004–2008 global minerals boom due to a perceived failure by the government to capture rents from the boom or to generate significant local employment. This happened at the same time as environmental and human rights conditions in private foreign-owned mine concessions deteriorated. The message was clear that the people of Tanzania saw very few benefits from the boom, contrary to the dramatic rise of foreign investments in the mining sector and record increases in mineral exports. Tanzania’s mining sector attracted about USD 2 billion in foreign investments between 1998 and 2006, while total value of mineral exports (see table 5.1) jumped from $22.5 million in the year 2000 to $1.5 billion in 2010 (Muganyizi, 2012).

Table 5.1. The Value of Mineral Exports, 1999 – 2010 (US$m)

Year	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Gold	34.8	112.7	254.1	341.1	502.8	629.9	655.1	786.4	788.2	1,108.3	1,229.5	1,516.6
Diamond	20.1	42.2	27.1	22.0	28.6	31.6	24.3	22.2	26.0	20.3	15.5	10.1
Other minerals	18.4	23.3	21.1	20.7	20.7	24.8	31.4	28.3	34.4	58.1	26.4	33.5
Total	73.3	178.2	302.2	383.8	552.2	686.2	710.7	836.8	848.7	1,186.7	1,271.4	1,560.1

Source: Muganyizi, 2012.

CHADEMA lamented foreign mines' poor contribution to the economy, tax evasion and the abuse and killing of small-scale miners (CHADEMA, 2010). It also condemned the adverse social and environmental impacts of large-scale foreign mines. It became clear that the main opposition party was keen to capitalize on the widespread feeling that Tanzania gained very little from its mineral resources, and the party turned mining and the fight against foreign mining companies into its main platform for political mobilization (Jacob and Pedersen, 2018a). Ahead of and during the 2005 and 2010 general elections, CHADEMA campaigned on the limited benefits and socio-economic burdens imposed by mining companies under liberalization due to what they called shoddy and corrupt contracts between companies and the government.

Ahead of the 2010 election, the party came up with a mining-related campaign slogan, 'Madini yetu kwa maendeleo yetu', which translates as 'Our minerals for our development'. In its 2010 election manifesto (see Figure 5.1), CHADEMA promised that when the party got into power the state would actively take part in minerals-related activities from exploration and extraction in joint ventures with either domestic or foreign private-sector partners. The manifesto also promised state ownership of not less than 50 percent of all minerals-related ventures and the creation of a special minerals fund for use by future generations (CHADEMA, 2010: 50-1). The opposition further argued that the country's mining sector was failing to live up to its promises to improve citizens' socio-economic conditions due to the close relationship between

CCM, the government of President Kikwete and his predecessors, and foreign companies (Jacob and Pedersen, 2018a).

Figure 5.1. Selected parts of CHADEMA 2010 election manifesto in Swahili (with English translation provided underneath).

‘Serikali kuingia moja kwa moja katika utafutaji na uvunaji wa madini pamoja na raslimali zingine asilia kwa kushirikiana na makampuni ya kitaifa na kimataifa ili kuhakikisha kuwa nchi inafaidika na raslimali za taifa. Katika kila mkataba serikali utakaingia na sekta binafsi, iwe ya nje au ndani, itahakikisha inahodhi si chini ya asilimia 50 ya umiliki wa hisa’ (CHADEMA 2010: 50-51).

‘The government will go directly into the exploration and extraction of minerals, as well as other natural resources in collaboration with national and international companies, to ensure that the country benefits from national resources. In each contract that the government will enter into with the private sector, whether foreign or domestic, it will ensure that it owns not less than 50% of total ownership.’

‘Serikali ya CHADEMA itaanzisha mfuko wa madini utakaotokana na mapato yatokanayo na madini. Mfuko huu utatunzwa katika benki kuu kwa muda wote wakati wa upatikanaji wa madini na utakuwa ni akiba na kumbukumbu ya raslimali kwa ajili ya matumizi ya vizazi vijavyo. Thamani ya madini yote kabla ya kuuzwa nje ya nchi yatapita benki kuu na kuthaminiwa thamani yake, kama akiba ya fedha za taifa’ (CHADEMA 2010: 51).

‘The CHADEMA government will establish a mineral fund based on revenues collected from minerals. This fund will be maintained in the central bank for the duration of the mineral acquisition and will be a reserve and resource to be used by future generations. The value of all minerals before they are exported will pass through the central bank, and their value will be valued as national currency reserves,’

Source: CHADEMA election manifesto 2010.

Natural resource and mining related campaigns slogans were also part of the 2015 general election, as illustrated in Figure 5.2.

Figure 5.2. Photograph of CHADEMA’s election manifesto, with the slogan ‘Our natural resources for our development’.

Source: CHADEMA election manifesto 2015: 83.

These perceptions of government weaknesses and poor policy choices in the mining sector led to an increase in support for the political opposition, especially CHADEMA, in the 2005 and 2010 presidential and parliamentary elections, a trend (Table 5.2) which continued in 2015 general election. As shown in Table 5.2 below, despite the uneven playing field, the opposition's and particularly CHADEMA's share of votes increased dramatically from 5.89 percent in 2005 to 26.34 percent in 2010, while CCM's margin of victory dropped even though the ruling party was able to benefit from its access to state resources. The election in 2010 were highly competitive in recent times and CCM's parliamentary seats declined while the opposition strengthened its position (Jacob and Pedersen 2018b). Opposition parties' seats in the Tanzanian parliament rose from 5 in 2005 to 23 in 2010 (Nyaluke and Connolly, 2013).

Table 5.2. Share of votes in presidential elections, 2005-2015

Election Year	**Percentage of votes**	
	CCM	**CHADEMA**
2005	80.28%	5.89%
2010	61.17%	26.34%
2015	58.46%	39.97%

Source: National Electoral Commission of the United Republic of Tanzania.

In an interview, a prominent member of the Tanzania Chamber of Mines in Dar es Salaam emphasized that the decision to replace the 1998 Mining Act with a new Mining Act in 2010 was the government's direct response to the rise in popular support for the opposition and their anti-foreign mining campaign promises. He argued that:

> the opposition made clear their intention to revise the mining law, fiscal regime and increasing mineral royalties if elected with the promise of increasing social spending; these were very popular proposals, and the government had to respond, and they did so by introducing new legislation, but we welcomed those developments back then'.[19]

The 2010 Mining Act was passed in April 2010, which was an election year, and the mining reforms were a key priority for President Kikwete, who was keen to deliver on the CCM manifesto ahead of his second-term re-election bid. An interview with a CCM Member of

[19] Interview with member of Tanzania Chamber of Mines, Dar es Salaam, 2017.

Parliament who was also committee member in the energy and mineral parliamentary committee revealed the pressure that ruling party parliamentarians faced at the time of deliberating the mining bill:

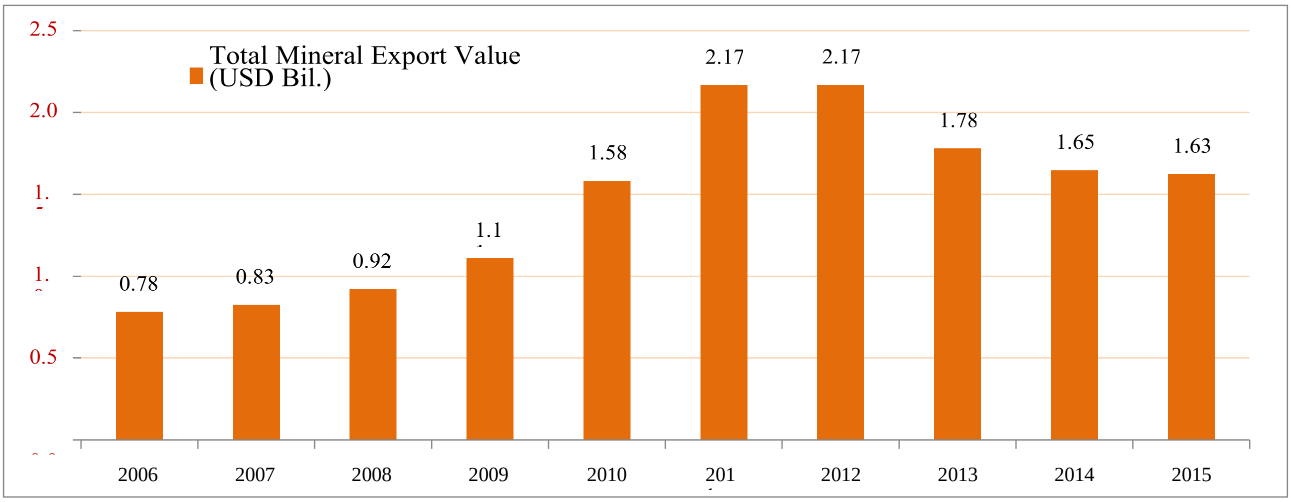
> Both within the committee and in the party (CCM) parliamentary caucus, the minister and senior party officials exerted a lot of pressure to make sure the law was going to be approved before the election. Some of us were concerned that rushing the law would miss some key concerns raised by civil society organizations, but at the end of the day, we had no option, the pressure was immense. The law was passed, and it was regarded among the major party milestones ahead of the elections at the time when our opponents were using the mining sector as their main political agenda. (Interview, Dodoma, 2017)

The growing popularity of the opposition was a sign that lower-level factions and actors within the ruling CCM coalition – which, it is often suggested (Andreoni, 2017; Therkildsen and Bourgouin, 2012) did not play a greater role in the politics of Tanzania's dominant party – were suddenly becoming important. The increase in support for the opposition signalled that the resource nationalist sentiments that had had a long and deep ideological history in the ruling CCM were now forcefully being articulated and captured by the opposition, which as a result was becoming increasingly popular. This was at a time when the ruling CCM had no clear position on the role of the state in mining or the wider economy.

Despite its internal squabbles and lack of finance, the opposition posed a threat to the ruling CCM, proving that the foreign-dominated mining sector was becoming unpopular, while measures proposed to reduce their influence were gaining in popularity, albeit in urban areas. These developments demonstrated the continued appeal of resource nationalism. During the 2005 and 2010 elections, the ruling CCM lost several urban constituencies and had to rely heavily for support on the rural population (Jacob and Pedersen, 2018b). This increasingly competitive political environment and the strength of lower-level actors as voting blocs exerted significant pressure on the CCM ruling elites to reform the legal and institutional frameworks governing the mining sector by toughening the fiscal and operational conditions and creating a space for the return of state-owned enterprises in the extractives sector. From 2005 to 2010, mining featured prominently in CCM election manifestos, an indication that the mining issue and resource nationalism had become matters of serious concern to the governing CCM coalition (CCM, 2005, 2010, 2015).

The mining sector experienced 15% average annual growth between 2000 and 2010 and accounted for the largest share of Tanzanian exports of about 45% of total exports (see Figure 5.3 below).

Figure 5.3. Historical Mineral Export Value (Gold, Silver and Copper) 2001 – 2015.



Source: Tanzania Minerals Audit Agency Annual Report 2015.

While this degree of sector growth and in the share of exports was impressive, the contribution of mining to GDP was less than 4% (Lokina and Leiman, 2014). With growing opposition and criticism, President Kikwete was prompted to commission two more inquiries, the Masha (2006) and Bomani (2008) commissions, to find out what had gone wrong in the mining sector and advise on ways in which Tanzania could improve fiscal gains and overcome the various weaknesses his political opponents had pointed out.

These two commissions were in addition to the three previous commissions of inquiry into the mining sector under President Mkapa, discussed in the previous section. This process culminated with the release of the Justice Mark Bomani report in 2008, the report suggested among other things, the restoration of the state-owned mining corporation STAMICO. The report also recommended a series of reforms in the mining sector leading to the new mining policy in 2009 and the 2010 Mining Act. By the end of his first term, Kikwete had managed to enact both a new mineral policy and new Mining Act.

Kikwete was under immense pressure, as pointed out by Jacob and Pedersen (2018), the 2010 Mining Act was 'Kikwete's first step in reversing the more liberal 1998 Mining Act, which was widely viewed as offering favourable and generous terms to foreign investors' (Jacob and Pedersen, 2018:288). The new Mining Act increased royalty rates for metallic minerals (copper, gold, silver and platinum) from 3 to 4 percent, tightened local content requirements and restricted gemstone licenses to Tanzanians, the aim being to promote domestic investors (Jacob et al., 2016). Although the tax system and regulatory framework for mining under Kikwete remained focused on providing favourable conditions for foreign investors, the 2010 Mining Act marked the return of the state, with an emphasis on the revival of SOEs (ibid.).

The Act paved way for the return of the state and contained strong clauses on state participation. One of the clauses in the Act indicated that 'The level of free carried interest and State participation in any mining operations under a special mining license shall be negotiated upon between the Government and a mineral rights holder depending on the type of minerals and the level of investment' (URT, 2010:17). This was a sharp contrast to the 1998 legislation, as analysed by Jacob et al. (2016):

> The 2010 Mining Act calls for state participation and state control that in some ways contradicts the protection previously provided to investors. Its call for active involvement of the state as an investor in the sector (section 10: 2) marks a significant change from the 1998 Mining Act, which had done away with the state's right to acquire stakes in operations. Now the government would have a right to take a stake in any new 'strategic' mining operation, to be determined by 'the type of minerals and the level of investment'. Existing MDAs under the 1998 act won't be affected. It (section 112: f) further vests more powers in the minister of mines, allowing the minister power to prescribe a standard model form Mining Development Agreement (MDA) for all new projects exceeding US $100m.' (Jacob et al. 2016: 10)

The changes represented a departure from the Mkapa administration's focus on liberalization of the mining sector. This period also saw the revival in 2011 of five-year development plans, which themselves signalled the return of a more interventionist state. For the mining sector, the plan emphasized the revival and recapitalization of SOEs involved in the minerals and petroleum sectors, such as STAMICO, the National Development Corporation (NDC) and the Tanzania Petroleum Development Corporation (TPDC). This was a major shift from 2000, when CCM election campaigns featured pro privatization messages (Jacob and Pedersen, 2018b). As part of the process of strengthening SOEs to oversee the state's interests in mineral and energy resources, SOEs were formally empowered to run their own mining operations and to form partners with the private sector, as indicated in Table 5.3.

Table 5.3. State ownership of mines from 2010.

Name of mine	**State ownership (%)**	**Private joint venture (%)**	**Status of operations**
Ngaka Coal Mine	NDC (30%)	IETL (70%)	Started operations in 2011
Kiwira Coal Mine	STAMICO (100%)	-	Resumed operations in 2011
Biharamulo Gold Mine	STAMICO (99%) Treasury Registrar (1%)	-	Started operations in 2013
Buckreef Gold Mine	STAMICO (45%)	TANZAM 2000 (55%)	Started operations in 2013
Mererani Tanzanite Mine	STAMICO (50%)	TanzaniteOne Mining Ltd (50%)	Started operations in 2013
Williamson Diamonds Mine	Treasury Registrar (25%)	Petra Diamonds Ltd (75%)	Started operations in 1951
Kigosi Gold Mine	STAMICO (45%)	TANZAM 2000 (55%)	Yet to start operations
Mchuchuma Coal Mine	NDC (20%)	TCIMRL (80%)	Yet to start operations
Liganga Iron Ore Mine	NDC (20%)	TCIMRL (80%)	Yet to start operations
Buhemba Gold Mine	STAMICO (100%)	-	Yet to start operations
Kabulo Coal Mine	STAMICO (100%)	-	Started operations in August 2017

Source: based on documents and interviews with officials from the Ministry of Energy and Minerals, NDC and STAMICO

This was a busy period for both STAMICO and the NDC. While STAMICO was inactive for several years after its formal return,[20] in 2013 it regained 100% ownership of the Kiwira coal mine, which had been struggling since being privatized to domestic investors in 2005 (Maganga and Jacob, 2017). STAMICO also created a subsidiary company, STAMIGOLD, to handle its gold operations. In 2013 STAMIGOLD bought the Tulawaka mine for $4.5 from its then owner, Acacia and commenced mining in 2014 and renamed the site Biharamulo mine. In a ceremony to transfer the Tulawaka gold mine officially from Barrick to STAMICO in 2013, the Minister of Energy and Minerals, Sospeter Muhongo, outlined government's intentions with the following remarks:

> Reviving STAMICO was a deliberate strategy aiming at realizing [the] full potentials the country has been missing in the past, and STAMICO will join the Tanzania Petroleum Development Corporation (TPDC) now overseeing the energy sector, particularly gas, uranium and oil. We have decided that the two public institutions must be strong enough to manage these important sectors and realize their economic potentials to the fullest'. (Daily News, 16 November 2013)

STAMICO also acquired a fifty percent stake in a tanzanite mine in northern Tanzania by entering into a joint venture with TanzaniteOne, a subsidiary of Richland Resources of the United Kingdom. It also owns a 45 percent stake in the Buckreef gold mine around Lake Victoria and has taken over operation of the Buhemba gold mine in northwest Tanzania from the Treasury Registrar (Jacob et al., 2016; Pedersen and Jacob, 2017).

As for the NDC, after years of capital deficits, underperformance and limited operations, the revived corporation was also busy involved in various joint ventures. NDC was revived in 1996, when the cabinet unanimously agreed to revive the company and give it new roles in partnership with the private sector. In 2008, the NDC formed a joint venture with Australia's Intra Energy Corporation to form TANCOAL, of which the NDC owns 30 percent. TANCOAL's flagship project is the Ngaka coal mine in Mbinga, southwestern Tanzania, where coal production started in 2011. The project also involves the future construction of a 270-megawatt coal-fired power station (Jacob, 2017; Maganga and Jacob, 2017). Also, in 2011, the NDC and its Chinese partners, the Sichuan Hongda group, signed a $3 billion joint-venture

[20] STAMICO was placed under Presidential Parastatal Sector Reform Commission in 1997. The state-owned mining company was earmarked for closure following Cabinet decision in April 1996. The government revised its decision to close down STAMICO in 2008 following recommendations made by the Bomani commission.

deal to set up Tanzania-China International Mineral Resources Ltd (TCIMRL), of which the NDC owns a twenty percent stake. This investment involves development of the Mchuchuma coal mine and the construction of a 600-megawatt coal-fired power plant in Ludewa in southwest Tanzania. As part of the same joint venture, the NDC is also involved in the development of an iron-ore project in nearby Liganga. According to the NDC, this iron-ore project is expected to produce over a million tons of iron annually and will make Tanzania the third largest iron producer in Africa (Jacob et al., 2016).

In the case of petroleum, rising oil prices sector led to similar changes during the Kikwete administration, but such changes took a slightly different route since the state always maintained presence in the sector (Jacob et al., 2016). There were calls to ensure that the national oil company, the TPDC, increased its share of ownership of both upstream and downstream operations. The TPDC underwent a massive restructuring, which led to the formation of two subsidiaries: PETROTAN, which is responsible for marketing oil/gas resources, and GASCO (the gas supply company), which will focus on supplying gas, giving a priority to the domestic market. All these measures were aimed at ensuring that the state takes the major control of the petroleum sector on behalf of its citizens.

This section has examined the continuity and changes in mining governance in the Kikwete era. In his first term, President Kikwete's approach to mining continued Mkapa's policies of opening up the mining sector to foreign investors. However, political pressure from opposition parties and civil-society organizations fuelled nationalistic sentiments, which increased electoral competition and exposed the CCM's vulnerability for the first time. This prompted a rethink within the CCM and its approach to the mining sector, promoting various strategies to 'bring back' the state in mining. From 2010 onwards, there were strong calls for the Tanzanian state to engage fully in mineral extraction through revived SOEs despite its limited capital and technological capacity. The Kikwete government encouraged SOEs to become involved in equity stakes and joint ventures with foreign mining companies. This was a limited form of hybrid resource nationalism, as will be discussed in Chapter six. President Magufuli picked up from where Kikwete left off, but the role of the state in mining has gained further momentum with a slightly radical approach by the new President that seeks to redefine the relationship between the Tanzanian state and foreign investors. The next section analyses Magufuli's recent approach.

5.6 Continuities and change in the Magufuli era

The election of President Magufuli in 2015 marked a turning point in the state's engagement in the mining sector, with its mixture of both the continuity of earlier policies and radical measures of its own for the sector. Magufuli came to power at a time of increasingly competitive elections, which have continued to shape the state's relations with multinational companies and act as the major driver of resource nationalism. As discussed in the previous section, with the passing of the 2010 Mining Act just before the 2010 general election, which was aimed at gathering support for Kikwete's second terms presidential bid in 2015, the same thing was observed with the rushing of three pieces of legislation in the petroleum sector prior to the 2015 elections. Although the state's engagement in the mining sector and recent reforms are aimed at maximizing the benefits that accrue from the sector, the primary aim is to combat the narrative advocated by the opposition parties that Tanzania has not benefitted sufficiently from its minerals due to the poor policies adopted by the ruling CCM party (Jacob and Pedersen, 2018a).

