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Why Companies Fail to Earn the Social License To operate? Insights from the Extractive Sector In Tanzania

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Abstract

In this paper we explore the actions of companies operating in the extractive sector in Tanzania to address the question why their actions failed to earn these companies the social license to operate (SLO). We used focus group discussions to collect extensive qualitative data at various sites where extractive activities have been taking place in the country. Our findings how that although companies have implemented a number of actions in the form of corporate social responsibility projects, paid compensations for land taken over, and paid local taxes, such actions have not succeeded in earning them the SLO. We found that the role of central government is pervasive in the whole SLO granting process even though it is the local community that grants it. Thus, companies alone are unlikely to earn SLO in situations where government policies, which companies have to follow, are perceived by communities to be inequitable. We recommend that companies engage more effectively communities neighboring natural resources extraction sites and remain sensitive to the broader local political milieu that could affect the granting of the SLO. We further suggest that the companies' efforts need to be buttressed by appropriate government policies. Finally, we make suggestions for future research.

Keywords: social license to operate; Tanzania, corporate social responsibility; extractive sector; community engagement.

1.0 Introduction

The social license to operate (SLO) has and continues to be an issue of concern among the research and practitioner communities (Baba & Rufflet, 2014; Gehman, Lefsrud & Fast, 2017; Pósleman & Sallan, 2019). The efforts to gain the SLO which involve consultations with communities and other stakeholders would afford companies and communities the opportunity to align their respective interests in order to avoid clashes during operation (Asmus, 2009; Dare, Schirmer, & Vanclay, 2014; Moffat, Lacey, Zhang, & Leipold, 2016). The search for SLO points to a realization that compliance with legal frameworks is no longer adequate to guarantee smooth exploitation of natural resources

(Meesters & Behagel, 2017; Zandvliet & Anderson, 2009). Indeed, absence of SLO could lead to fatal consequences (Moffat & Zhang, 2014). Prno & Slocombe (2012) state that:

> Where mining projects have not satisfied the demands of civil society and of local communities in particular, shutdowns and slow-ups have frequently occurred. Protests and blockades, non-issuance or retraction of government permits, media and shareholder campaigns, and government lobbying have proven the power of civil society action across the globe. (p. 1)

Researchers have pointed out that obtaining and maintaining the SLO is a complex and challenging process (Boutilier & Thomson, 2011) not only because the process is not well understood (Kemp & Owen, 2013; Baba & Rufflet, 2014) but also because is influenced by values, beliefs and perceptions of the various stakeholders (Boutilier & Thomson, 2011; Moffat et al., 2016). While research on SLO is generally still limited (Kemp & Owen, 2013), it is growing (Gehman, et al., 2017; Moffat et al., 2016). For example, there has been research on this issue in Tanzania (e.g., Goldstuck & Hughes, 2010; Lange & Kolstad, 2012); in Peru (e.g., Pósleman & Sallan, 2019), in North Europe (Koivurova et al., 2015) and in other countries (e.g, Boutilier & Thomson, 2011; Browne, Stehlik, & Buckley, 2011; Gunningham, Kagan, & Thornton, 2004; Kemp & Owen, 2013; Meesters & Behagel, 2017; Ogwang, Vanclay, & van den Assem, 2018). Studies on SLO have also been conducted in sectors other than mining. The following sectors have had the concept of SLO applied to them: (a) energy (Boutlier & Black, 2013), (b) farming and agriculture (Shepheard & Martin, 2008), (c) forestry (Edwards & Lacey, 2014), and (d) pulp and paper manufacturing industry (Gunningham, Kagan & Thornton, 2004).

One of the gaps in the current literature on SLO includes the limited perspective of communities on the question of SLO. Studies that have been carried out in Tanzania have concluded that SLO is a large problem in the mining subsector (e.g, Goldstuck & Hughes, 2010; Lange & Kolstad, 2012). However, these studies have approached the SLO issue from the companies' perspective by collecting data from companies. Studies have not explored the question of why communities fail or are unable to grant companies the SLO. In other words, there has been limited attention paid to SLO from the perspective of communities. This may be due to the nature of community, which often consists of various stakeholders with varying interests that may even conflict at times. Yet, understanding why communities fail to grant companies the SLO may shed light on strategies that companies might apply to earn it. In this research, we take the community's view to explore the actions of extractive companies operating in Tanzania to earn the SLO in order to address the question: Why have companies failed to earn the SLO in the Tanzanian extractive sector?

SLO is increasingly becoming a crucial issue in Tanzania. This is because the extractive sector has been growing over the last two decades (Curtis & Lissu, 2008; United Republic of Tanzania, 2013; 2015a; Tanzania Episcopal Conference [TEC], National Muslim Council of Tanzania [BAKWATA], &

Christian Council of Tanzania [CCT],[1] 2017) and in the middle of this growth, the community-company relations in the areas where extractive activities are being pursued have been conflict-ridden (Curtis & Lissu, 2008; Helliensen, 2012). One way to approach the current impasse is to create a better environment underpinned by clear insights about why companies have failed to earn the SLO in order to avoid the community–company conflicts. The purpose of this paper is to provide such insights. Next, we provide an overview of the extractive sector in Tanzania; review literature on acquisition and maintenance of SLO; explain methods for data collection and analysis; and present research findings. Finally, we discuss the findings and provide conclusions and recommendations.

2.0 Overview of the Extractive Sector in Tanzania

Until recently the extractive sector occupied an important place in the Tanzanian economy: contributed roughly 5% of GDP, generated one-third of export earnings and provided over 10% of government revenue ("Mining Sector in Crisis," 2017). The country is endowed with a variety of minerals and commercial quantities of petroleum resources (United Republic of Tanzania, 2013; 2015a). For example, Tanzania is one of Africa's largest producers of gold (Curtis & Lissu, 2008; Tanzania Episcopal Conference, National Muslin Council of Tanzania, & Christian Council of Tanzania, 2017). The mining subsector evolved from the first commercial mining of gold around Lake Victoria in the 1890s. Diamond was discovered at Mwadui in the 1920s and extraction commenced a decade later (Tanzania Chamber of Mines, 2018). The adoption of socialist policies in 1967 resulted in state control of the sector (Bagachwa, Mbele & van Arkadie, 1992). However, this was reversed when the economy was liberalized in the mid 1990's (United Republic of Tanzania, 2015a). Figure 1 is the map of Tanzania highlighting the main mines and the years when operations began.

Similar to mining, activities in the petroleum subsector began in the pre-independence era (Melyoki, 2017) although natural gas was first discovered at Songosongo (Lindi) and Mbamba Bay (Mtwara) in 1974 and 1982 respectively. Economic liberalization in the 1990s, resulted in the explosion of exploration activities leading to the discovery of commercial quantities of natural gas by 2012 (Melyoki, 2017). By the end of 2017, ten international oil companies were active in the petroleum subsector (Tanzania Petroleum Development Corporation, 2017). The leading companies began operations as follows: Pan Africa Energy (PAE)–2004; Wentworth (formerly M&P)–2006; Ophir, British Gas (BG) and ExxonMobil–2004; and Statoil–2007. Figure 1 shows the sites where the companies have natural gas-related operations. The Mining Act of 2010, the Petroleum Act of 2015 and more recently, the Natural Wealth and Resources (Permanent Sovereignty) Act of 2017 provide the overarching governance framework for the two subsectors (United Republic of Tanzania, 2010; 2015b; 2017).