The state's engagement under Magufuli reflects the wider frustration with the liberal mining policies promoted by his predecessors. It is also marked by the reassertion of the state, the struggle with foreign mining companies, and an increasingly aggressive approach to foreign companies in other sectors of the economy more broadly. The government has adopted the most radical position yet against foreign mining companies, with President Magufuli declaring an 'economic war' against them in 2017. Indeed, the President has consistently condemned foreign companies for reaping off Tanzania for decades, and his government has now embarked on a massive crackdown on the foreign-dominated mining sector and intensified its efforts to increase the state's participation, which started during the Kikwete presidency. The proclamation of economic war and the fight against big multinational companies is part of a broader anti-foreign discourse of the Magufuli government that is popular with the general public.

Magufuli's interventions in 2017, which included a ban on the export of unprocessed minerals and calls for mining companies to process all the minerals they mine domestically, his tax disputes with Acacia Mining and his strong calls for the involvement of SOEs in the mining sector all reflect the government's efforts 'to regain the position it lost prior to liberalization' (Jacob and Pedersen, 2018a: 289) of the mining sector in the late 1980s and 1990s (ibid). The struggle also revealed the President's desperate attempts to maximize mineral rents and thus enable him to finance his industrialization agenda, including mega infrastructure projects such as the construction of modern railway line, the revival of a national carrier (Air Tanzaia) and the construction of the 2100-megawatt Stiegler's Gorge hydroelectric dam. Due to capacity constraints (see discussion in Chapter six), the struggle with Acacia culminated in Tanzania easing its nationalist stance by reaching a deal with Barrick in October 2017. This involved forming a new joint venture (Twiga Minerals) in which Barrick owns 84 percent and Tanzania the remaining 16 percent. The deal signalled a sharp shift away from the nationalist stance that had been observed from early 2017 and underscored the capacity and financial constraints facing the Tanzanian state in the mining sector, as will be discussed in Chapter six.

While these struggles with the mining companies are important, by and large Magufuli has been restructuring the relationship between the state and SOEs under the radar of analysts, so that he as President gets control of the sector. When Magufuli came to power he felt he had no control over the SOE directors and boards who had been appointed by Kikwete. These directors were seen Kikwete appointees and were therefore seen as a threat to Magufuli's consolidation of power and control of rents. Furthermore, changing directors was perceived to be necessary in order to remove potential barriers to change, as the government sought to take control of the SOEs. In the early days of his presidency, he therefore replaced ministers, top board members and commissioners in key ministries and SOEs linked to the mining and energy sectors, such as the NDC, STAMICO and the TPDC.

As part of the changes and restructuring, Benjamin Joel Mchwampaka, a close ally of the President, was appointed Commissioner for Minerals, replacing Paul Masanja, who was seen as Kikwete leftover. The Permanent Secretary at the Ministry of Energy and Minerals, Justin Ntalikwa, was sacked. The Energy and Minerals Minister, Sospeter Muhongo was also sacked, while Deputy Minister Medard Kalemani, a close Maguguli ally from the same constituency, was retained. Magufuli then divided the Ministry into two separate ministries, for minerals, and energy respectively. Kalemani was promoted to be fully the Energy Minister, and Angellah Kairuki, another close ally, was appointed Minister of Minerals. The President also dissolved the board and dismantled the Tanzania Minerals Audit Agency (TMAA). Dominic Rwekaza, who had served as the TMAA's Executive Director, was also relieved of his duties.

In SOEs, Magufuli appointed Samuel Nyantahe NDC board chairman, taking over from Mzindakya, who resigned. At the top management, Damian Gabagambi was appointed to replace Mlingi Mkucha as the NDC's managing director. At STAMICO, managing director

Edwin Ngonyani, who was closely affiliated with Kikwete, was replaced by Venance Mwasse. At TPDC, managing director and Kikwete ally James Mataragio and four other senior directors were suspended.

This was also a deliberate move to reconfigure SOEs' day to day operations and reshape the distribution of rents that had been introduced under the Kikwete administration (Jacob, 2017). The shift towards state-centric approaches has also seen more attention being given to the Five-Year development plans, which are aimed at consolidating the role of the state in the economy and reducing the influence of private capital. One former SOE director clarified Magufuli's decision to make fresh appointments in SOEs. In an interview in Dar es Salaam, he noted:

> When Magufuli was elected, he wanted to create his own team as soon as possible. He was not comfortable with some people in the party and in SOEs. Many directors in SOEs felt free and powerful, as they enjoyed some degree of freedom under Kikwete. Magufuli had to find a clever reason to fulfil his mission of replacing SOE managers. He cited fiscal indiscipline and inefficiencies in SOEs, which was probably true, but he just wanted to get rid of Kikwete people and install his own team.[21]

Magufuli has shown impatience with and a lack of faith in some government institutions in the mining sector. During the saga over the ban on mineral concentrates, the then Minister of Energy and Minerals was dismissed as mentioned above and President dissolved the Tanzania Mineral Audit Agency (TMAA), the body responsible for monitoring the quality and quantity of the minerals produced within Tanzania before their exportation overseas by the mining companies. Although previous research found that the TMAA was doing a credible job and was helping to boost mining revenues (NRGI 2017), the President accused it of underperformance, which was allegedly undermining government revenues. The TMAA has since been replaced by the newly established Mining Commission, which is also responsible for granting and revoking mining licenses and monitoring compliance with local content requirements, among other issues.

The efforts to regain the state's position in the mining sector under Magufuli culminated in the introduction of a series of new laws in July 2017. Following the fight with Acacia and the imposition of a ban on mineral exports, the government enacted three new laws, namely the Natural Wealth and Resources (Permanent Sovereignty) Act 2017, the Natural Wealth and

[21] Interview with a retired SOE director, Dar es Salaam, 2017.

Resources Contracts (Review and Re-negotiation of Unconscionable Terms) Act 2017 and the Written Laws (Miscellaneous Amendments) Act 2017 (URT, 2017). These new laws were passed by Tanzanian Parliament in July 2017 under the great urgency prevision. President Magufuli asserted that these new laws represent the best available extraction model and would serve Tanzanian interests, being exerted through SOEs against foreign companies.

The new pieces of legislation (URT, 2017a; 2017b; 2017c) provide for new increased requirements for state participation in all mining activities, making it 'mandatory for the state to own at least 16 percent of future mining operations, and SOEs are entitled to acquire up to 50 percent of the shares in mining companies' (Pedersen and Jacob, 2017: 918). The Parliament has also been empowered to renegotiate existing contracts, which are perceived to include terms that are unfair to Tanzania (Jacob and Pedersen, 2018a). Jacob and Pedersen note on the radical nature of the laws:

> 'The new legislation seeks to reaffirm and restore Tanzania's sovereignty over its natural resources by overhauling the governance of minerals and oil and gas resources' (Jacob and Pedersen, 2018a: 288).

Under the legislation introduced in 2017, the role of the President in resource and mining governance has also been strengthened. During the Mkapa and Kikwete administrations, legislation placed the custodianship of minerals and other natural resources in the United Republic of Tanzania, but the new Permanent Sovereignty Act places the such powers on mining and natural resources with the President (URT, 2017b). The Act also sought to clarify the issue of resource ownership, which has been lingering in the public domain, especially in the mining sector, where discussions over who really owns Tanzania's mineral resources have resurfaced several times.

Among the key salient features of the Permanent Sovereignty Act is a proclamation that the people of Tanzania should have permanent sovereignty over all the country's natural wealth and resources. The Act (URT, 2017b) gives the government the freedom to decide economic policies regarding the exploitation of its natural resources without interference from other states. It also prohibits the exportation of raw materials to benefit parties outside Tanzania by prohibiting the exportation of mineral concentrates for refining outside the country. Mining companies are now being forced to invest in building refinery capacity within the country in order to generate employment opportunities and improve domestic added value. As part of the fight against foreign companies, this law also removes access to international arbitration for companies by prohibiting the settlement of disputes in foreign courts or tribunals. The law makes it clear that in future mining disputes will be resolved in accordance with the laws of Tanzania alone. Mining companies are also now being forced to bank with local banks and financial institutions (ibid.).

Of the three new laws, the Permanent Sovereignty Act in particular can be seen an expression of resentment against powerful foreign mining capital and a response to the long history of a foreign-dominated mining sector in the heydays of FDI-driven growth during liberalization. In the eyes of the Magufuli administration, this new legislation gives the Tanzanian state the means to regain what it perceives as its lost sovereignty and control over natural resources, as well as a chance to eliminate previous injustices orchestrated by foreign companies in the mining sector. As discussed in the previous section, this does not constitute a complete departure but is a continuation of the long-term resource nationalism of the CCM and opposition parties and the calls for increased state engagement in mining that began under Kikwete.

The recent reassertion of the state in the mining sector and Magufuli's fight against the foreign mining companies have allowed the President to present himself as a champion of the anti-foreign resistance in the mining sector. For many Tanzanians, the fight against foreign multinationals reminds them of Nyerere's fight with global financial institutions in the early 1980's. One analyst argue that recent battles with foreign mining companies allows Magufuli to tap into the still widespread legitimacy and authority of Nyerere and to present himself as the new champion of the opposition to liberalization (Paget, 2017).

The ban on exports of unprocessed minerals affected Acacia's earnings and was seen by many in Tanzania as the government disrupting the operations of a powerful company. The President has defended his fight against foreign mining companies as a vital move in solving many years of unfair deals in the mining sector, which has seen multinationals dominate the state, which has benefited little over the years (Jacob and Pedersen, 2018a). His dominant slogan, 'These people (foreign mining companies) have stolen from us for many years', resonates well with the majority of Tanzanians, who share the same view.

What is clear is that over time resource nationalism has changed, in the last two decades moving from a limited to a moderate to a present phase of radical resource nationalism. Table 5.4 summarizes these changes over time.

Table 5.4. Ideas and mining governance in Tanzania, 1920-2015

Years	**Development trajectory**	**Ideology**	**Role of the state**
1920-1957	Colonial period	Colonialism	Mining under British & other foreign companies under colonial rule
1958- 1962	Pre-independence state participation	Pre independence nationalism	Voluntarily state participation without expropriation (Williamson Diamond & Nyanza salt)
1962-1985	Mining and state-led development.	Nationalism and state-ownership	• Nationalization of private mines • NDC took over private mines (as subsidiaries) in 1962 • 1969 Mining Ordinance (Amendment) gave extensive discretionary power to the minister • STAMICO established in 1972, all mines under NDC transferred to STAMICO • New state-centered mining Act in 1979 reinforced state intervention
1986- 1995	Economic crisis and withdrawal of the state	Neoliberalism and dominant party	• Re-emergence of foreign investment • Opening sector to foreigners
1996- 2001	Privatization and expansion	Neoliberalism and competitive clientelism	• Attracting FDI and collecting taxes and royalties • Foreign capital domination
2002-2008	Expansion of foreign ownership Limited resource nationalism	Neoliberalism and competitive clientelism	• Establishment of new mines • Concerns over minimal benefits accruing to the state • Various commissions of inquiry on what went wrong in the mining sector: Mboma (2002), Kipokola (2004), Bukuku (2005), Masha (2006) and Bomani (2008) commissions • Opposition protest (2007) in parliament over Buzwagi Mineral Development Agreement
2009-2015	Moderate Resource nationalism	Neoliberalism and competitive clientelism	• New mining policy in 2009 • New Mining Act in 2010 promoted SOEs and called for their revival and restructuring

		Partial return of revived SOEs	• Motivated by commodity boom in the 2000s, state increased taxes and royalties • Resource nationalism spurred by increasing electoral competition • SOEs returned in operations with joint ventures (NDC) and their own operations (STAMICO) • Marked by continuity of LSM dominance and slight changes (SOEs revival)
2015-onwards	Radical resource nationalism:	Hybrid neoliberalism Weak dominant party with authoritarian tendencies	• Radical reforms under Magufuli • Declaring sovereignty over resources and expression of resentment to powerful foreign capital • New increased requirements for state participation and calls for more stakes for SOEs • Magufuli's impatience with FDI-driven model • Resource nationalism spurred by increasing electoral competition • Hybrid because the state is still encouraging foreign capital but with increasingly nationalistic goals

Source: author's creation.

5.7 Conclusion

In this chapter, I have provided a discussion of how the engagement of the Tanzanian state in mining has evolved over the years. The chapter shows that mineral extraction and state engagement in the mining sector in past decades was shaped by three cross-cutting factors, namely changing ideas on mining governance among ruling elites, power dynamics between the state and transnational actors, particularly the power of private capital by foreign mining companies, and intensifying electoral competition which fuelled resource nationalistic sentiments in the post-boom era, prompting a reaction from the ruling CCM coalition.

State engagement in mining has also involved negotiations and contradictions mainly arising over questions of how best to govern the mining sector and under what terms. These historical interactions and conflicts between the state and global mining capital have influenced the political choices of Tanzanian elites in their decisions either to engage the state in mining through SOEs or to invite foreign mining capital into the mining sector, which either way is deemed so strategic to Tanzania's economic development. The engagement of the state in mineral extraction has always been important, and it was only during the liberalization era under Presidents Mwinyi and later Mkapa that the state retreated from mineral extraction and offered concessions to foreign companies. But even under neoliberalism, the state was still able to exert an influence through its regulatory powers. In historicizing the interactions between the state and foreign mining capital, this chapter has unpacked the contentious terrain associated with politics of mining.

As this chapter has also shown, successive governments have combined liberal incentives and state-centric approaches to ensure effective state engagement in the mining sector. The widespread reforms implemented in the mining sector in the 1990s created the frustrations that inspired radical changes from the late 2000s. A combination of domestic factors, especially competitive elections from 2010, and international forces such as the commodities boom of the 2000s opened up avenues for a rethink within the ruling party, the CCM, which led to the policy change in respect of minerals governance in the 2000s. Under Kikwete and most recently Magufuli, the state has reasserted its role in mining and the extractive sector in general. What is significant and important for this thesis is the news calls on reviving and expanding the operations of SOEs in the sector and the efforts made to regain a certain level of control over privately owned mining ventures. Contemporary mining reforms and the return of SOEs are expressions of resource nationalism that are reflected in the efforts of political elites to expand state-led mining activities and to attempt to move Tanzania away from the shackles and legacies of liberalization.

Although the motives behind recent renewed interests are still being debated, as I have argued elsewhere (Jacob and Pedersen, 2018a), Magufuli's motivations for fighting foreign mining capital and expanding SOEs are primarily driven by domestic politics, especially increasingly competitive elections and the need for rents to finance his ambitious infrastructure projects. Grievances arising from the poor contribution of the foreign-dominated mining sector to the economy and pressures from the political opposition are shaping Magufuli's approach towards the state's engagement in the sector. While the recent state intervention in the mining sector could reconfigure the nature of the sector and potentially shift the bargaining power in favour of the Tanzanian state, the interests of the political elites indicate that foreign investments will continue to be important, perhaps an acknowledgment of the limitations in the state's capacity. This suggests that the era of the return of a more interventionist state will likely see the combination of both liberal and state-centric approaches. With SOEs in the mining sector increasingly being expected to involve themselves in joint-venture arrangements with foreign companies, the return of revived SOEs is no longer just a nationalist endeavour but also a neo-liberal one embracing foreign investment.

Chapter 6: Resource nationalism in the coal sector: between rhetoric and pragmatism

> 'The government aims at turning NDC into a catalyst for industrialization in the country. The projects for industrialization based on utilization of Liganga iron ore and Mchuchuma coal reserves, which have been in the country's talks for many years, must start before.'[22]
>
> Jakaya Kikwete, October 8, 2013,

Figure 6.1. President Kikwete visiting NDC-run Liganga-Mchuchuma iron project in 2013

Source: Statehouse.

6.1 Introduction

Tanzania has introduced significant legal and policy reforms in the mining sector from 2010 until today containing ambitious plans to boost state participation in the sector. The state passed a new Mining Act in 2020, which gave SOEs greater control over the extractives industry. As Jacob et al. (2016: 10) noted, 'Its call for active involvement of the state as an investor in the sector (section 10: 2) marks a significant change from the 1998 Mining Act, which had done away with the state's right to acquire stakes in operations. Now the government would have a

[22] The Citizen (2013). Kikwete: Industrial projects must start 'before I retire'. 9 October 2013.

right to take a stake in any *new* ‘strategic’ mining operation, to be determined by ‘the type of minerals and the level of investment.’

As part of these reforms, coal emerged as important sub-sector for which the Tanzanian state outlined statist interventions, including expanding the role of SOEs to take part in coal-mining as investors. The revived National Development Corporation (NDC) was picked as a future ‘National Champion’ to promote the interests of the Tanzanian state and compete with foreign companies in the coal sector. These developments represented changing ideas about mining governance within the ruling CCM party. The proposed shift to an increasingly SOE-led coal sector and the embracing of resource nationalism was aimed at reversing the trajectory of preceding decades of foreign-dominance of the mining sector, as discussed in Chapter five.

In Chapter five I discussed how the engagement of the Tanzanian state in the mining sector has evolved over time, with the engagement of SOEs being influenced by a number of factors linked to both local political dynamics and global factors. This chapter attempts to answer the question of what have been the roles of ideas and of the re-emergence of resource nationalism in shaping the state’s capacity and engagement in the coal sector? In this chapter, I use Tanzania’s coal industry to analyze the challenges of pursuing resource nationalism by using an SOE with limited capacity. I discuss the contradictions between on the one hand rhetorically pursuing resource nationalistic ideas, and on the other hand the state’s actual capacity and practices. While CCM elites saw the Ngaka coal mine, where the NDC is involved in a joint venture, as an opportunity to pursue resource nationalism from 2010 onwards, due to capacity constraints resource nationalism in Ngaka took the form of expanding ties with foreign capital.

This underscores the fact that changing ideas about resource governance articulated by ruling elites can be hampered by structural constraints. Despite much rhetoric to increase state control in the coal sector by involving the NDC in it as a revived SOE, I argue that the re-emergence of resource nationalism in the coal sector, and in the Ngaka mine in particular, was actually characterized by the expansion of ties with foreign mining companies. Despite policy and regulatory reforms and promises of the participation of a revived SOE, the Tanzanian state’s ability to introduce resource nationalism ideas into the mining and coal sector in particular was hindered by SOEs’ lack of financial and technical capacity due to their historical dependence on foreign investments. The nationalist rhetoric of the ruling CCM under the Kikwete administration undermined by a revived SOE which was struggling to raise capital and faced capacity constraints.

The chapter consists of six sections. After this brief introduction, in section two I provide a historical overview of the coal sector in Tanzania. The section also briefly discusses a unique version of early resource nationalism in the coal sector linked with the privatization of the state-owned Kiwira coal mine in the mid-2000s, which highlights the coal sector's relationship with Tanzanian party-state elites and the capacity constraints faced by domestic investors. Section three explores the challenges and successes of building capacity within SOEs in the extractive sector by drawing on examples from Latin America and a number of African experiences. The analysis in this section highlights the tricky balancing act of demanding a larger share of SOEs without isolating foreign partners who could assist African SOEs to build their own technical and financial capacities in the long run. Section four draws on a range of primary and secondary sources to discuss capacity issues within the NDC and in Tanzania's mining sector overall. The section also discusses how the TANCOAL joint venture and NDC's participation in it were perceived by various actors in Tanzania. Section five uses the case of the 2016 ban on coal imports, imposed by the Tanzanian state, as an example of the capacity constraints facing the state-owned NDC and its joint venture partner in Ngaka. This section offers evidence for the argument that when nationalist rhetoric is not backed up by capacity in the respective sector or company, resource nationalism can have unintended negative consequences for the economy. The final section concludes the chapter. Parts of this chapter have already been published in three journal articles.[23] I will indicate when specific parts of the published work are used in the text.

6.2 The coal sector in Tanzania: different aspects of resource nationalism[24]

Tanzania is endowed with substantial coal reserves, especially in the Ruhuhu Basin (Katewaka-Mchuchuma and Ngaka) and in Songwe (Kiwira), in the south-west of the country. Tanzania's known coal reserves stand at 1.5 billion tonnes, although a recent revised estimate suggests that the country could have up to 5 billion tonnes (TMAA, 2013). The coal reserves were first

[23] I have drawn on published work from three articles for this chapter: 1.) Jacob, T. (2020). When good intentions turn bad: the unintended consequences of the 2016 Tanzanian coal import ban. *The Extractive Industries and Society*, 7, no. (2): 337-340; 2.) Jacob, T. (2017). Competing energy narratives in Tanzania: towards the political economy of coal. *African Affairs*, *116*(463), 341-353; 3.) Maganga, Faustin, and Thabit Jacob. 'Defying the looming resource curse with indigenization? Insights from two coal mines in Tanzania.' *The African Review* 43, no. 2 (2017): 139-161.

[24] A substantial part of this section has already been published in an article in *African Affairs*. See Jacob, T. (2017). Competing energy narratives in Tanzania: towards the political economy of coal. *African Affairs*, *116*(463), 341-353.

documented by the German geologist Wilhelm Bornhardt, following his earlier geological exploration work in 1896 in what was then known as German East Africa. Coal feasibility studies were later undertaken by the British colonial government in the 1950s and by Chinese geologists between 1975 and 1979.[25] Despite the reports, Tanzania's coal deposits remained unexploited for many years, being deemed unviable due to the remoteness of the deposits and the large investments required to develop them (Snowden, 1993: 5).

Construction of the first coal mine in Tanzania, at Kiwira, was not undertaken until 1983 and not completed until 1988. Coal production started in 1989 under the State Mining Corporation (STAMICO), with technical support from the Chinese government. The mine produced coal and generated 6MW of coal-fired electricity. In 2005 Kiwira was privatized and acquired by TanPower Resources Limited, a company made up of a consortium of local investors. However, as the mine performed poorly, the government decided to resume ownership in 2008, only to hand it back to STAMICO in 2013 (Jacob et al., 2016). At the time of writing, STAMICO was still searching for investors to resume production and to construct a 200 MW coal-fired power plant.[26]

During the early stages of this research, Tanzania had only one active coal mine, the Ngaka mine, which was operated by TANCAOL in Mbinga in the Ruvuma region. However, a further seven large and medium coal projects involving power generation were in different planning stages, with some now entering production in various parts of the country (see Table 6.1 below). The most high-profile coal project has been the $3 billion joint venture between the NDC and the Chinese Sichuan Hogda group in Mchuchuma, south-west Tanzania. The project involves the development of the Mchuchuma coal mine and the generation of 600 MW of coal-fired electricity, of which 350 MW will be fed into the national grid, the remainder being used by the iron industry to be established at nearby Liganga (Jacob et al., 2016). Implementation of the Mchuchuma-Liganga complex has lagged behind schedule, as the project has been caught up in resource nationalist sentiments and calls to review the terms of the investment by the current government in order to make a 'better' deal for Tanzania.

[25] Interview, senior geologist from State Mining Corporation (STAMICO), Dar es Salaam, July 2016.

[26] Interview, STAMICO head of investments, Dar es Salaam, March 2018.

Coal, power production and mining iron ore were all expected to start in 2013, but implementation has now been delayed, as the government negotiating team and the Chinese joint-venture partners have become embroiled in disagreements over power-purchasing agreements. Recently the state has stated its intention to review the entire project.[27]

Table 6.1. Status of various coal projects in Tanzania.

	Project Name	Investors	Coal Reserves (Million Tonnes)	Status
1	Ngaka Coal Mine	TANCOAL	423 Mt	Active Mining
2	2a. Mchuchuma	TCMRI	428 Mt	Advanced Project
	2b. Katewaka	MMRDL	200 Mt	Advanced Project
3	Mbeya Coal to Power	Kibo Energy	109 Mt	Advanced Project
4	Kiwira Coal	STAMICO	35.8 Mt	Advanced Project
5	Kabulo coal	STAMICO	Unspecified	Production Began in 2018
6	Rukwa Coalfields (Namwele, Mkomolo, and Muze).	Edenville Energy	173 Mt	Production Began in 2019
7	Maturi Coal	Off Routes	Unspecified	Advanced Project
8	Magamba Coal	Magamba Coal Limited	Unspecified	Advanced Project

Source: based on field visits and interviews with government officials.

As mentioned above, Kiwira coal mine, which originally fell under STAMICO, was controversially privatized just before the 2015 general election and handed over to TANPOWER RESOURCES LTD, a local company controlled by a group of Tanzanian investors linked to former President Mkapa, former Minister of Energy Daniel Yona and their family associates (This Day, 2007; Maganga and Jacob, 2017). The privatization process was controversial for a number of reasons: firstly, the entire process was fast tracked, violating

[27] Based on interviews with officials from the NDC and their joint-venture partner, Tanzania China International Mineral Resource Ltd (TCIMRL), in Ludewa and Dar es Salaam.

standard privatization procedures; secondly, the mine was sold at an undervalued price; and thirdly, it was sold to a group of powerful business elites with strong links to the ruling CCM (Maganga and Jacob, 2017: 144). This was at an early stage of nationalistic sentiments (related to resource nationalism) in the coal sector, which was fuelled by the rhetoric of empowering capable indigenous Tanzanian investors (i.e. well-connected business groups aligned to the CCM) in the coal sector (ibid.).

After the privatization deal, TANPOWER held 70 percent of the shares in Kiwira, while the Tanzanian state held the remaining 30 percent through the Consolidated Holding Corporation (CHC), which was established in 1997 to take over the functions of the PSRC. A confidential report obtained thorough a member of the Parliamentary Committee for Energy and Minerals shows that, apart from fast tracking the privatization process and selling a state-owned coal mine at an under-valued price, the Tanzanian state borrowed $6 million from the World Bank and took out a 32 billion shilling loan (approximately $25 million at the time[28]) from local pension funds and banks to enable TANPOWER to raise capital, renovate Kiwira and expand operations there (Bunge, 2009).

As part of the privatization deal and TANPOWER's takeover, the new owners were expected to produce 200 megawatts of coal-fired electricity, beginning with 50 megawatts in the initial phase. Very few investments were made in Kiwira, and operations and coal production both stalled, as TANPOWER failed to produce power, and coal miners remained underpaid for years. In light of these capacity constraints, the state resumed ownership of the mine in 2008 and returned it to STAMICO in 2013 (Maganga and Jacob, 2017).

The controversial privatization of the Kiwira coal mine and its sale to TANPOWER shows how ideas related to resource nationalism, or in short nationalistic sentiments, influenced the privatization of SOEs' assets in the coal sector. Privatization in this case was done in such a way that it created opportunities for CCM elites and party cadres to capture rents. Party elites disguised themselves as credible domestic investors capable of turning Kiwira coal mine around, while in the end there was no improvement whatsoever, leading to Kiwira being returned to STAMICO. Privatization took place just before the general elections, when the TANPOWER case was showing rent-seeking by party elites being formalized, although capacity was lacking. The timing also suggests that CCM party-state elites were under pressure to create new ways of capturing rents ahead of the 2005 general election, as their political

[28] Estimate based on historical exchange rate from Bank of Tanzania.

survival was stake. Maganga and Jacob (2017) summed up the interests of party-elites in Kiwira, which were linked with domestic ownership, as follows:

> The Kiwira case shows the extent to which gatekeeper politics and expansion of patronage networks within the ruling party could impact management of natural resources especially when domestic investors are in control. While Weithal and Luong (2001) would argue that ownership of minerals by domestic investors would lead to better outcomes and minimize resource curse, our findings from Kiwira shows the extent to which entrepreneurial elites and domestic investors could use their patron-client networks linked to the ruling elites to cripple state-owned enterprises and thereby leading to poor investment outcomes and hence accelerating the looming resource curse. This case also demonstrates how indigenization agenda has provided opportunities for politically-connected domestic investors to engage in private wealth accumulation at the expenses of the mining sector. (Maganga and Jacob (2017: 154)

The above discussion has highlighted the challenges of resource nationalism when the state hastily decides to privatize state-owned coal assets by selling them to domestic investors in the interests of promoting them. Domestic investors in the Kiwira case were well-connected party-business elites who had superior bargaining power in relation to the state but lacked the capacity to undertake coal extraction and power production in Kiwira. The next section discusses the tough choices that faced the ruling elites in managing capacity-constrained SOEs in the extractive sectors. It draws on experiences from Latin America and Africa.

6.3 Nationalistic rhetoric versus capacity: successes and failures elsewhere in Africa

Scholars have noted that, when both financial and technical capacity is lacking in state-owned enterprises involved in mineral extraction, governments are forced to make tough choices between sticking to their nationalistic rhetoric or making pragmatic adjustments to attract the flow of foreign investments. Drawing on experience from Latin America, Paul Haslam and Pablo Heidrich argue that the lack of capacity and limited capital are likely to hamper full state participation and limit nationalistic ambitions in resource extraction. They also warn that, in such situations of capacity constraints, ‘governments must be careful not to alienate foreign investors’ (Haslam and Heidrich, 2016: 229).

The problems of capacity constraints facing SOEs, raised by Haslam and Heidrich and their colleague (2016), were broadly based on the respective experiences of Colombia and Mexico, which made compromises and embraced a limited form of resource nationalism because neither

Colombia's national oil company, Ecopetrol, nor Mexico's state-owned PEMEX had the capacity to undertake oil extraction without the support of international oil companies. Brazil and Peru also pursued a more moderate from of resource nationalism, where ruling elites in both countries encouraged foreign investments to back up the activities of their SOEs, such as Petrobras in Brazil and Peru's state-owned petroleum company Petroperu, as well as other state-owned mining companies such as Centromin and Hierro Peru. This contrasts with radical examples of the exploitation of resources in Venezuela and Bolivia, where the political elites pursued more aggressive measures, such as partial re-nationalization (Venezuela in 2007) and renationalization (Bolivia in 2006), to limit the operations of international oil companies, increase revenues and boost the interests of their own national oil companies: respectively Petróleos de Venezuela (PDVSA) and Yacimientos Petrolíferos Fiscales Bolivianos (YPFB). These more radical examples have turned out to be disastrous, constraining the capacities of both PDVSA and YPFB.

Similarly, the mining sector in Zimbabwe under Mugabe's ZANU-PF exemplifies the problems caused by the sorts of capacity constraints described by Haslam and Heidrich. In his analysis of the capacity constraints and dismal state of Zimbabwe's mining sector in the 2000s, Richard Saunders (2008: 83) offers the following useful insights:

> Mining investment in the past decade has been over-determined by a high risk political and an economic environment compounded in more recent years by weakened state policy-making and regulatory institutions, and the heightened impact of ruling party elite factional conflict in shaping economic and particularly empowerment interventions. Structural adjustment in the 1990s and militarization in the 2000s gutted much of the professional bureaucratic capacity of the state, and made policy making and implementation more ad hoc, reactive, unpredictable, and narrowly partisan. Regarding the critical question of empowerment and participation, for example, Zimbabwe saw the emergence of elite-driven approaches rather than the articulation of a policy seeking the sustainable transfer of strategic production into accountable hands. The recent changes to the mining indigenization and empowerment policy starkly reflected government's precarious capacity and equivocal will to pursue a transparent, more widely beneficial approach to indigenization.

Saunders also discusses how the state-owned Zimbabwe Consolidated Diamond Company (ZCDC) was involved in a joint venture with Chinese investors in the Marange diamond fields despite the overwhelming evidence that the state-owed enterprise was in financial difficulties, lacked the technical capacity and was struggling with managerial inefficiencies (Saunders, 2008: 80). In his recent update on the Marange case and ZMDC's capacity constraints, Saunders (2018: 4) notes that 'State mining institutions were ill-equipped to cope. The Zimbabwe Mining Development Corporation (ZMDC), the state's mining arm, was under-funded, had no diamond mining experience and its operations were fledgling'.

In their most recent work on the potential for using SOEs as instruments to build a 'developmental state' through an 'extractivist' model in southern Africa, Saunders and Caramento (2018: 9-10) show how Zimbabwe and its resource-nationalist indigenization policy missed out on the mineral commodity boom in the 2000s due to capacity constraints even at a time when a substantial rise in commodity prices created suitable conditions for the sector to thrive. In neighbouring Zambia, they also highlight capacity challenges at Zambia's state-owned copper miner, Zambia Consolidated Copper Mines, and observe that:

> State technical capacities for regulating and monitoring mining companies were weakened by restructuring in the 1990s and continued to pose challenges in the 2000s. After its privatization, ZCCM was converted into a state-owned holding company (ZCCM-IH) and tasked with managing the state's minority stake in the mines. In practice, however, this did not lead to the ZCCM-IH assuming an effective monitoring role as a minority shareholder. (Saunders and Caramento, 2018: 7)

Only a handful of countries in Africa have successfully created the technical and financial capacities of their SOEs and managed to translate resource nationalist ideas into reality. Angola, Botswana and Algeria offer interesting examples of relatively capable SOEs which have forged alliances with foreign players to build their own capacities. Angola under José Eduardo dos Santos managed to strengthen both the financial and the technical capacity of the state-owned oil company, *Sociedade Nacional de Combustíveis de Angola*, popularly known as Sonangol (Heller, 2012; Ovadia, 2017). During the oil boom, Sonangol was able to use its capacity to become involved in productive joint ventures with international oil companies such as Sinopec, ExxonMobil, Petrobras, BP, Eni, Chevron, Total, Statoil and Texaco.

In his assessment of Sonangol's capacity, Heller (2012: 838) notes that 'Sonangol's oil-producing subsidiary (*Sonangol Pesquisa & Produção*) has in recent years sought to expand its operations capacity, but Sonangol has been careful to ensure that its own ambitions did not threaten the international partners who have been the backbone of investment in Angola's oil sector'. This underscores the tricky balancing act between nationalistic ambitions and efforts to be build capacity without alienating international partners who can play a key role in strengthening capacity. However, Sonangol's strong capacity did not translate into full developmental outcomes, as Dos Santos turned it into a personal vehicle to consolidate his stay in power through patronage networks and family enrichment (de Oliveira 2007).

Botswana is another example where the ruling elites have been able to build up the capacity of the state-owned diamond mining company Debswana, where a joint venture with the De Beers Group was crucial in building and maintaining capacity. This enabled successive governments to turn resource nationalist ideas into reality, making consistent use of its diamond revenues for poverty alleviation and institutional consolidation. Debswana's success story in building capacity has nonetheless been criticized for increasing Botswana's dependence on natural resources, its resultant lack of economic diversification and building a 'gate-keeping state' (Hillbom, 2012: 82).

In Algeria, the ruling elites were able to build the capacity of the state-owned oil company Sonatrach, turning it into Africa's largest gas producer and an important player in the global natural gas market, with distribution networks in Europe and active gas operations in Latin America (Entelis, 2012). In his review of Algeria's efforts to build Sonatrach's capacity, Entelis (2012) described how the state-owned oil company sought to build joint-venture partnerships with foreign companies to enhance its capacity, noting that:

> When the Algerian government restructured Sonatrach in the late 1990s, it encouraged much higher levels of foreign investment in the form of joint ventures and overseas alliances with Sonatrach. More recently, in order to maintain operational control over the projects, Sonatrach has sought access to the foreign capital markets to finance its operations so it would not be so dependent on foreign oil and gas companies for capital. (Entelis, 2012: 574)

The African examples discussed here show how SOEs in both Zimbabwe and Zambia struggled with capacity constraints and failed to live up to their mineral-producing potential. Some countries took a more pragmatic route through joint ventures, which over time enabled them to gain experience, develop their own capacities and reduced their dependence on foreign companies, as the examples of Angola, Botswana and Algeria have shown. In the next section I will return to Tanzania and discuss the NDC's capacity constraints in the context of its joint venture with TANCOAL.

6.4 NDC capacity and the TANCOAL joint venture: perceptions from insiders and beyond

6.4.1 NDC in the TANCOAL joint venture: from resource nationalism to a marriage of convenience

From early 2008, the NDC began searching for foreign joint-venture partners to collaborate in running its coal assets in Ngaka. This was after recognizing that SOEs lacked the funding and needed a workable partnership in order to become economically viable. On 18 August 2011, a new joint-venture company, TANCOAL, was launched to oversee coal extraction in Ngaka. At the time, this new unique company was born as the result of a joint venture between the Australian Intra Energy Corporation (IEC) and NDC. The protagonists of the joint venture hailed it as a new beginning for the Tanzanian mining sector. Delivering his budget speech in Parliament a year later, in 2012, the then Minister of Energy and Minerals Sospeter Muhongo informed the nation that:

> 'Coal mining is already underway in Ngaka. This project will also involve generation of electricity through coal. Both coal production and electricity generation are undertaken by our brand-new joint venture company TANCOAL, where the government is involved through our state-owned company NDC and their partners Intra Energy Limited. Coal production has started, and it will be primarily for domestic industrial use, and [the] surplus will be exported to neighbouring countries, especially Malawi and Mozambique. The project in Ngaka is also expected to produce 200 megawatts of power by 2015/16, and this will increase to 400 megawatts in 2017/18'. (Bunge, 2012)

On the other hand, the Australian joint-venture partners IEC portrayed TANCOAL as a unique company operated by Tanzanians. On its corporate website, IEC wrote in 2013:

> Intra Energy Corporation ('IEC') is the dominant coal supplier to industrial energy users in the Eastern African region through its 70% ownership of Tancoal Energy Limited ('Tancoal'), which operates the Ngaka coal mine in south-west Tanzania, a joint venture 30% owned by the National Development Corporation of Tanzania (NDC). The mine is the largest operational coal mine in Tanzania and East Africa, and is manned exclusively by Tanzanians. (IEC, 2013)

From the point of view of the state, the joint venture was seen as an important opportunity to pursue resource nationalism through a state-owned company in cahoots with a foreign investor. The NDC which was still in its early years following its revival after years of inactivity and was in financial and technical distress. Without the capital and technical investments provided by Australia's IEC, the NDC's ambitions to take part in mineral extraction would have been impossible. Foreign capital offered it the chance to reinvent itself. For the foreign joint-venture partner, the arrangement and opportunity to enter into partnership with the SOE offered important security at a time when resource nationalist sentiments were on the rise following the fiercely contested election of 2011.

6.4.2 The TANCOAL joint venture: capacity in the eyes of the opposition and local populations

Opposition politicians criticized the Ngaka joint venture and the creation of TANCOAL, arguing that it did not represent a new beginning for the mining sector, as the Tanzanian government claimed, but rather perpetuated neoliberal continuity and served foreign interests. The opposition was particularly critical of the ownership structure, which saw the NDC remain a minority shareholder.

> There is nothing to celebrate when [foreigners] control 70 percent of the mine and our own company only [possesses] 30 percent! President Kikwete promised a comeback and expanding role for our state-owned companies, but TANCOAL shows CCM has to reconsider their developmental ambitions. The threat to make life harder for foreign mining companies has quickly changed to a new joint venture where Tanzania is on the losing side with minimal shares. They keep saying Ngaka is a win-win project, but it is clear we have been robbed yet again. (opposition member of the Parliamentary Committee on Energy and Minerals, 2017)

In a blog commentary in 2011 during his role as Chairman of the now-defunct and very influential Parliamentary Public Investments Accounts Committee (POAC),[29] opposition CHADEMA MP Zitto Kabwe (2011) criticized TANCOAL's ownership structure and the nature of joint ventures, and pressed the state to consider raising the NDC's stake in it. He wrote,

> When my parliamentary committee visited Ngaka after Mchuchuma and Liganga, it directed NDC to renegotiate such that the minority shareholding is at the beginning and apply a principle of payback period to determine shareholding such that the stake

[29] The Parliamentary Public Investments Accounts Committee (POAC was an influential committee in the Tanzanian Parliament. According to the regulations, the official opposition in Parliament automatically chaired it. The Committee was responsible among things for overseeing the performance of state-owned enterprises. The opposition in Parliament used the Committee to uncover a number of corruption scandals between 2005 and 2012. The Committee was controversially dissolved in 2013 by House Speaker Anne Makinda, and its activities were taken over by the Public Accounts Committee (PAC).

> increases to 50-50 once an investor has returned his investment based on the business plan submitted. (Kabwe, Z, 2011)

For Zitto Kabwe of CHADEMA and members of the POAC parliamentary committee, it was not just a matter of criticizing the shareholding arrangement: the opposition MP also had positive things to say about the joint venture and offered the following advice to the state:

> Tanzania requires to draw-up a Coal Road Map to guide its investments in [the] coal industry, a Natural Gas Master Plan as a strategy to maximize benefits of this resource to the country through various uses like for power generation, domestic use, industrial use and for exports, and ensure backward and forward linkages to the economy must be contemplated. (Kabwe, Z, 2011)

During my fieldwork in Ngaka, I heard similar sentiments where some members of the local community adjacent to the mine felt that, under the TANCOAL joint venture, the benefits to the state in the Ngaka case were limited due to the unequal ownership structure. A participant in one the focus-group discussions shared his thoughts with some animation:

> When were told the NDC is leading the project in Ngaka, I was happy that we are finally reclaiming our minerals from imperialists. But I later realized Tanzania only owns 30 percent! This is confusing because the government is simply telling us to be grateful to the Australians (IEC) for offering us 30 percent! This is baffling because if the minerals are our resources, we should surely own at least 80 percent and give the [remainder]. (focus group in Ngaka, 2016)

Importantly, not all community members thought the Ngaka and TANCOAL joint venture was bad for the community and/or Tanzania. Another FGD participant who was aware of the high capital expenditure involved in mining was full of praise of the government and the NDC:

> This is a good start from President Kikwete: we are now beginning with 30 percent, but I'm sure this will increase to 60 percent or even more in few years. Let's remember, mining is a very expensive business, it needs a lot of preparations, capital and infrastructure, these are not easy things to get for a country like ours. The government has started well, and we as villagers, we must look at [the] broader benefits to the nation and not just us.

The CHADEMA opposition and the local population therefore shared a strong sense of the challenges Tanzania was confronted with, despite expectations relating to future benefits and possibilities being high.

Figure 6.2 The researcher, accompanied by an NDC official, during fieldwork in Ngaka

Source: author.

6.4.3 The NDC's capacity: insights from past and present insiders

In this section, I draw on a range of secondary, archival and primary materials from past and present officials in the mining sector, including former and current NDC directors and board members, to provide an analysis of the capacity and the managerial challenges the NDC has faced and continues to be confronted with. The interviews and analysis in this sub-section provide insights beyond the NDC by offering broader issues related to the state's limited capacity to invest in the mining sector generally.

In 2014, the former Commissioner for Minerals, Dr Peter Kafumu, in his capacity as the MP for the Igunga constituency, wrote a series of op-eds in a leading local newspaper in which he admitted that the state had encountered a number of capacity constraints in the mining sector. He also explained why a degree of pragmatism was necessary on the part of both the ruling elites and the mine technocrats. In these op-eds, Dr Kafumu was not writing as an ordinary politician, since his views reflected his long career and vast experience as a senior technocrat in the mining sector, someone who had held a range of different positions for over thirty years. This included serving as a geologist at the Ministry from 1983 to 1987, then as a geology lecturer at the state-run Mineral Resources Institute in Dodoma from 1987 to 1992. Later he was promoted to the position of senior geologist and mining expert in the Ministry of Energy and Minerals, where he served again between 1992 and 2002. In 2002-2004, he was Principal Geology and Mines Expert in the same ministry (Bunge, 2017). When Jakaya Kikwete, himself a former Minister of Water, Energy and Mineral Resources, won the presidency in 2005, Kafumu was appointed Commissioner for Minerals, the most senior position in the Ministry after the minister and permanent secretary. He served in that position until 2011.

In one of his op-eds in 2014, (*The Citizen*, 2014) Kafumu expresses himself very candidly on the capacity challenges related to capital and technology that the Tanzania mining sector faced. He notes that:

> Our policies are good. They favor the interests of Tanzanians and investors alike. The only problem is that a majority of Tanzanians, including the media, still hold to the socialism way of thinking. They still think the government should own everything. The issue is that we need to localise technology and capital from developed nations. We need to learn from China, India and Dubai, among others, on how they managed to transfer technology and capital from the West to their nations. (*The Citizen,* 2014: 2)

Kafumu went on to emphasize why foreign capital was necessary to boost the mining sector, adding that:

> The process of removing minerals from stones is very expensive and that is why a small-scale miner will never become rich. The venture is expensive even to large-scale miners because it needs years of feasibility studies and a plan that can convince the bank that indeed the project can be profitable. No individual in Tanzania or the government can do that. However, both – Tanzanian individuals and the government – can be partners with foreign investors in developing this sector. To benefit from the sector, we need to increase local content through government and local investors as well as through supply of services and equipment to miners. (ibid.)

As a senior technocrat, Kafumu offers useful insights which highlight the political economy dynamics and capacity constraints that Tanzania faced, leading to a more pragmatic approach in the mining sector from ruling elites and technocrats.

Tanzania was not alone in this regard, as a number of other countries were caught up in a neoliberal enclave (Campbell, 2010). In 2007, Kafumu described the challenges Tanzania faced as new mining country, and pointed out that the revived mining sector had been overwhelmed at the time by the arrival of many foreign companies: ‘We were novices in this industry, and too many companies came at once. We were overwhelmed. We still need double the capacity we now have. This sector is a big challenge to us because it has grown too fast' (cited in Curtis and Lissu, 2008: 33).

In 2017, Kafumu and a number of other former senior government members were accused of misleading the state into entering into 'bad' deals with foreign companies. The allegations were made by the second Presidential Commission of Inquiry into mining set up by President Magufuli after he became president in 2015 to investigate historical and tax issues in the mining sector (*The Citizen*, 2017; Ikulu, 2017). The hearing largely discredited Kafumu's position in relation to the mining sector, as by and large he was seen as having sold out Tanzanian priorities with no regard for the capacity challenges facing the mining industry.

In contrast, interviews with NDC officials between 2016-2018 revealed that the NDC was facing a number of capacity constraints concerning political and technical issues in its relationship with the Tanzanian state. The former chairman of the NDC board, Mzindakaya, highlighted some of these constraints:

> We, as the Board and management, are working in a very challenging environment. The Ministry of Trade and Industries, which is our parent organization, is overwhelmed with many activities. The board has discussed plans to raise our stake in TANCOAL (from the current 30 percent), but the response from both the Ministry of Trade and Ministry of Finance is frustrating, and, mind you, we (the NDC) are financed mainly through the state budget. The government has not made any substantial investments in recent years. Sometimes I feel there is a fear within the Ministry that if investments flow to the NDC, it will become too big, even bigger than the Ministry itself. Our strategic plan is clear on where we want to be as state-owned enterprise and what we think we can contribute to Tanzania's industrialization agenda, but it is becoming increasingly hard to implement these plans. Last year (2015), I participated in negotiations with Sino Hydro (a Chinese state-owned energy company) on plans to begin construction of a 240 megawatt coal-to electricity power plant in Ngaka, but since the new government came in, those plans have stalled. The mood and relations with investors has changed a lot under the new leadership, but I have told the board and the management that I am confident we can negotiate a deal that will be beneficial to both Tanzania and the investors. Serving in this post has been challenging: for the past two years, we as the Board feel powerless at times, and I have had very frank discussions with the NDC management that at some point I might consider quitting this position to focus on other personal matters. (interview, July 2016)

This account from the former board chairman was consistent with what I heard in many informal discussions during multiple visits to NDC headquarters and its various sub-national sites. Three days after my interview with Mzindakaya in 2016, he resigned from his position as NDC board chairman, and unusual move because he still had one year of his tenure remaining. But his resignation reflected his frustrations, which he describes above. To avoid being seen as critical of the state's lack of capacity, in his resignation he cited old age (he was 76 at the time) as his main reason for resigning. He also suggested that his decision was motivated by a desire to give way to talented members of the younger generation to run state-owned enterprises. He also expressed his full support for President Magufuli and his policies towards the mining industry (The Guardian, 2016b).

An interview with a retired former senior NDC manager who also served as a cabinet minister in the 2000s revealed how the corporation enjoyed a high level of support in the late 1960s and 1970s, contrary to its experience today. This kind of unique political support was not accidental, but had to do with the nature of the NDC board at the time. As he expressed it:

> In our days, the NDC board was full of senior government officials, including cabinet members. This gave the NDC a strong direct link with key decision-making personnel within the state and eased executions of its projects and strategic plans. Back then we were supervising many subsidiaries, and top management had a direct line of communication with State House. I recall, even in the case of very huge and delicate investment decisions, a direct phone call to the minister, treasury, central bank, or State House was enough solve it. These days I understand it's a nightmare'. (interview, NDC retired manager, 2018)

During my archival research at NDC headquarters in Dar es Salaam, I was able to triangulate the information from this interview to confirm that key senior state officials were members of the NDC board during the 1960s and 1970s. For instance, between 1968 and 1970 (see Figure 6.3 below), the board of was made up of senior cabinet members from the Ministries of Commerce and Industry and the prime minister's office. Other members at the time included a representative of the Treasury, a representative of the Ministry of Economic Affairs and development planning, and the managing director of the National Bank of Commerce.

Figure 6.3, NDC Board of Directors, 1968-1970.

Source: author's archival research at NDC headquarters in Dar es Salaam.

In his memoirs (Kassum, 2007), veteran Tanzanian politician and diplomat Al Noor Kassum, who served in government in various posts for many years, reflects on his eventful time in government and shares his insights while serving at the NDC. Kassum's period as Minister for Water, Energy and Minerals is relevant for this chapter, as he also served as General Manager of Williamson Diamonds Ltd, in which the NDC had a 50 percent stake in the 1970s. Kassum also served as the NDC board chairman for two terms, first during the years of the NDC inactivity between 1991 and 1995, and later during the NDC's revival from 1996 to 2001. He recalls his days as the minister when NDC committed itself to starting up a coal-to power project in Mchuchuma:

> While I was the Minister for Energy and Minerals, one of my major decisions was to transfer the responsibility of developing the coal and iron and steel sectors to the Ministry of Industry and Trade, with the NDC as the executing agent on behalf of the

> Government. Little did I know then that the responsibility would revert to me within a few years as Chairman of the NDC! The major undertaking developed by the NDC in this regard was the Mchuchuma Colliery and Thermal Power Station project in the south of the country. The aim was to use coal to generate electricity in a 400MW power station. (Kassum, 2017: 145)

After Tanzania held its first multiparty elections in 1995, President Benjamin Mkapa appointed Kassum to chair the NDC board for a second term. He highlights the various steps that were undertaken to improve the NDC's capacity, which included corporate restructuring, cost-cutting and laying off some staff:

> In April 1996 I was reappointed Chairman of the NDC. Professor Mbilinyi had been appointed Minister for Finance after the elections of 1995, and I had a new Managing Director and CEO, Colonel Joseph Leon Simbakalia. With the full support of the Board of Directors, Colonel Simbakalia led the restructuring of the NDC, which was necessary for it to be an efficient catalyst for development through joint venture partnerships with the private sector. During my second term as Chairman, from 1996 to 1999, some consolidation and retrenchment took place as part of the restructuring process. (Kassum, 2007: 147)

The above quote from Al Noor Kassum reveals that there was greater realization within both the Tanzanian state and the NDC that, given the socio-economic context at the time, the process of turning the NDC around to match its influential heyday in 1970s would be strongly shaped by partnerships with the private sector due to the NDC's financial and technical constraints. The mention of a joint venture also suggests that the chairman of the board realized that the NDC's future trajectory would depend on collaborations.

Figure 6.4. Al Noor Kassum (top) during his time as NDC board chairman

Source: author's archival research at NDC headquarters in Dar es Salaam.

The retrenchment and laying off of staff undertaken during Kassum's reign would have serious ramifications for the NDC's capacity. As one senior ex-NDC director who was very critical of the process argued in 2017:

> 'We cannot hide [the fact] that there are issues with capacity problems at NDC. Many people were laid off between 1996-97, and there was no hiring until 2010 onwards. The group of very experienced managers and other technical people were part of the retrenchment. I remember by 2005, a lot had left, and very few experienced staff remained. So, there were no mentors left at NDC to take the hand of the new people who came later. I believe capacity is lacking not only in geological aspects but also in managerial sections as well as especially in areas such contract negotiations and relations with international joint venture partners. I understand now NDC is involved in huge projects and you have to wonder about their negotiating capacity. I can only say these new guys are still learning. But this is not a problem at NDC alone; generally, the entire public sector is facing similar capacity constraints'. (Interview, 2017).

Another senior NDC staff member based at the sub-national site was also concerned about the NDC's capacity challenges and lack of political support. He further highlighted the stark differences between the Kikwete and Magufuli administrations in respect of their relationships with the NDC:

> In our department, we need more technical staff, but it is hard to recruit these days; in fact, we keep losing our best talents, who are attracted to better terms in the private sector. I hope one day we will become more independent as a government agent and be able to recruit the best staff on own to boost our capacity, but we need full political support to achieve that. It is still early days under the new government, but I can already see a big difference in terms of its relationship with us. The previous government (Kikwete) was approachable and made it easy for NDC staff to articulate our plans even with delays in implementation. It is quite the opposite under the new government, where it seems the priority is STAMICO (another SOE) and natural gas. Coal is no longer attracting enough attention these days. (interview, 2017)

The interviews cited above revealed a longstanding tension between the two SOEs, NDC and STAMICO, in terms of their promotion, which is affecting the capacity of both state entities. STAMICO considers itself to be the custodian of the coal sector. As discussed in the first section of the chapter, it was STAMICO that built the first coal-fired power station in Kiwira in the 1980s with help from China. The fact that the NDC is now in charge of Tanzania's major coal projects was not as straightforward as insiders from STAMICO argued in 2018 because questions regarding their competence and capacity continued to haunt the organization. The bitter relationship between the two SOEs was described by a STAMICO insider:

> I am very convinced we as STAMICO would get things done faster and efficiently. We bring our many years of experience in the coal sector, and we are in a better position to run the coal mines than the NDC, I can assure you. But then, we are not the ones making decisions, so let's see how the NDC goes about coal and power production, something they have never done before. (interview, 2018)

I suggest this shows that the two SOEs were already competing for resources due to their overlapping roles in the coal sector. This is creating unhealthy competition that is likely to further weaken the capacities of these two state entities, which are both tasked with representing the state in mining activities. STAMICO is also struggling with its own capacity issues, and its performance has come under pressure in recent years, with MPs advising the state to dissolve it because 'it is operating at losses and has become a burden to the government' (*The Citizen*, 2018).

The sub-section has discussed the NDC's capacity constraints by drawing on detailed accounts from various past and present NDC and mining-sector insiders. These accounts have described the historical capacity challenges the NDC has faced down the years, which is in many respects a reflection of the capacity constraints encountered by many SOEs in Tanzanian. The next section analyses how such technical and financial capacity challenges impacted the NDC's ability to monitor its joint-venture partner in the Ngaka mine operation.

6.4.3.1 The NDC's inadequate capacity to monitor a joint venture partner

The return of SOEs in mining in 2011, and particularly the NDC's participation in the TANCOAL joint venture in Ngaka, was framed by the ruling elites as a big win for Tanzania. They also claimed that the NDC–TANCOAL joint venture would be an important source of revenues for the state because the latter had finally managed to secure a seat at the table as a shareholder in a joint venture. In this sub-section I show how the NDC's capacity constraints have limited its ability to monitor the activities of its private joint-venture partner, Intra Energy Corporation (IEC). The latter has accordingly been able to capitalize fully on the NDC's capacity problems in Ngaka by not reporting profits for several years and thus failing to provide formal dividends to the state as a shareholder (payments may have been made to the CCM or others, but this cannot be confirmed), not paying the taxes it owes to the Tanzanian state and not following through on the question of taxation, while transferring some its costs to one of its subsidiaries in Malawi. This conduct by a private joint-venture partner of the NDC amounts to different forms of transfer pricing in mining (see Chapter five for a definition), a phenomenon that is not new in either Africa or Tanzania. Various African states and SOEs face technical challenges in dealing with foreign multinationals, especially in respect of taxes and their fiscal regimes (Durst, 2016; Readhead, 2016, 2016a; NRGI, 2016; Curtis, 2012).

While on fieldwork in Ngaka during the summer of 2017, I made inquiries about TANCOAL's financial contribution to both the Tanzanian state and the NDC, its joint-venture partner. A senior NDC representative stationed at the mine responded that 'so far TANCOAL has made losses year after year and has not been in a position to pay dividends to NDC'.[30] When I asked whether the NDC was closely monitoring the activities of its joint-venture partner, the representative made it clear that it was not: 'We currently self-monitor […] the NDC doesn't have the capacity to do so'.[31] In efforts to find more data on payments, taxation and revenues, I consulted Tanzania's Extractive Industries Transparency Initiative (EITI) reports. These

[30] Interview with NDC representative in Ngaka.
[31] Ibid.

show that TANCOAL, which started coal extraction in 2011, was not covered by EITI's fifth report (2012-2013), nor its sixth report (2013-2014). TANCOAL's financial reporting was finally covered by EITI's seventh report (2013-2014), which showed a payment of 99,823,978.71 Tanzanian shillings between 2014-2015 (roughly $25,000 at the time).[32] EITI's eighth report (2015-2016) reported payments of 1,066,308,415 Tanzanian shillings (roughly $647 at the time),[33] which then represented only 0.24 percent of the total amount paid by all extractive companies operating in Tanzania, which stood at 434,627,874,380 Tanzanian shillings (roughly $264,000 at the time[34]) (TEITI 2017, 2018).

In March 2018, the office of the Controller and Auditor General reported, in its audit of public entities for the year 2016/2017, that TANCOAL had deliberatively over-reported its expenditure to avoid paying taxes, had inflated its exploration costs, and had shifted about USD 3.36 million from Ngaka to support the operations of its Malawian subsidiary, which was struggling financially. All this behaviour is in violation of the joint-venture contract (CAG, 2018). The assessment of TANCOAL finances by the Auditor General noted that:

> Review of Payment Vouchers for three years (i.e. 2014, 2015 and 2016) noted that TANCOAL incurred expenditure amounting to TZS 940.34 million which was not directly related to mining and other operational activities in accordance with the JV Agreement. More scrutiny of the same indicated that since 2011 to 2016 a total of USD 3.36 million was paid to meet expenses for mining operations for TANZACOAL in Malawi (Intra Energy Subsidiary Company), consultancy fees, shipping expenses, hiring of plant, marketing, direct cash transfers to Intra Energy Malawi as well as other company's payments whose activities do not relate to TANCOAL's operations. (CAG, 2018: xiv)

Regarding TANCOAL's manipulation of its exploration costs and the need for the NDC to enhance its monitoring and supervision of its joint-venture partner, the Auditor General findings revealed further cost manipulations:

> Review of TANCOAL's financial statements for six years (i.e. 2011 to 2016) indicated that exploration expenditure amounting to TZS 6.58 billion (roughly $2,850,000 in today's rate) was unrealistic. Further analysis of the financial statements in line with the exploration report noted that exploration cost of TZS 6.58 billion which was booked in the financial statements was overstated by TZS 880.71 million. This is due to the fact

[32] Estimate based on historical exchange rate from Bank of Tanzania.
[33] Ibid.
[34] Ibid.

> that exploration activities ended in 2012 and thus the related expenditure was also expected to end during the same year. Inclusion of these unrealistic costs in the financial statements during the period reduced the profitability by the same amount leading the company to make a loss. Thus, the Government could neither receive dividend nor collect taxes from the company's profit. It is recommended that, NDC should enhance supervision in the operation of the Joint venture to ensure that all financial reports are correct and realistic. (CAG, 2018; 156-7)

The Auditor General's findings also showed that between 2013 and 2017 the NDC's joint-venture partner made inappropriate payments totalling 1.4 billion Tanzanian shillings (USD 603,000), which was paid as a management fee to Intra Energy Corporation of Australia. The expenditure was expressed as a loan payable by TANCOAL (CAG, 2018). All these financial irregularities and manipulations by the NDC's joint-venture partner happened at a time when Gideon Nassari, NDC's former managing director, was occupying multiple positions in the joint venture as member of TANCOAL's board of directors, as well as on the Intra Energy Corporation board as a member. These inflated costs and the manipulated reporting of losses denied the Tanzanian state revenues such as taxes, royalties and dividends.

In an interview, an NDC representative at the sub-national level revealed that, in the years when the joint venture was being negotiated, between 2009 and 2011, Ngaka's coal-rich reserves were not considered part of the NDC's contribution to the joint venture with its private partner.[35] As a result of the value of the coal reserves being ignored as a contribution to the NDC's stake, Intra Energy Corporation was given a 70% stake, despite contributing only small amounts as capital investment and exploration expenditure. In his view, the amount would have been within the Tanzanian state's capacity if its ruling elites had showed enough commitment to the NDC stake in the joint venture.

The interview therefore points to a clear lack of technocratic expertise within the NDC in areas of contract negotiations, taxes and auditing. This capacity deficit has constrained the ability of the NDC and the Tanzanian state to monitor the activities and conduct of the joint-venture partner properly, creating financial losses contrary to the promises made at the time of the NDC's revival. This limited technical capacity and lack of industry knowledge has hurt the NDC's position, as the Auditor General's findings show. Where exactly the 'rents', in the form of potential revenues, taxes and similar, actively pursued by TANCOAL (also called rent-seeking), have gone is less clear, let alone what IEC has transferred to Australia. Most probably

[35] Interview with NDC representative in Ngaka.

they have been transferred to ruling elite groups, possibly including the CCM, as well as benefiting individuals, if similar patterns of rent-seeking in Mozambique are anything to go by (see Salimo et al., 2020). However, as I have not been able to clarify such patterns of accumulation so far, this must remain speculation.

6.5 The 2016 coal import ban: when nationalist rhetoric meets capacity constraints

> 'The government will never allow importation of coal while our local mines have tonnes of coal deposits that they hesitate to produce because there is no market. This is the government decision and it will never change. By the way, from now on, we are going to use Interpol to catch those who attempt to smuggle coal.'[36] (former Minister of Energy and Minerals Sospeter Muhongo, November 2016)

On 10th August 2016, through the then Ministry of Energy and Minerals, the Tanzanian government issued a snap directive to ban the importation of coal with immediate effect, forcing all consumers to procure coal locally. On announcing the ban, the then deputy minister, Medard Kalemali, emphasized that the move was aimed at boosting the Tanzania mining sector, enhancing linkages, and promoting local coal producers, adding that 'Tanzanian coal is available in plenty and is relatively cheaper' than imported coal (The Guardian, 2016a). The ban targeted local cement and steel producers, who relied on cheap imported coal, mainly from South Africa. The ban was designed to protect TANCOAL, a joint-venture company in which, as we have seen, the state-owned NDC has a stake. For the Tanzanian ruling elite close to President Magufuli, the rationale behind the ban was that cheap coal imports posed a threat to Tanzania's re-emerging coal industry. It was hoped that the ban would increase the demand for Tanzanian coal, foster domestic linkages, boost TANCOAL's and NDC's stakes in coal, and encourage a number of other pending coal projects in Tanzania.

This sections draws on the 2016 coal import ban to demonstrate how resource nationalism and efforts to boost greater state participation in the coal sector through a revived SOE were undermined by capacity constraints facing the NDC and its joint-venture partner, leading to

[36] *The East African*, (2016). Tanzania to Maintain Ban on Coal Imports. Monday, November 28.

unintended negative consequences.[37] The analysis finds that, irrespective of the good intentions of the Tanzanian state, the ban did not reflect the realities on the ground. While at the time it gave the NDC's joint-venture partner TANCOAL a market monopoly, the company was overwhelmed by the demand for coal from local consumers, especially cement producers, leading to acute shortages. Far from promoting the national interest and elevating the role of the SOE involved in the coal sector, the ban severely affected various sectors of the economy, especially cement and steel manufacture. It led to a decline in cement production and a sharp increase in prices, and even forced some cement-makers to close down their operations. The aftermath of the 2016 ban shows how the capacity constraints facing the NDC and its joint-venture partner can harm efforts by the state to boost its revived SOEs, thus widening local content and domestic linkages.

6.5.1 Background and motives behind the 2016 coal-import ban

It is important to unpack the motives that may help us understand the outcomes the Tanzanian ruling elite hoped for at that time, especially given the growing trend towards protectionism and resource nationalism that had started in the Kikwete era and has continued under Magufuli, as described in Chapter five. At the time of the ban in August 2016, as discussed above there was only one coal producer in the country, namely TANCOAL, the joint venture already mentioned between the state-owned NDC and Australia's Intra Energy Corporation. Interviews with state officials from the Ministries of Energy and Trade indicate that the main reason for the import ban was the need to protect TANCOAL, given that the state has a thirty percent stake in this joint venture (interview, Dar es Salaam, 2017). From the state's perspective, this form of coal protectionism or 'coal nationalism', as I have pointed out elsewhere (Jacob, 2017), was aimed at controlling imports of cheap coal that would harm TANCOAL and the state's interest in it through the NDC. The ban was introduced by the Tanzanian state to protect its reviving coal industry from unfair competition posed by cheap coal imports from South Africa.

The coal-import ban was also intended to oblige all consumers to procure coal domestically, with the aim of incentivizing various companies involved in a number of planned coal investments in Tanzania. As described above (see Table 6.1 above, on the status of all coal projects), the fact that many of these projects are at different stages, from proposed or announced projects and pre-permit projects awaiting licensing to advanced projects awaiting

[37] This section has already been published as an article in the Journal of Extractive Industries and Society. See Jacob, T. (2020), When good intentions turn bad: The unintended consequences of the 2016 Tanzanian coal import ban. *The Extractive Industries and Society*, 7, no. (2): 337-340.

investment decisions and a few active projects, means that the ban offered an opportunity to speed up the implementation of pending coal projects. Both the minister and the president have expressed their displeasure over the slow implementation of these projects, which include a combination of private joint ventures and state-led investments. The ban was seen an effective means to boost existing planned coal projects.

More broadly, the ban is also a clear example of how ideas related to resource nationalism continue to influence politics in Tanzania. The renewed enthusiasm for state-led mining activities, which has gone hand in hand with assigning a greater role to Tanzania's revived state-owned enterprises, is therefore not surprising. Picking up where President Kikwete left off, the election of President Magufuli in 2015 signalled the revival of a state-led development agenda which has seen Tanzania drift towards a more protectionist and resource nationalist path (Jacob and Pedersen, 2018), a trend which has gone beyond the mining sector. In 2017, the protectionist turn in trade policy saw President Magufuli refuse to sign an Economic Partnership Agreement (EPA) with the European Union on the basis that it would kill off local infant industries in textiles and agricultural products (*The East African*, 2017). On several occasions the government has also imposed sugar-import bans to protect domestic sugar industries (The Citizen, 2016b).

In 2017, the government announced a plan to impose a ban on the import of second-hand clothes aimed at protecting local textile industries from foreign competition. More recently, in May 2018, the import duty on imported crude palm oil was increased with the aim of promoting local production of edible oil, while in November 2018 the government deployed the military to halt the export of raw cashew to promote in-country processing, a plan that has not yet materialized. Broadly, there is also renewed interest in adopting an active and 'new' industrial policy (Andreoni, 2017; Ovadia and Wolf, 2017) and a greater emphasis on the revival and strengthening of state-owned enterprises (Jacob, 2017; Pedersen and Jacob, 2017; Jacob and Pedersen, 2018). As discussed in Chapter five, revived SOEs like the NDC and STAMICO were envisaged as playing key roles in reinvigorating the coal sector.

The coal-import ban led to a huge outcry, especially from cement and steel producers, both major consumers of coal. Cement producers argued that the ban was being imposed at a time when they were already facing coal shortages, as TANCOAL was failing to keep pace with the surging demand, especially after the arrival of the Dangote cement group and its large factory in the southern port town of Mtwara, which began operations in December 2015. Apart from the unreliability of supply, cement producers also expressed their concerns about the low quality of locally produced coal compared to imported coal. Both claims were later proved to be credible by a government-commissioned study, as discussed below.

Nonetheless, in November 2016, during an official visit to the TANCOAL mine, the then Minister of Energy and Minerals, Sospeter Muhongo, declared that the ban would remain in force and that TANCOAL had made improvements to its production line, now being on track to meet the domestic demand for coal. He warned against smugglers and emphasized that the government was working with international security partners to monitor potential smuggling (The East African, 2016).

After a series of complaints from local industries, the government, through the Commissioner of Minerals, commissioned a study to investigate the concerns raised by industry players and to establish why local cement producers preferred imported coal over domestic coal. The findings of the report were released in September 2016 and identified a number of problems facing local coal consumers. These included the poor quality of locally produced coal, which was found to have a low calorific value, the unreliable supply from TANCOAL and the surging demand for coal, which TANCOAL, as the only active producer in Tanzania at that time, could not meet. The report also found locally produced coal to be expensive once the transport costs had been factored in. Imported coal from South Africa was estimated to be 25 percent cheaper (Mtulya, 2016). The report confirmed all the concerns raised by local cement and steel producers and stimulated discussion to rethink the ban in the following years. In May 2017, the Parliamentary Committee on Trade, Industry and Environment advised the government to lift the import ban, citing low domestic production and high transportation costs (Mtulya, 2017). The advice was ignored, and the ban stood.

The shortage caused by the coal-import ban was not limited to clinker production,[38] it also affected power generation because at the time a majority of cement factories were using coal-fired power except for the Dar es Salaam-based Tanzania Portland Cement plant, which was using gas. The Confederation of Tanzania Industries (CTI), the umbrella body that represents the interests of Tanzania's leading manufacturers, was among the leading voices pleading with the government to lift the ban, citing declines in cement and steel production due to coal shortages. In April 2018 the CTI warned that the ban would impact local manufacturers'

[38] Clinker is a stony residue left over from burnt coal which is mixed with gypsum and ground into a fine powder to make cement.

competitiveness and affect local cement and steel manufacturers, as well as the booming construction sector and ordinary consumers (interview with CTI representative, September 2017; CTI, 2018).

6.5.2 Unintended negative impacts of the coal import ban

This sub-section discusses the negative impacts of the ban on cement producers and consumers. Following the import ban and the resulting reductions in the supply of clinker and coal, two of the major ingredients for cement production, the operations of local cement producers that relied on coal were severely impacted, and they were forced to cut their output, while others had to suspend operations temporarily. The Tanzanian cement market is dominated by six big players, listed in Table 6.2 below. At the time the ban was imposed, five of the six top producers were dependent on coal for both clinker and power generation. Only Dar es Salaam-based Tanzania Portland Cement was already using gas and did not require coal for power.

Table 6.2. Tanzania's leading cement companies as of November 2018

Name	Group	Number of plants	Location	Market share
Portland Cement (Twiga)	Heidelberg Cement Group	1	Dar es Salaam	34.9%
Tanga Cement (Simba)	Afrisam/Holcim	1	Tanga	24.4%
Dangote Cement	Dangote group	1	Mtwara	16.8%
Lake Cement (Nyati)	Banco India	1	Dar es Salaam	13.8%
Mbeya Cement (Tembo)	Lafarge/Holcim	1	Mbeya	6.1%
Rhino Cement	ARM Cement Limited	1	Tanga	N/A

Source: data compiled by the author from cement sales and the East African cement producers' association.

The Kenya-based Athi Rivers Mining (ARM) group, which at the time of the coal-import ban was running two cement plants in Dar es Salaam and Tanga, was heavily affected. According to the company (ARM, 2018), the ban had a significant impact on clinker production at its Tanga plant. Manufacturing costs almost doubled and also restricted the full utilization of the plant. ARM cited its Tanzania operations and the coal-import ban as the single largest factor impacting the company's profits in 2017, causing it severe losses (ibid.). In March 2017, ARM warned it was preparing to shut down its Dar es Salaam plant, which employed over a thousand staff, due to inadequate coal supply (The Guardian, 2017). In August 2018 the Dar es Salaam plant was closed, and ARM was placed in administration (Reuters, 2018b). ARM blamed its failure on the inadequate coal supply and increasing competition from new players in the sector.

In November 2016 the Dangote group, a new entrant into the Tanzanian cement industry at the time, was forced to shut down its operations at its Mtwara cement plant temporarily as a result of coal shortages. During President Magufuli's official visit to Mtwara in March 2017, Dangote Cement's owner, Aliko Dangote, complained that coal shortages were disrupting production and increasing the costs of production, and he asked the President to intervene to save the Mtwara plant. The President immediately issued a directive to the then Ministry of Energy and Minerals to provide Dangote with a coal-mining license without delay. The directive was issued on 11 March 2017 when the Ministry granted Dangote an area covering 9.98 square kilometres in the Ngaka coal fields so the company could extract Tanzanian coal (MEM, 2017). The company commended the state's efforts to help lower production costs. In August 2018, Dangote reached a deal with the national oil company TPDC to be connected to natural gas to power its plant (TPDC, 2018), instead of beginning the costly process of extracting coal. Other cement producers, such as Lake Cement, Tanga Cement and Mbeya Cement, also reported shortages in the supply of both coal and clinker, but failed to attract the same level of attention that Dangote had. The latter's success was seen as creating a non-level playing field among cement producers.[39]

The coal ban and the controversy over the potential shut down of Dangote's major production plant in 2016 must be examined as part of the broader political economy of deal-making between investors and state officials. Dangote played the victim card and indirectly protested about unfulfilled promises made by the Tanzanian state. Aliko Dangote had been promised various generous incentives by the previous government under President Jakaya Kikwete in order to encourage him to set up the largest cement factory in Tanzania. Among the incentives was a promise that he would be able to obtain natural gas at a discounted rate. These promises were made during the Kikwete era, when top-ranked officials within the ruling CCM developed

[39] Interview with cement producers in Dar es Salaam.

strong informal relations with investors, and many such deals and incentives were reached in an underhand manner (Gray, 2015). The current administration under President Magufuli deemed such incentives too generous and unjustified. As described above, despite such disagreements with the government, Dangote received preferential treatment in the form of a free mining block to extract coal at the time when the government's approach towards foreign investors embodied a move towards stronger resource nationalism (see Jacob and Pedersen, 2018).

Citing the increased costs of production due to the ban, cement producers raised the price of cement to offset the costs. Between January 2017 and August 2018, the price of a bag of cement rose from Tsh 13,500 ($6) to Tsh 20,000 ($9), leading to a public outcry from dealers and consumers (Mirondo, 2018). Cement companies simply reacted by passing on the higher production costs to consumers, and the Minister of Trade was forced to intervene and appeal to the cement manufacturers to reconsider the price hike (Lamtey, 2018a). The intervention was unsuccessful, as the manufacturers complained of a lack of raw materials. The construction sector also suffered from cement shortages, which came at a time when Tanzania was experiencing rising demand for cement, driven by a boom in domestic infrastructure and construction. According to a recent report by the Ministry of Finance, the construction sector was among the top five sectors responsible for the 7.1% growth in GDP in 2017 (Reuters, 2018a). Demand has increased due to the rapid pace of urbanization and the existence of various large-scale infrastructure projects, such as roads, bridges, dam construction, the standard gauge railway project from Dar es Salaam to Dodoma, port expansions and housing construction. Demand for construction materials is likely to increase due to the current boom in infrastructure under President Magufuli, which includes mega-projects such the Stigler's Gorge hydroelectricity dam and the Uganda-Tanzania oil pipeline.

What does the coal import ban say about TANCOAL's and NDC's respective capacities? The case of the 2016 coal import ban discussed in this section has shown how the NDC and its joint partner lacked the capacity to produce enough coal for the Tanzanian market. Efforts by the Tanzanian state to grant the NDC and its partner a monopoly in coal production failed, further illustrating the capacity constraints and challenges of imposing resource-nationalist measures and the actual capacity to implement them. Over three years since the ban was introduced, coal production and supply have now improved due to the opening up of new mines such the Kabulo coal mine, operated by the state-owned mining company STAMICO

(Lamtey, 2018b). New coal mines are also awaiting permission and investment decisions to start production. Pressure on the demand for coal has also eased, with cement producers like Dangote switching to gas as a source of power and hence reducing the demand for coal-fired power. Despite the improving situation, however, the damage has already been done.

Although the situation regarding coal supplies has improved slightly, the 2016 coal-import ban reflected the dilemma faced by the ruling elites in the sense of the delicate balancing act they need to perform between protecting the interests of the local coal industry and state-owned enterprises while also ensuring that such resource-nationalist interventions do not hurt local industries and consumers. The ban also showed that such ill-informed protectionist measures can do more harm than good to the local economy when the capacity of SOEs and joint ventures are not taken into consideration. In the future, before introducing a similar ban, the Tanzanian state must conduct thorough assessments of the existing production and supply capacities of SOEs and their joint-venture partners. This would assist in making informed decisions and minimizing the impacts in terms of losses to local industries, cement and steel value chains, unemployment and the decline in government revenues. It would also be useful for the Tanzanian government to learn from the experiences of other countries regarding the effectiveness or otherwise of such bans in protecting state interests and promoting SOEs. India, which has imposed coal-import bans on numerous occasions in recent years, offers interesting lessons in this regard. In India, state-owned Coal India, the world's largest coal-mining company, has demonstrated strong capacity through its eight subsidiaries spread out across the nation.

6.6 Conclusion

In this chapter I have analysed the challenges involved in pursuing resource nationalism with SOEs in an environment of constraints. In Tanzania, the revival of SOEs and the re-emergence of resource nationalism around 2010 took place in a climate of intensified electoral competition when the ruling CCM felt threatened for the first time after years of dominating the country’s politics. The resource-nationalist vision articulated by the CCM used the rhetoric of taking control of the mining sector, increasing state control, reducing the influence of foreign multinationals, and reversing some key elements of liberalization in the mining sector In actual fact, however, as this chapter has shown, the Tanzanian state and its SOEs were constrained financially and capacity-wise, resulting in the state continuing to pursue and expand liberalization in many ways. Even after the much celebrated and popular shift towards resource nationalism, Tanzania under both Kikwete and Magufuli continued to attract FDI as the basis for SOE involvement in the mining sector, especially in the case of the revived SOEs in the coal sector.

The recently re-emerging wave of resource nationalism in Tanzania shows strong continuity with post-independence ideas concerning the role of the ruling CCM in national development. State intervention in the coal sector using the NDC as its vehicle also seems to be reviving former central ideas and practices associated with the role of the state in development. However, due to capacity constraints, the kind of resource nationalism we see in the coal sector shows differences from the ideas of resource sovereignty that were pursued by the state in the 1960s and 1970s, when first the NDC and later STAMICO took over the assets of foreign-owned mining companies. The state is now willing to associate with foreign investors to fulfil its goal of acquiring some stake in mining projects through SOEs.

In the case of the NDC's involvement in the Ngaka joint venture with TANCOAL, foreign capital, in this case provided by the Australian firm's FDI, offered a window for the CCM's ruling elites to pursue resource nationalism through a revived SOE. The same can be said of NDC's other joint ventures in the coal sector, like the Mchuchuma-Liganga project, for which Chinese investments of up to $3 billion were necessary, and the NDC was pragmatic enough to agree to having only 20 percent of the joint venture (Jacob et al., 2016: 9). The Mchuchuma-Liganga joint venture was hailed as renewing the deep historical friendship between China and Tanzania in various sectors, from infrastructure (the Tanzania-Zambia Railway) and manufacturing (Urafiki Textile) to the coal sector, where Chinese engineers played a key role in the construction of the first coal mine (Kiwira) in Tanzania in the late 1980s, as described in the first section of this chapter. However, implementation of these projects has lagged behind due to the emergence of a relatively radical version of resource nationalism after 2014.

The analysis of the NDC-IEC joint venture also points to the fact that, even in the era of resource nationalism, when SOEs have a seat at the table as shareholders, this does not guarantee SOEs success in joint ventures due to their capacity constraints, as in the case of the NDC in relation to its foreign partner. This also raises broader questions about the NDC's relations with the Tanzanian state and the elite's commitment to building up the technocratic capacity of SOEs like the NDC in order to make sure that resource nationalism can be translated into meaningful state engagement. Recent empirical evidence from studies of state capacity and industrial policy in Africa show that technocratic capacity can only be built up and sustained when state bureaucrats are backed by the ruling elites. As Lindsay Whitfield and colleagues (2015: 20) put it, ‘state capabilities are the product of underlying political relationships and not independent from them. State bureaucrats in charge of industrial policy must have political backing from ruling elites and a significant degree of autonomy from political pressures stemming from within the ruling coalition’. This key aspect of the importance of political support is backed by recent research on capacity and elite commitment in the governance of oil in Ghana and Uganda, demonstrating that elite commitment was key in implementing resource-nationalist ideas under President Museveni in Uganda and President John Atta-Mills in Ghana (Hickey and Izama, 2017; Mohan et al., 2017).

In Tanzania the Ngaka case shows that the political elites in the CCM quickly realized that the NDC was facing various financial and technical constraints and that this state-owned enterprise was not in a position to fully represent the interests of the state in the coal sector. This was despite these interests being articulated in legal and policy reforms such as the 2009 mining policy and the 2010 Mining Act, which ushered in a new era of resource nationalism in the mining sector. The realization that the NDC needed substantial capital investments to exploit mineral resources and engage actively in coal extraction forced the CCM to develop a pragmatic side to its resource nationalism, having recourse to a relatively new hybrid model of resource nationalism which combined state intervention through SOEs with market incentives to attract FDI flows. This new hybrid model of resource nationalism was badly needed and proved vital for the under-funded and technically weak NDC revival to be able to engage in coal extraction with a foreign partner.

The Tanzanian case therefore demonstrates the importance of the role of foreign companies in allowing the CCM elite to pursue a limited form of resource nationalism. The Tanzanian state showed a degree of pragmatism and used the Ngaka coal mine to elevate and enhance its role in mining, regardless of how much foreign control was needed to make that possible. By means of this hybrid model of resource nationalism, Tanzania’s resource nationalism in the coal sector was embedded within the globalized neoliberal economy due to its historic dependence on foreign capital and its history of capacity constraints. This in my view also means that, under the current joint-venture arrangements between SOEs and their foreign partners, the revived SOEs in the coal sector and beyond are no longer just nationalist undertakings but also neo-liberal projects. Given their structural constraints, under these joint ventures with foreign companies, the CCM elite has combined neo-liberal incentives with nationalistic goals, however limited the latter may have been.

In an environment of increasing electoral competition, as discussed in Chapter five, the return of state-owned enterprises, in this case the NDC's pursuit of hybrid nationalism in Ngaka, enabled the CCM's ruling elites to pursue their resource nationalist agenda, though only in a limited manner. The CCM was able to use the NDC's participation in the Ngaka mine to boast about its historical goal of restoring the country's sovereignty over its natural resources, a discourse that is popular with the electorate and Tanzanians in general. The return of the NDC to Ngaka also shows how CCM elites and state bureaucrats were able to navigate the usually complex and uneasy relationships involved in joint ventures by opting for a pragmatic approach that not only accommodated the interests of its Australian foreign partners and the hybrid model of resource nationalism, but also did not risk the flow of FDI that the coal sector and revived SOEs needed so badly at the time their revival. There is little doubt, either, that they will be forced to rely on such foreign inflows for many years to come unless Tanzanian SOEs receive significant capital and technical investments from the state. Hence the pragmatic turn achieved two things: first, it ensured that the Intra Energy Corporation remained within the TANCOAL joint-venture arrangement and that coal extraction went ahead in partnership with the NDC; and secondly, the pragmatism and compromises made provided an opportunity for the ruling party to appease nationalist sentiments and relieve itself and the CCM from the domestic political pressures of that time.

This chapter has also discussed the case of the 2016 coal-import ban, when the state, through the NDC and its joint-venture partners, decided to embrace resource nationalism in the coal sector by attempting to shield it from imports and ensure that TANCOAL enjoyed a monopoly of coal provision. This demonstrates the dilemma facing ruling elites intending to pursue resource-nationalist interventions in an environment of constrained capacity. The ban also shows that a delicate balancing act is needed between protecting the local coal industry and protecting the interests of state-owned enterprises, while also ensuring that such nationalist interventions do not hurt local industries and consumers. In this case, the coal ban did more harm than good and had unintended negative consequences for local consumers, as well as causing unemployment and a fall in government revenues, as some leading cement makers were forced to shut down their operations as a result of the ban.

Chapter 7: The double role of the state: the intersection of resource nationalism, electoral politics, and local contestations in Ngaka

7.1. 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 multinational corporations (MNCs) (Lee, 2006; Carmody, 2013; Ayers, 2013; Kelly and Peluso, 2015; Pearce, 2016).[40] The literature on land-grabbing 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 or joined-venture investor. This chapter argues that there is a need to widen the discussion to focus on the re-emergence of the state as an investor through State Owned Enterprises (hereafter SOEs, as witnessed in recent coal investments in Tanzania. Through an analysis of the Ngaka coal mine, this chapter takes further the thesis's arguments on re-emerging resource nationalism in Tanzania's coal sector as manifested in attempts to revive state-owned enterprises.

The chapter focuses on the diverse and changing relationships SOEs and joint ventures have with local populations using the TANCOAL's Ngaka coal mine in Mbinga District, south-west Tanzania as a case study, exploring investor– investor relationships particularly.[41] The chapter offers an opportunity to interrogate the revival of SOEs, the politics of re-emerging resource nationalism, and local contestations related to state-led coal extraction. The chapter argues that both an SOE in form of the NDC and its foreign joint-venture partner relied strategically on Tanzania's resource-nationalism discourse and the involvement of the state as an investor to

[40] I have drawn on my own published working paper Jacob, T. (2018):'State caught in the middle: Coal extraction and community struggles in Tanzania' DIIS Working Paper (8) in section 7.1 and 7.3-7.6.

[41] As already mentioned in Chapters three and five, 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 National Development Corporation (NDC), and the IEC owns the remaining 70%.

fast-track coal-mining while limiting local voices and dissent arising from such state-sponsored investments in extraction. Research that promotes a greater stake in resource investments for the state might expect state ownership in mining investments through SOEs to increase local acceptance of mining investments and reduce tensions with local populations after many years of conflicts between and the latter, smallholders and foreign companies (Collins 2009).[42] However, recent research in Tanzania suggests that investment-related conflicts are increasingly changing to a situation in which the interests of local populations and smallholders compete with those of the state through revived SOEs (Jacob et al., 2016). The double role of the state as both investor and last arbiter of different forms of rights is therefore not straightforward but can potentially cause ambiguity and conflict.

The chapter draws on and contributes to Buur et al.'s (2017, 2020) 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., 2019 for a discussion of this three-way relationship). Buur and his colleagues, including myself in the 2020, article tend to see the state, and especially the ruling elites, as mainly playing the role of investment facilitators and protectors of local populations and smallholders' land rights and livelihood security. The same is the case in much of the literature on the social license to operate (SLO) (Moffat et al., 2015; Conde and Le Billon, 2017; Ehrnström-Fuentes and Kröger, 2017), 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 foreign mining companies and international oil companies in Tanzania have made to acquire an SLO (Kessy et al., 2018). However, state-led investments have significant implications for the ability of local populations to benefit from such investments, as this chapter will show.

The holding power[43] of the state, the SOE and the joint venture partners are playing a considerable role in limiting community dissent and conflict. Given the recent surge in resource

[42] 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.

[43] 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 (2010). Buur et al. (2019: 1202, note 15) define the concept of 'holding power as 'the capability of an individual or group to engage and survive in conflicts' (Khan 2010: 6)'. More specifically, they argue ''that it is made up of two sets of factors, namely the ability to impose costs on others and the ability to absorb costs inflicted by others'. Holding power is thus intimately related to the more general question of the distribution of power in society, which relates to 'the relative holding power of different groups and organizations contesting the distribution of resources. Holding power is partly based on income and

nationalism and the revival of state-owned enterprises in countries in the global south, including Tanzania, further research is needed on the implications of such investments.

This chapter draws on two publications. The first is my own (2018) working paper, published as part of the Hierarchies of Rights Working Paper series at the Danish Institute for International Studies (DIIS). The second paper on which this chapter draws is an article by Buur et al. (2020) of which I was co-author. In this article we presented the final framework from the Hierarchies of Rights programme published at *The Extractive Industries and Society* journal, which in part was developed on the basis of the team's joint work, including my work on coal in Tanzania.

As in other chapters, the material for this one is based on in-depth ethnographic interviews, participant observation and documentary analysis. The empirical materials discussed in this chapter 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, 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 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.

The chapter is organized as follows. After this introduction, I present key aspects of the analytical framework on which this chapter draws taken from Buur et al. (2020). This is followed by a section that explores the historical relationship between the state and local populations before the start of coal extraction and showing how this has evolved over time. In their theoretical framework, Buur et al. (2017, 2020) have emphasized the need to understand the relationship between local populations and the state historically. Has it been based on

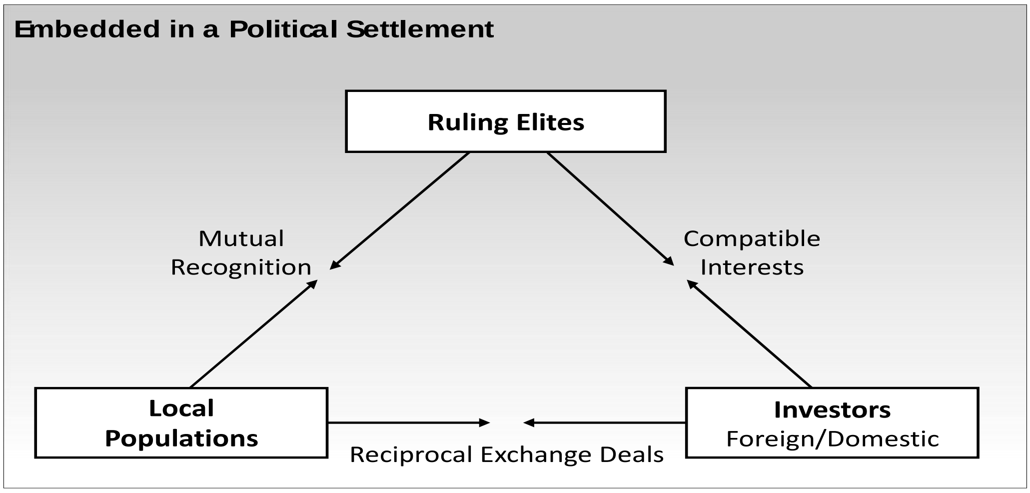
wealth but also on historically rooted capacities of different groups to organize' and the networks they belong to (Khan 2010: 1)' (quoted from Buur et al., 2019: 1202, note 15).

mistrust, violence or ignorance? This is important to understand in the case presented in this chapter because historical relations between 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 and conflicts related to the joint-venture investment involving the state-owned National Development Corporation (NDC) and its Australian partners. I examine what characterises the relationship between the joint-venture investment and the local population. The final section discusses the implications of the empirical findings and concludes the chapter.

7.2. Unpacking the politics of natural resource investments: a theoretical model

A diverse and very large body of literature has debated the importance and consequences of investments in natural resource extraction, including agricultural investments in respect of land rights and governance.[44] What is common to these bodies of literature is that they tend to focus either on one of the actors we have identified or a combination of two such actors, but never all three, nor the wider context in which these relationships are embedded regarding the political settlement in a particular country. The characteristics of the model are illustrated graphically in Fig. 7.1.

Figure 7.1. Model of the key relationships and characteristics



Source: Buur et al. 2020 inspired by Whitfield and Buur (2014); Buur (2015); and Buur et al. (2019)

[44] This section and the chapter's theoretical model reflect my contribution and joint work in Buur, L., Pedersen, R. H., Nystrand, M. J., Macuane, J. J., & Jacob, T. (2020). The politics of natural resource investments and rights in Africa: A theoretical approach. *The Extractive Industries and Society*.

The three characteristics shown in Fig. 7.1 have been developed by means of an iterative process in which we have moved back and forth between theoretical ideas concerning the three relationships that we have drawn from the literature and the empirical findings of our own case studies of concrete investments. Our definitions of the three types of actor are discussed in Buur et al. (2017, 2019).[45] We have often been asked why we do not include civil-society actors or donors on equal terms with investors, ruling elites and local populations. The answer is simple: both these categories of actor can act with, become embedded in and support or contest any the three primary actors in our model. Thus, both international donors and NGOs can operate as extensions of the state (Arond et al., 2019), as protectors of local populations and/or as part of CSR strategies on behalf of investors (Hilson, 2012). We therefore do not give them independent positions in our model. Our attitude to model-building is therefore rather agnostic,[46] but nonetheless we regard the three characteristics of the model as convenient devices for organizing our analysis of how and why natural resource investments may accommodate the rights of local populations. We will briefly explore what each of these model characteristics covers one by one'. This will be done before discussing how the resource nationalism and focus on SOEs allow for further considerations for this model.

7.2.1. Compatible interests

The implementation of natural resource investments requires that ruling elites and investors, however they are composed, engage in a series of exchange relations, which, at their most abstract level, are concerned with rents and support. Underpinning such exchange relations, a faction of the ruling elite must have incentives, in the form of certain common interests with investors, in order to address the issues of access to key resources such as land and water that often are "owned" by a diverse set of actors in different property regimes (see Edelman et al., 2018; Peluso and Lund, 2011). They also need to find common ground with regard to the importation and construction of key infrastructure, and to stabilize property relations sufficiently in exchange for financial and other types of resources that the ruling elite can use to survive politically (Whitfield et al., 2015).

Relationships between ruling elites and investors are often seen as trumping other relationships, as they involve the most important interests, i.e. of those who are in charge of government and the state, and of economically powerful investors; but this does not mean that this is always the

[45] An analytical distinction can be made between bureaucracies and ruling political elites, where the ruling elites rely on bureaucrats to implement policy decisions, but in practice the groups often overlap.
[46] The way we understand models here is inspired by Frances et al. (1991: 2-3).

most important relationship for the implementation of investments. Nonetheless, for investment projects to be approved in the first instance and maybe even implemented, interests must overlap to some degree. This is what we call “compatible interests”.[47] This term suggests that, for industrial policy to succeed and be implemented, ruling elites need the relevant investors and vice versa. Here we agree with Whitfield et al. (2015: 18; also 289) in saying that “they must need each other”, but we also want to emphasize that their respective interests, though possibly compatible, might not be the same.

For an investor, investing in frontier markets can be lucrative. Huge rents can be generated from being a first mover, but this can also be risky. It is therefore vital for investors to feel that their concerns and their ability to profit from their investment decisions in the future are addressed. This is true regardless of whether the objective is to promote natural resource investments in agriculture, minerals or gas/oil, and regardless of whether the aim is to promote investments by domestic or foreign private firms, state-owned firms, party-owned firms or public–private joint ventures. Investors’ relations with the ruling elite are therefore often crucial, as political support can reduce uncertainty and release many forms of state support. Predictability and ‘credible commitment’, to borrow Schneider and Maxfield's (1997) appropriate phrase, can be forthcoming even when the overall business environment is poor. This is why a compatibility of interests is so important. However, the relationship is not one-dimensional. Investors, both foreign and domestic, are often important taxpayers, and ruling elites may wish to maximize and maintain the benefits of their operations as they become dependent on them (Kircher, 2014). Following liberalization and democratization under the Washington Agenda, investors became increasingly important for African politicians, who could no longer rely solely on state coffers to fund their re-election (Kjær and Therkildsen, 2013). This also implies that ruling elites have become aware that investor loyalties may be transferred to other politicians and parties. This extends to those faction(s) of the ruling elites who pursue particular investments in cahoots with investors, as they must be able to fend off demands from other factions or individuals within the ruling coalition, as well as overcome

[47] The problem with the term ‘mutual interest’ from the political survival literature is that ‘mutual’ connotes or is interpreted as indicating a consensus. We therefore suggest that the interests involved are most often better described as ‘compatible’, given that the interests of ruling elites on the one hand and of investors on the other can involve considerable differences. Whereas ‘mutual’ suggests a kind of mutuality or common purpose, ‘compatible’ suggests a conflictual congregation around similar types of investment by actors with potentially very different kinds of incentive for engagement.

resistance from other social groups in the form of local populations and communities or potential private-sector competitors.

Even though foreign investors are often considered to have considerable "holding power" (Khan, 2010: 1, 6), and indeed they have, this is not necessarily always the case. Foreign investors therefore often seek to protect their operations through contract stability clauses permitting reference to international arbitration (Cotula, 2016; Radon, 2007). Nonetheless, they remain vulnerable to local resistance to investments being taken up by international campaigns that can affect their 'reputations' with financial investors (and sometimes with consumers, depending on the type of industry), as well as when renegotiating contracts once the investment has been made and sunk costs have been racked up. As Vernon (1973) pointed out long ago, the latter cannot easily be retrieved or transferred. Here the initial loss of access to key resources such as land, livelihood and water will often see investors trying to find a new common ground with local populations, as delays and interruptions are costly. This moves the question from substantial rights and what the state or ruling elite get out of investments to diverse configurations of "procedural rights" that investors have to deal with in their further engagement with local populations.

Relations between investors and ruling elites are therefore prone to change over time as investments mature, ruling elites become dependent on them for regime survival, competition over revenues and rents emerges between top elites and regional and lower level factions, and local populations respond more broadly to the advent of investments, as they also want to benefit from them.'

7.2.2. Reciprocal exchange relations

Despite legislation to stimulate compensation and the sharing of rents from natural resource investments (see EITI, 2019), in countries with democratic deficits, i.e. "ruled by law" countries, which are the vast majority, the state often lacks an interest in redistributing resource rents to any groups outside its core base (Buur et al., 2017; Salimo et al., 2020). For this reason, investors and local populations often try to establish some kind of exchange deal in order to make sure that the latter gain something from the investments and that investors are guaranteed some stability in relation to them (Prno, 2013). This may take the form of direct procedural rights involving due compensation for resettlement or environmental pollution and/or the creation of economic opportunities or the provision of key social services (Jacob, 2018). In exchange, local populations usually have to give up land and livelihoods, as well as provide a degree of acceptance for the investments over time, which may have contractual underpinnings

(Salimo, 2018), though they need not be formalized. Often, as several cases in our cross-section of examples of investment show, investors expect the state to have dealt with local populations and their "formal rights" to compensation, consultation, etc., not to mention managing the expectations that emerge with major investments. However, as this has rarely been done in advance, the question of procedural rights usually becomes a key issue during implementation.

In these forms of exchange, investors are concerned with access to land and natural resources, the existence of appropriate infrastructure, the availability of a skilled workforce and a policy environment that is conducive to and protective of their interest in stability and profit. Investors are also interested in keeping often expensive investments safe from sabotage, fire and conflict. From an investor's point of view, at best the local population is valuable as a source of labour and land (depending on the type of industry) or as just another business-external factor that needs to be factored in; at worst, it is an annoying obstacle to the smooth implementation of a project that has already been agreed with ruling elite factions. However, experience shows that dissatisfied local populations may derail investment projects if they are not properly involved in and/or compensated by them (Jacob, 2018; Nystrand, 2020). If an investment project involves the "'resettlement" of whole populations (Salimo, 2018; Wiegink, 2018), its implications for livelihood practices and cultural relations are much more severe than, for instance, large-scale agricultural investments with out-grower schemes (Jarnholt, 2020), which allow people to stay on their land and become involved in the productive side of the investment.

There is plenty of room for misunderstandings to arise in exchange deals between investors and local populations (Harvey, 2014). There is a temporal dimension to this relationship that is often misunderstood (Wiegink, 2018). On the one hand, the investor will usually expect something in return for "gifts", such as "acceptance", even though it may not always be clear what this is. At its simplest, CSR often takes the form of one-off legal transactions that may be perceived as gift-giving activities, though in reality there is no such thing as a "free gift".[48] On the other hand, community members will often expect much more than the investor is willing to give (Frynas, 2009) in the form of continuous exchanges combined with the ongoing making of claims, based on expectations of an emerging relationship. In our approach, the procedural rights involved in a "reciprocal exchange deal" therefore do not just imply a one-off legal and

[48] In her foreword to the 1990 edition of Mauss's (1990) classic work on exchange relations, *The Gift*, Mary Douglas suggests that there 'is no such thing as a free gift'. In the present context too, 'gift' is a misleading term when seen from the perspective of local populations, as the expectation of further exchanges is often loudly voiced.

financial transaction. The latter is also influenced by the terms under which it has been negotiated and includes other benefits that each party might derive from it over time.

The origin of the investor seems to be the key to understanding the types of exchange relationship investors develop with local populations. Much critical attention has been paid to corporate investments originating in the Global North (Frynas, 2000; Buur et al., 2017), where investors often worry about reputational risks or wish to adhere to international soft-law standards regulating investments, making them more open to pressure from populations below them than other actors (Frynas, 2005; Szablowsky, 2007; McAdam et al., 2010). Investors in emerging markets have traditionally been less focused on voluntary social and environmental standards, though this may change as they become more exposed through their international operations (Patey, 2014; Pegg, 2012). Finally, domestic investors are often closely embedded in both the political and social environments of the investment (Nystrand, 2015), which in some cases may facilitate exchange relations with local populations, but in other cases may complicate them (Pedersen and Buur, 2016).' Here, although joint ventures between SOEs and foreign investors are particularly interesting, they are frequently overlooked in the literature, of which the Tanzanian example of TANCOAL, which we will return to, is a good illustration.

'We argue that investments often end up having to compensate for the loss of substantial rights and poorly executed processes related to procedural rights that should formally and technically have been dealt already with by the state. This means that the exchange relations between local populations and investors becomes more important than is often realized. However, this does not imply that local populations and investors are entering relations on an equal footing: on the contrary, the exchange will normally be more or less unequal because their respective "holding powers" can be quite different. Due to their different economic resources and interests, their different abilities to activate external actors for support and their different links to governments, power differences play an important role.'

One of the challenges involved in creating concrete local exchange deals is that the local population at an investment location is rarely united. Local populations usually consist of many groups and individuals with different interests and different abilities to influence events. As a result, they may be affected by a proposed investment in different ways and to varying degrees. As Hall et al. (2015) point out, struggles around land deals are not just a matter of individuals or groups being for or against a deal, they may also take place within land deals when various actors in the affected communities are struggling to (re)negotiate the terms of their incorporation into emerging investment projects. Producing reciprocal exchange deals is complicated in developing countries characterized by “ruled by law” regimes, where informal institutions are normally stronger than the formal ones, and where state institutions may enforce contracts based on the prevailing interests of the ruling elite. For example, they may approve investments over the heads of local populations, thus passing conflicts over land, compensation and livelihoods over to investors, as a result not only bypassing the substantial rights of local populations, but also severely neglecting their procedural rights. This leaves more room for conflict among the parties, where the role of the ruling elite in charge of the state can itself be a source of confusion and conflict, particularly when substantial rights to land and water should have been compensated.

7.2.3. Mutual recognition

Relations between ruling elites and local populations may at first seem less important for how and why procedural rights related to compensation, consultation and resettlement are or are not accommodated by natural resource investments. But that is a misreading of the situation, as the other relationships are heavily influenced by the nature of this one. The relationship is underpinned by a series of exchange relations that can be short- or long-term in nature, where services provide by the state can be exchanged for electoral support. We highlight in particular the nature of exchange relations between local populations and ruling elites, underpinned by what we call “mutual recognition”.[49] If mutual recognition is achieved, it can make changes in property institutions (Khan, 2010) that govern the distribution of economic benefits and rules, if not legitimate, then sufficiently acceptable in return for desired services and/or protection from abuse by investors or other actors (see Buur et al., 2017). What ruling elites expect from local populations is often a combination of recognition of first, their right to rule, including their right to decide over issues of land and resources, and secondly, votes in exchange for services, and economic opportunities or compensation.

In return, local populations expect to be acknowledged as having a special relationship with the land or other resources. They also expect to be protected from transgressions by investors, to receive generous compensation for lost land and livelihoods and to be included in

[49] Exchange relations characterized by ‘mutual recognition’ come close to what Nugent (2010: 45) refers to as a ‘productive social contract’ based on some form of mediation and recognition between an authority and subjects over ‘how the rule by the former can contribute to the well-being of the latter’. In Nugent's analysis, what is exchanged can be tax payments and access to scarce resources, including land, but it can be extended to other rights, such as the procedural right to resettlement compensation, participation and consultation for local populations.

“development” in a more general sense, for example, in the form of access to social services, infrastructure, jobs and economic opportunities such as outgrower schemes’ or local linkage formation and economic opportunities as we will explore through the TANCOAL case. ‘The types of concrete exchange relations that evolve between local populations and ruling elites related to large-scale investments are embedded in temporal layers that usually each have a contested political history. Local populations will judge a natural resource investment in their area based on their previous experiences with comparable projects. Similarly, ruling elites will evaluate proposed projects as trade-offs between on the one hand their potential to generate rents and increase the state's capacity, and on the other hand the risks they may pose to social stability.’ ‘Often, the exchange relations that touch upon natural resources and land in post-colonial African countries date back to colonialism and/or the struggle for independence, where the independence movements used land conflicts as a tool to mobilize resistance to the colonial power. This makes investments, especially foreign ones, a potentially contentious issue (Maconachie, 2016). This is further complicated by the fact that post-independence ruling elites sometimes imposed modernizing projects – and new social contracts – on populations in a violent manner. The socialist Ujamaa in Tanzania which we will return to underneath and New Society in Mozambique, which sought to transform not only economic development models, but also property relations through state-led settlement schemes (Jacob, 2018; Buur and Sumich, 2019).

In contrast to what most of the literature on land-grabbing and investments suggests, local populations are not necessarily against large-scale investments in natural resources. Much hinges on the extent to which they are consulted, become involved and are compensated from and by the investment. This, of course, is influenced by the investor, but also by relations with the state and ruling elites and the concrete exchanges they are involved in. Agreed compensation can vanish, promises may not be fulfilled and ruling elites may take the side of the investor, as they need to mobilize rents in order to stay in power or to implement political projects they have promised. Rents can be used in many different ways, especially since democratic elections have become the norm (Cheeseman and Klaas, 2018), thus potentially giving voters greater influence (Kjær and Therkildsen, 2013; Behuria et al., 2017), but also making elections more expensive. Ruling elites nonetheless contain diverse elite factions and groups at different levels of the state and political system and therefore also distinct interests. Ruling elites rely on bureaucrats (usually themselves one of the factions in the ruling elite) to manage natural resource revenues and run state institutions (Hickey and Izama, 2016; Macuane et al., 2018). For the bureaucrats, on the other hand, largescale natural resource investments can be used to strengthen state institutions with limited reach in rural areas and give them access to resources. It is therefore important to distinguish between national and local ruling elites. The local elite can sometimes be close to or part of the ruling elite, while in other cases they are closer to the local population or occupy a middle position. Often, the local population in an investment locality will bear the costs in terms of lost access to land or environmental degradation (Couman, 2019), while the benefits are reaped at the national level, in particular with regard to the extractive sectors. This will have direct effects on the legitimacy of the state and ruling elites locally (Lavers, 2012; Salimo, 2018) and will be compounded by the circumstance that most large-scale natural resource investments are pushed through in regions inhabited by politically marginalized population groups.'

7.2.4. Embedded in a political settlement

As Figure 7.1 above shows, what characterizes the relationships between these three key actors of investors, local populations and ruling elites is intimately related to the wider political settlement in which these relations are embedded. Political settlements are not an external context in which the exchange relations between the three key actors take place but are deeply entangled in the relationships. This also implies that the three relationships are part of reproducing the political settlements at different social levels and scales. The political settlement approach (Khan, 2010) as discussed in Chapter 2, focuses on the vertical relations between ruling elites and lower level factions of the coalition, as well as the horizontal relations between ruling elites and excluded factions, including how a settlement is financed (Behuria et al., 2017; Salimo et al., 2020) and the role of ideas or ideology (Bebbington et al., 2018; Mohan et al., 2018; Lavers, 2018). Whereas ordinary citizens do not really exist in the settlement approach, they do have an important role to play in investments processes (Buur et al., 2019; Jacob, 2018).'

In the Tanzanian case the degree of dominance and legitimacy by and of the ruling elites is quite comprehensive. It is 'generally considered a dominant party-state settlement (Whitfield et al., 2015) as the political settlement is based on the ruling party, the CCM's stranglehold on the state, and rather intrinsic and long-term powerful ideas related to the state's universal outreach. Though individual rights have been strengthened over the last couple of decades, de jure, land and extractive resources in Tanzania remain vested in the state, which has retained strong provisions to acquire land compulsorily (Pedersen and Kweka, 2017). Ideas related to economic nationalism have more recently become more pronounced as "resource nationalism"

(Jacob and Pedersen, 2018a). Central to this is a renewed commitment to the CCM's earlier statist ideology and the belief that the state should be the key driving force in economic development (Jacob et al., 2016; see also Chapter 5). This return to the founding ideology of the party was already underway in the early 2010s, but it has gained pace with the ascent to power of President Magufuli in 2016, with a strong emphasis on development through state-owned enterprises and a declaration of 'economic war' on foreign investors (Jacob and Pedersen, 2018a). The present ruling elite coalition has become more authoritarian, relying increasingly on repression and clientelist co-optation, a move that has gone hand in hand with centralizing rents and the personal involvement of President Magufuli in deal-making (Pedersen and Jacob, 2019; Jacob, 2019)'.

7.3. Historical perspective: the state and local populations in 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 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 neighbouring 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. Ruvuma region also has a long history with agricultural liberalization in the 1980s (Bryceson, 1993; Ponte, 2002). 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.

7.3.1 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 rural population's slow response in 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,[50] 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.

[50] In 1976 Tanzania's population was 16,493,435.

1977; Von-Freyhold 1985; Coulson 1982; Shivji 1998; Jennings 2002; Schneider 2006). Villagization was dominated by excessive use of force on the part of the state, a total disregard for 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 framed as a way of protecting the local population from the war on the other side of the border.

Including the longer history of post-independence nation and state formation does not mean making a flat claim (in the sense of a simple claim by pure association) for patch-dependency, but simply to argue, as suggested in the framework presented above, that history matters. Investments when approved and implemented are often seen as the point of departure for the creation of new relations between investors, states and local populations, but they are in fact embedded in processes of state formation intertwined by misrecognition and abuse instead of mutual recognition.

7.3.2. 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 wildlife 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), evictions of Sukuma agropastoralists from the Ihefu valley in the Usangu basin in 2006 (Walsh, 2012), and the eviction of Mafia villagers from marine park conservation (Benjaminsen and Bryceson, 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 from 1995-2005, 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 (Lange, 2008; Schroeder, 2010; Emel et al., 2011). The state famously labelled artisanal miners 'intruders' (Holterman, 2014: 62). 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 (Nambiza, 2007; Lange, 2011; Makene et al., 2012). 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 will not claim that the Nyerere, Mwinyi and Mkapa governments were similar or that they acted in the same way, the discussion above has revealed important continuities in terms of the treatment of local populations over time by different administrations. 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 violations of 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 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 later section 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 former mining projects in the country, which were a hundred percent owned by foreign companies.

Most recently, as mentioned above, the Magufuli government has intensified the SOE-led investment policies started by Kikwete. Since 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, 2018a) and mining regulations in 2018, which among other things proclaim Tanzania's sovereignty over its natural resources, 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 have increased, as local communities are increasingly being coerced to support extraction projects carried out by state-owned enterprises (Pedersen and Jacob, 2017; Jacob and Pedersen, 2018a). Even through the coercive strategies of today differ from those of the Ujamaa villagization resettlement schemes of the 1960s and 1970s, present-day strategies echoed past strategies, as we will show below, dissent being considered unpatriotic and un-national. As discussed above, this clearly suggests that the longer history of state formation and social contract formation between ruling elites and local populations is important for understanding the conflicts that arise with present-day investments.

7.4. 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 involved, namely the 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. 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 the regional government in Ruvuma and national government institutions. A number of unfulfilled promises made by state-backed investors in the Ngaka coal mine aggravated the conflict.

7.4.1. 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 the 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)[51]

The quote above is a reference to the soft efforts deployed by state actors to limit opposition and dissent in local communities, which has characterized the recent wave of state-led extractive and energy investments. The latter 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 regional and national level are shaping consultation processes at the local level in ways that may increase tensions and mistrust, particularly when promises are not followed up when trust is broken between ruling elites and local populations.

[51] This view was widely shared by other villagers during focus-group discussions.

7.4.2 Contesting land acquisition: the state's power fully displayed

It was clear that joint efforts by both the state and local government, as well as the NDC and the joint-venture partner, played a major role in influencing consultations and reducing community opposition to coal extraction. Nonetheless, the land-acquisition process, as undertaken by the NDC and its joint-venture partners, suffered from raising local expectations and local perceptions subsequently that compensation was inadequate. In mid-2012 villagers started small-scale local protests targeting TANCOAL officials and Gaudence Kayombo, the local CCM MP of what was then Mbinga East constituency, over delays in holding talks to resolve legitimate compensation demands according to Tanzanian legislation. On the morning of 9 October 2012 local protests culminated when dozens of well-organized villagers gathered to block trucks transporting coal from the mine and to demand payment 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 special 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 on the peaceful blockage of the road. 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 pushed down by the Tanzanian state, which feared losing out on revenues and rents from the investment. As shown below, like international investors generally, the foreign investor in this case was ready to pay higher levels of compensation, but this was rejected by the national SOE.

Grievances against the NDC and its partners remain high today. The aftermath of the 2012 and 2013 conflicts increased 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 had 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 neighboring villages.[52]

7.4.3 Broken promises

After reluctantly giving what many locals consider 'coerced consent', coal-mining was allowed to start in 2011. However, the consultation process and overall compensation plan were dominated by local dissent and opposition, 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 (interviews, Ntunduwaro, Mbinga, 2016). Those resisting the low compensation rates were labelled 'enemies of development' (interviews Ntunduwaro, Mbinga, 2016-2017). 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's MP and NDC representative that the government 'was doing them a favour' (interviews in Ntunduwaro and Rwanda, 2016-17).

Nonetheless communities in Ntunduwaro and Ruanda increasingly showed their frustration with the state-backed coal investments, dominate by the compatible interest between the ruling elite (CCM and the SOE) and the foreign investor. 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 joint-venture partners outlined their plans for improving community relations. The initial promises made at the meeting included, among other things, the provision of electricity, a clean water supply, prioritizing employment opportunities for the local population, improving local schools (with the construction of staff houses and new classrooms) and dispensaries, establishing a vocational training centre, and

[52] Interview with TANCOAL's senior official, Ngaka, August 2015.

minimizing the environmental impacts (dust and effluent control) from mining the coal. Many of these promises remains unfulfilled till today.[53] 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.

7.4.4 Struggles over water and pollution

Apart from the land question, by 2013 villagers had become frustrated with the mine's negative environmental impacts. There were concerns over excessive dust from coal trucks and noise from blasting activities, while the contamination of two streams, which are the major local sources of water for domestic and irrigation activities, raised tensions further (Maganga and Jacob, 2017). In an interview in 2015, TANCOAL officials denied that the company was responsible for the contamination.[54] 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 for the villagers' use (URT, 2016c).

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.[55] 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

[53] 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.
[54] Interview with TANCOAL mining manager in Ngaka, August 2015.
[55] Information from focus-group session in Ntunduwaro, August 2015.

TANCOAL was collaborating with Mbinga District Council to finance a new water project to supply clean water to the area.

7.4.5 Local state and party politics

As a result of local frustrations over unfulfilled promises, the CCM leaders suddenly saw some of their support draining away to the opposition parties. This was new to local CCM leaders in Mbinga who have dominated local politics for many years with the backing of traditional grassroots institutions emanating from the 1960s Ujamaa processes, such as local farmer associations, smallholder and community structures adjacent to Ngaka coal mine. 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 investment and the security and pollution incidents by sending a clear message that the CCM has 'forgotten them' and 'betrayed them', having 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 the 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 to be the insufficient fulfilment of promises and expectations became a tool to fuel local opposition and dissent, which had political ramifications for electoral politics locally.

Although the ruling CCM party remains dominant, in the 2010 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.[56] 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 the CCM was going lose the seat, and the party regional and central committee had to find someone fresh and credible to replace him.[57]

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 councillor was defeated by the opposition candidate, a sign of the CCM's declining support base due to the way it had dealt with the investment. Both events were linked to disputed compensation payments and unfulfilled economic and pollution-related promises, which dominated political campaigns in the villages close to the mine, and in Mbinga District more generally.

7.5. Towards a reciprocal exchange deal?

In response to the initial community backlash between 2011 and 2013, 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'.[58]

[56] 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.

[57] Interview with the CCM's Ruvuma regional secretary, Songea, September 2017.

[58] Interview with NDC's head of community relations, Ngaka 2016.

The NDC's partner, the Intra Energy Corporation (IEC), an Australian stock exchange-listed company, became increasingly concerned with the potential reputational risks of 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.[59]

The pressure the IEC placed on the NDC is in line with recent empirical evidence showing that companies, especially if listed on stock exchanges, 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. (2020) call efforts to establish reciprocal 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).

7.5.1 The changing terrain of holding power

As gatekeepers 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 economic 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 opposition and resistance, and ensure that

[59] Interview with Intra Energy Corporation representative, Ngaka 2016.

coal was extracted even at the expense of the legitimate rights of the local population to receive compensation and due process, i.e. consultation. This holding power was based on the compatible interests between the ruling elites and the foreign investor and was initially demonstrated through violence and constant threats directed at the local population and smallholder farmers by the security forces. Although the villagers managed to disrupt operations temporarily in 2013, I would argue that before the 2015 general election they lacked significant holding power to influence the behaviour of the state and its corporate partners in respect of coal investments.

As also described above, 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.

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. They also changed the lack of recognition by the local population to come closer to something approaching mutual recognition between the local population and the ruling elite. The next turning point came with the arrangement to provide a local food-procurement and catering service between the mine and a local organization. The provision of economic opportunities can be considered to be highly important for the investment to move towards something approaching a reciprocal 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 options for strengthening 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 stands 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'.[60] 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 demonstrates that local procurement can generate positive impacts for communities and the host country more generally, especially when goods and services are procured locally or sub-nationally (Morris et al., 2012; White, 2017).

Through the procurement deal, MWG members have received training in the form of capacity-building workshops in entrepreneurial skills and financial management. TANCOAL has also arranged mentoring 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.[61] In Ntunduwaro, villagers complained that only a

[60] Interview with TANCOAL official in Ngaka, 2016.
[61] Information from focus-group discussion, Ntunduwaro, 2016.

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. This 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 win 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 has mainly focused on the pre-extraction phase, but this case shows that the search to come up with a reciprocal exchange deal that can increase legitimacy can go all the way to the post-extraction phase if it is faced with sustained community opposition.

7.6. Conclusion

This chapter has discussed the phenomenon of the state's involvement in extractive investments by focusing on coal, and has shown how the resurgence of the state's involvement in mining can reconfigure relations between investors and local populations. However, it also indicates that the double role of the state as both state and investor creates its own problems. It thus responds to a call for empirical evidence regarding complex relations between investors, ruling elites and local populations (Buur et al., 2017). The chapter shows that extractive investments involving SOEs tend to take the state's legitimacy for granted and overrules the need to adhere to due process and compensation. There was simply less motivation to seek consent and enter into reciprocal exchange deals with local populations, at least initially.

The findings from Ngaka reveal the complexity of the interactions between the state, the foreign investor 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 honour its promises, the state-owned company and its private foreign investor have gone through a lengthy process characterized by several attempts to establish a reciprocal exchange deal and secure a social licence to operate. These efforts, which are aimed at securing local support and defusing conflict and open opposition, include a number of CSR initiatives and local procurement deals. The latter, which is seen as a success story by both the company and local populations, is nonetheless greatly contested by other parts of the community, who remain unconvinced of its virtues, as it benefits a particular segment of the population aligned, it seems, to the local state elite.

The chapter 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 for the investment. The compatible interest of the ruling elite and the investor clearly facilitated the first phase of the investment and screened it from the hostility of local populations. Similar trends have been documented by a recent study of standards of land-acquisition by mining and petroleum investments involving state actors in Tanzania (Pedersen and Jacob, 2017).

However, under pressure from the foreign investor, IEC, the contested nature of the first phase of implementation initiated by TANCOAL using the repressive security apparatus to force through the investment was changed due to public pressure and the fear of reputational risks. 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 a publicly listed company subject to the pressures of accountability, transparency and international soft law expectations on the part of investors and other stakeholders.

Although the focus of this chapter 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 the ruling 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 (see also Salimo, 2018 for similar experiences in the new LNG investments in Mozambique).

The Ngaka case is a clear example of intra-elite conflict, given especially the infighting between national-level elites and sub-national elites, as illustrated by the case of the former local CCM MP and councilor who lost their seats during the 2015 general election. Given their control over 'national' resources, top state-level elites in Tanzania are busy promoting coal investments under the guise of national energy security and industrialization (Jacob, 2017). Regional, district and village-level elites in Ruvuma, on the other hand, 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 opposition and dissent over the benefits of coal extraction enforced 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 next local elections could change the dynamics going forward. While there is not enough evidence to suggest that the NDC as the SOE will review its practices, Tanzania's shift towards the peak of resource nationalism, coupled with its 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 and potentially with local ruling elites, as argued recently. This calls for SOEs to reconsider their approach to future extraction projects.

Chapter 8: Conclusion

8.1 Introduction

This thesis has explored the renewed and increased role of the Tanzanian state in the mining sector by examining the evolution of the Tanzanian state's engagement in it. I have focused on the revival of state-owned enterprises in the coal sector as part of efforts by the Tanzanian ruling elites to 'bring back' the state into mining. The primary goals of this thesis have been to understand (i) how the state's engagement in the mining sector and resource nationalism has evolved over time, (ii) what has been the role of the re-emergence of resource nationalism in shaping state's engagement and capacity in the coal sector, and (iii) how re-emerging resource nationalism and the changing role of revived SOEs are affecting relations between the state and local populations. The thesis focuses on coal because this was the sector that the Tanzanian earmarked in order to become involved itself through the revived National Development Corporation or NDC.

To understand the renewed interest of the state in the mining sector and the revival of SOEs, I have moved beyond the narrow focus on institutional factors, the resource curse and neopatrimonialism as explanations that have dominated the literature on the state's engagement in development and in the resource sector. Most research on the Tanzanian state's involvement in the mining sector has also focused narrowly on tensions between states and companies while ignoring the role of the local populations where the extraction takes place. This thesis has examined the implications of bringing back the state in extraction through revived SOEs. My analytical framework has adopted an extended political settlement approach and incorporated the role of ideas and ideology, as well as holding power. The analysis situates the re-emerging resource nationalism in the coal sector in the context of Tanzania's changing political economy, the historical tensions between liberalization and the role of the state, and the changing holding power of the state and the local population. As pointed out in Chapter one, my thesis has several empirical and theoretical implications for scholarship on the role of the state in the extractive sector. First is the contribution to the emerging literature on resource nationalism in Africa and insights from Sub-Saharan Africa, adding to scholarship that up to now has been dominated by the extensive focus on Latin America. Secondly, theoretically, I contribute to the political settlement literature, especially the role that ideas play in shaping the policy choices of political elites. This contribution is also timely given that existing research on political settlements has focused on rents and the interests of elites, neglecting the role of ideas and how they influence the actual engagement of the state as an investor in resource extraction, which has received little analytical attention.

Empirically, I have analyzed the politics of mining governance by examining how the state's engagement in the mining sector changed over time. I did so by unpacking the evolution of the state's involvement in the mining sector by examining the changes and continuities from the post-independence period to 2015. It became clear that the role of ideas in shaping the state's actual engagement in the coal sector through a revived SOE was influential, as it was framed by the CCM's party-state elites. Specifically, I have used Tanzania's coal industry and the Ngaka coal mine to analyze the challenges of pursuing resource nationalism by using a revived SOE with limited capacity. The analysis exposed the contradictions between resource nationalistic ideas on the one hand and the state's actual capacity and practices on the other. The consequences of resource nationalism were not confined to the sector as such but had specific consequences when the state became an investor through a revived SOE. This, I have argued, shaped relations between the state, the investor and the local population.

In section 8.2, I provide a summary of arguments and empirical contributions. In section 8.3, I discuss the implications of my findings and suggests areas for future scholarship.

8.2 Revisiting key findings and main arguments

8.2.1 Ideas and state engagement in the mining sector: continuity and change

In Chapter five I demonstrate empirically how the state's engagement in the mining sector has evolved over time and the historical tension between liberalization on the one hand and the persistent efforts of the Tanzanian state to maintain control of this strategic sector on the other. Successive governments have combined liberal incentives and state-centric approaches to ensure effective state engagement in the mining sector. Changing ideas on mining governance among the ruling elites was integral in shaping the state's involvement in the mining sector over the years, as was the relationship between the Tanzanian state and transnational actors, particularly foreign mining companies. The intensifying electoral competition also fueled resource nationalistic sentiments in the post-boom era, prompting a strong reaction from the ruling CCM coalition. For many years Tanzanian SOEs retreated from the mining sector to accommodate foreign mining firms. I have argued that, while external factors such as the global mineral boom between 2004 and 2008 prompted efforts by Tanzania to attempt a break with the neo-liberal mining regime, domestic politics, particularly widespread elite concerns about electoral threats posed by the surging opposition, played an important role in shaping the statist response and re-emerging resource nationalism by the CCM's elites from the late 2000s to date.

The coal sector, and in particular the Ngaka coal mine and the revived NDC, were seen as part of efforts to reinforce the legitimacy of the Tanzanian state as the custodian of mining and other natural resources.

8.2.2 SOEs revival and the limited nature of Tanzania's resource nationalism.

The Ngaka coal mine has served as a central part of efforts by CCM elites to translate their ideas into practice and pursue resource nationalism though a joint venture with a foreign partner. The return of the NDC and the re-emerging resource nationalism was rhetorically framed by CCM elites as part of broader efforts to confront and limit the power of foreign mining companies. In Chapter six I show empirically how resource nationalist ideas within the CCM contributed to shaping the return of the revived SOE in Ngaka and how actual implementation and SOE participation were hindered by the capacity constraints that faced the Tanzanian state through the NDC. The evidence presented in Chapter six strongly suggests that the reforms engendered by the Kikwete government have not been coupled with the active participation of SOEs in the mining sector. Tanzania's resource nationalism was limited, and SOEs in the mining sector are increasingly dependent on foreign capital for operations. Discussions in Chapter six show the extent to which the NDC has struggled with the challenges to its technical and financial capacity.

Although both ruling elites under the successive governments of Presidents Kikwete and Magufuli see the NDC as an important player in boosting the participation of the Tanzanian state in the coal sector, the support needed to translate Tanzania's resource nationalist and the NDC's ideological ambitions into realistic plans was lacking. The capacity constraints that faced the NDC, analyzed in Chapter six, show that changes in the ideology about mining and resource nationalism alone do not guarantee the capacity and commitment of the ruling elites: indeed, strengthening the capacity of SOEs is more than just a matter of a mere change in ideology on the part of the ruling elites. While resource nationalism has improved the regulatory power of the Tanzanian state in relation to foreign companies, sector-specific constraints have hampered the envisaged introduction and full participation of revived SOEs in mining. Years of under-investment after liberalization (the same was the case before) and budgetary and technical constraints combined to make the NDC unable to invest in coal extraction on its own as envisaged, so it had to seek a foreign joint-venture partner instead. This means that, even at a time when resource nationalism was at its peak, the Tanzanian state was unable to build a strong SOE to expand the state's control. As a result, the NDC has struggled to live up to its original developmentalist tasks and goals in the coal sector. As such the Tanzanian state was forced to take a more ‘liberal’ position by embracing pragmatism by accommodating a foreign joint-venture partner in a hybrid form of resource nationalism, while the foreign companies maintained their position as dominant players.

8.2.2.1 SOEs and limited resource nationalism: pragmatism beyond the coal sector

At the time of finalizing the writing of this thesis, recent developments in Tanzania’s mining sector suggest that the recent radical phase of resource nationalism is retreating and that the state is adopting a more pragmatic approach, a trend which is now being extended beyond the coal sector. Since I have not conducted fieldwork on the most recent developments, it would go beyond the scope of this thesis to analyze the implications of the state’s recent retreat, especially in the gold sector. However, it is useful to discuss briefly recent developments in relation to the hybrid resource nationalism and pragmatism that can be observed in the coal sector.

In 2017 President Magufuli declared Tanzania’s sovereignty over its natural resources, called foreign companies thieves and promised a greater role in gold extraction for Tanzania’s SOEs. The findings of my analysis of the coal sector, combined with recent developments in Tanzania, show that at times a tough nationalistic rhetoric is more ambitious than the actual capacity that Tanzanian SOEs possess to carry out these plans. In the space of a few months, President Magufuli’s threat to chase Barrick and other foreign gold-mining companies out of the country has dramatically changed into a new policy direction which is more accommodating. Instead of chasing away the foreign companies, his new approach was to propose a revision of the tax regime and renegotiate ownership structures, a move which saw the President opting to create joint ventures with foreign companies instead in a policy of co-operation rather than confrontation. The Tanzanian state finally agreed to a minority stake in the newly created joint-venture company Twiga Minerals Corporation, in which Barrick has a majority share of 84 percent as against Tanzania’s 16 percent.

In the same deal with Barrick, the Tanzanian state has made a huge U-turn, ditching its nationalistic stance by reversing key elements of legislation passed in 2017. Some of the concessions made by the Tanzanian state include scrapping the obligation for Barrick to build smelters to process mineral concentrates domestically and allowing the mining companies access to international arbitration after initially specifying that all disputes will be adjudicated within Tanzania’s courts. The ban on exports of concentrates was also lifted, and Barrick was allowed to resume the export of mineral concentrates. We are likely to see this as the trend for joint ventures in the future, as the mining multinationals evidently comfortable in partnering with SOEs. In the view of many foreign mining companies, as conveyed in interviews, such partnerships with SOEs from host governments provide some protection and guarantees regarding resource nationalist interventions and the threat of appropriations and nationalization. While the Tanzanian state expects to increase the government's take of the country's mineral rents, this is yet to happen, and recent concessions with Barrick and other foreign companies suggest that these companies will retain large shares.

Most recently President Magufuli, while laying a foundation stone for an East African crude pipeline from Uganda to Tanzania, mentioned that Tanzania has offered several generous tax incentives to Uganda and three multinational companies that are involved (Total, Tullow and CNOOC). This is yet more evidence that the state is retreating from its resource nationalist stance towards a more pragmatic approach. This trend of retreating from resource nationalism and embarking on a more pragmatic approach has seen the government relax local content regulations recently. Indigenous Tanzanian companies' equity requirements have been reduced from 51% to 20%. The government has also resumed negotiations with a consortium of international oil companies made up of Equinor, Shell, Exxon-Mobil and Pavilion for construction of a US$ 30 billion, liquefied natural gas (LNG) plant in the southern region of Mtwara. The project is seen as a strategic investment option given Tanzania's strategic location relative to potential LNG markets in Japan, China, South Korea and India. These developments further suggest that the Tanzanian state is acknowledging the capacity constraints facing its SOEs, which limit the desire to translate nationalistic ideas into implementation, as observed with the NDC in the coal sector.

The Discussions and analysis presented in this thesis are not aimed at discouraging the public ownership of mining, natural resources or strategic sectors of the economy. For Tanzania, the desire to pursuing resource nationalism with revived SOEs like the NDC and others such as STAMICO and the newly created TWIGA in the gold sector is a legitimate national endeavor, just as many other countries have attempted to do in the extractive sector, discussed in Chapter four of this thesis. Privatization has failed in many parts of the world, and this analysis does not in any way intend to criticize states that wish to use SOEs to boost their participation along the mining value chain. I am also not suggesting that private foreign companies are better at managing the sector. The discussion and arguments presented in Chapter six nonetheless suggest that states must admit and confront the capacity constraints facing SOEs, especially in the extractive sector, which involves substantial capital investments, as well as various risks ranging from the geological, fiscal and operational, to mention just a few.

Re-emerging resource nationalism in the Tanzanian coal sector and beyond is indeed legitimate, and the involvement of revived SOEs is not necessarily bad, but the Tanzanian ruling elites must make a critical assessment of the capacity of the revived SOEs in question. Understanding both the realistic opportunities and limitations of the SOEs involved will potentially lead to productive state engagement in the extractive sector beyond coal. Politicizing and celebrating the return of revived SOEs without such critical reflections is likely to fuel unrealistic expectations for both the ruling elites and the wider citizen body in the future. For SOEs to play a meaningful role and contribute to Tanzania's broader resource-led ambitions for industrialization, resource-nationalist measures should go hand in hand with ensuring that SOEs become technically and financially viable.

8.2.3 Resource nationalism and the double role of the state

Chapter seven returned to TANCOAL's Ngaka coal mine and examined resource nationalism and the role of the state as an investor through a revived SOE, exploring the changing relationships between the SOE, its joint-venture partner and the local populations. My contribution in this chapter is both empirical and theoretical. My analysis in Chapter seven showed that, in the initial stages, the NDC and its joint-venture partner both relied on the CCM's and Tanzania's resource nationalist ideology and framing of Ngaka as a project of national importance to fast-track consultation and limit the participation of the local population in Ngaka. I argue that, over time, the rights of the local population were accommodated, and new economic opportunities emerged. These changes were influenced by local politics and the changing holding power of the local population, who inflicted electoral damage on the CCM in the local elections. Theoretically this chapter has gone beyond recent dominant literature in this area, such as that on land-grabbing, the resource curse and corporate social responsibility, by examining the state in its relationship with the local population. I also deployed the concept of holding power (see Chapter two) as an additional analytical tool to show how the power of the state, the SOE and their joint venture partners vis-à-vis the local population has changed over time. My research shows that, despite supporting the CCM's resource nationalism and the return of the SOEs in mining, local populations remained critical of how the state and its joint venture partner behaved. While the return of the state-owned companies in mining was framed as the beginning of a new chapter in terms of the relations between the state and local population, findings from my analysis empirically demonstrate that SOEs and the double role of the state as an investor and arbiter in conflicts can reinforce the historically violent and unequal practices established by foreign mining companies during liberalization.

8.3 Implications and thoughts for future research

The findings and implications of this thesis point to several unfinished questions, which opens up potential new areas for future research. In the section below, I suggest and briefly discuss future areas for research in Tanzania and beyond.

8.3.1 SOEs capacity, bargaining and future of resource nationalism: Africa and beyond

This thesis has focused on Tanzania's efforts to revive its SOEs in the mining sector, particularly coal. As I have shown in Chapter six, Tanzania's efforts to use SOEs have been undermined by a technically and financially weak SOE, which forced ruling elites to embrace a hybrid version of resource nationalism which continued to depend on foreign investments. Future research on how states can ensure nationalistic moves and bargaining with foreign companies goes hand in hand with building the capacity of their SOEs will be useful, otherwise we are likely to see a trend in countries retreating from their resource-nationalist goals due to the weaknesses of their SOEs. Beyond Africa, Venezuela offers a prime example of this.

For many years this Latin American nation has been hailed a model of resource nationalism, and its hardline resource-nationalist approach under Hugo Chavez was widely seen as an inspiration for nations in the global South that are seeking to take greater control of their natural resources. With its history of radical resource nationalism, Venezuela has recently made a sharp reversal by opening up its oil sector to private investors and surrendering control of its key national resource to Russia's state-owned oil company Rosneft and China's state-owned oil giant, the China National Petroleum Corporation (CNPC) (*New York Times*, 2020). Due to capacity constraints Chavez' successor Nicholas Maduro has sacrificed the historic dominance of the state-owned oil company *Petróleos de Venezuela* (PDVSA) by letting foreign oil firms, notably Russians and Chinese, to take over everything from operations to exports. Recent analysis in the *New York Times*, for example, found that, 'after decades of dominating its oil industry, the Venezuelan government is quietly surrendering control to foreign companies in a desperate bid to keep the economy afloat and hold on to power. The opening is a startling reversal for Venezuela, breaking decades of state command over its crude reserves, the world's biggest' (*New York Times*, 2020).

While this move to reverse resource nationalism and relax state control has allowed Venezuela to stabilize its oil output and ensure the regime's survival for now, it shows how pragmatism came at the cost of ditching Venezuela's historic hardline resource-nationalist stance as a result of the weakness of its SOEs. Recent developments in Venezuela underscore the need for future research on how states can balance aggressive bargaining while improving the capacity of their SOEs to ensure that resource nationalism is coupled with domestic capacity and to avoid retreating from resource nationalist goals. This is particularly timely, as many countries in Africa are already retreating from resource-nationalist positions. In Zimbabwe, in 2019, the government announced plans to repeal the Indigenization Act to allow foreign companies to acquire full ownership of platinum and diamond mines in order to boost investment in the mining sector (Bloomberg, 2019). In 2019, Zambia reached a compromise with the mining companies by scrapping the sales tax and the state ditched its plans to seize the assets of the Canadian mining company, First Quantum (*Miningweekly*, 2019; Reuters, 2019a). Two oil-producing West African states, Ghana and Gabon, are adjusting their resource-nationalist terms of business to lure foreign investors to invest further as a coping strategy to stem falling oil prices (Reuters, 2019b). And in Uganda, President Museveni has slightly relaxed his resource-nationalist stance and made concessions to a consortium of oil companies (Monitor, 2019) after pursuing a hardline resource-nationalist approach in recent years (Hickey and Izama, 2020).

8.3.2 Double role of the state and SOEs' social license to operate

Should state-owned enterprises in the mining sector seek a social license to operate? As discussed in Chapter seven, the double role of the state in the coal sector as an active investor through SOEs on the one hand and the protector of the rights of local populations in the other has created tensions between the state and local communities. Questions still remain on how SOEs legitimize their extraction projects and whether they should strive to acquire a social license to operate as their private counterparts increasingly are trying to do. The present research has looked at a joint venture between SOEs and a foreign multinational, but in the future it would also be useful to see other studies undertaken of this tension as a result of the double role of the state, especially in mining projects undertaken entirely by SOEs and in other sectors apart from coal. The discussion in Chapter seven shows that the NDC was influenced by a stock-listed foreign partner that was concerned about reputational damage. But what about cases where SOEs, many of which are not listed, are carrying out extraction projects on their own?

As this thesis was being completed, the Tanzanian state was actively encouraging and incentivizing SOEs to undertake their own projects in the mining and oil sectors, which is likely to increase the tensions between the state and local populations. This calls for further research to unpack how SOEs will navigate the challenging terrain and tackle issues such as extensive prior consultation, compensation and adherence to international standards, to mention just a few issues that are prevalent.

8.3.3 Impact of resource nationalism on the capacity and autonomy of institutions

How do changing ideas about resource governance and resource nationalism affect the capacity and autonomy of institutions that are governing the mining sector in Tanzania and beyond? In Tanzania, the recent nationalist turn has led to the complete dismantling of some institutions like the Tanzania Mineral Audit Agency (TMAA), which was regarded as among the best in Africa, previous research showing it to have been a credible autonomous institution that helped Tanzania secure and improve its mining revenues and prevent tax evasion (NRGI, 2017). Unfortunately, the TMAA was caught up in the height of resource nationalism, and this highly performing institution was dissolved as a result of politicization and a mistrust of independent institutions. Apart from dissolving institutions like TMAA, the recent wave of resource nationalism has also led to the emergence of new institutions like the Tanzania Mining Commission, which seems to receive strong political backing from ruling elites. Going forward, more research is needed to understand the effects of resource nationalism on mining institutions, particularly on their technical capacity and their ability to execute their day to day mandates independently.

In the petroleum sector, a recent study by Pedersen and colleagues (2020) suggests that resource nationalism has had a significant negative impact on both the capacity and autonomy of state-owned institutions governing oil and gas at the upstream and downstream levels. In their analysis, Pedersen et al. (2020) concluded that both the national state-owned oil company, TPDC, and the downstream regulator, EWURA, were able to build their technical and operational capacities over the years until a relatively new version of radical resource nationalism and politicization, linked to the increasing electoral competition which emerged from the second half of the Kikwete administration, degraded and undermined their capacities and autonomy. They note:

> Whereas the undermining of capacity began in the upstream exploration and production segments of the petroleum sector, and therefore first affected TPDC's capacity, it eventually affected EWURA as well. As resource-nationalist sentiments had

> increasingly focused on sovereignty and ownership, EWURA had gone on living a life of relative political obscurity. Again, the character of interventions was significantly influenced by changes in the political settlement related to President Magufuli's campaign to clean up sleaze in the public sector. The so-called "clean-up exercise" was used purposely to control key appointments and recruitment in SOEs, thereby enabling President Magufuli to get rid of some of those who were associated with the old Kikwete networks and to position himself to control the same old rents. (Pedersen et al., 2020: 20)

As the ruling CCM seeks to strengthen its control over SOEs at a time when resource nationalism is gathering pace, more research is needed to understand how changing ideas about resource governance and resource nationalism are impacting on the capacity and autonomy of institutions in the mining sector, including mining-related SOEs such as the NDC and STAMICO.

8.3.4 The future of coal in Tanzania in the era of the energy transition

After coal power was declared to be Tanzania's priority source of energy (Jacob, 2017), very little has happened between the second term of President Kikwete and the current government under Magufuli. Ambitious plans for coal-fired power have stalled due to a combination of factors, including resource nationalism. The current government has focused its attention on natural gas and increasingly on hydropower as the main source of power for Tanzania. What happens to Tanzania's vast coal reserves in an era when the green energy transition is already well underway – where are countries being encouraged to reduce our dependence on coal? If the trend to prioritize natural gas and hydropower continues, and the costs of renewable sources such as solar and wind keep falling, there could be massive amounts of unutilized and thus stranded coal assets in Tanzania in the future. Research on what Tanzania's future energy mix will look like and the future role of coal in the energy mix is needed to understand how the coal sector in Tanzania and other African countries will navigate the challenging period of energy transition and global climate commitments that lies ahead.

8.3.5 Other areas

Other potential areas for future research include increasing the role of military-owned enterprises in Tanzania, as I mentioned in Chapter four. Research on the links between military-owned enterprises and regime survival could shed more light on developments in contemporary Tanzania. I am proposing this with a clear understanding that undertaking research on such a sensitive subject will be very challenging under the current political climate in Tanzania. The focus on military-owned enterprises should go alongside research on broader political economy concerning the recent efforts to overhaul the SOE sector, which has produced mixed results so far.

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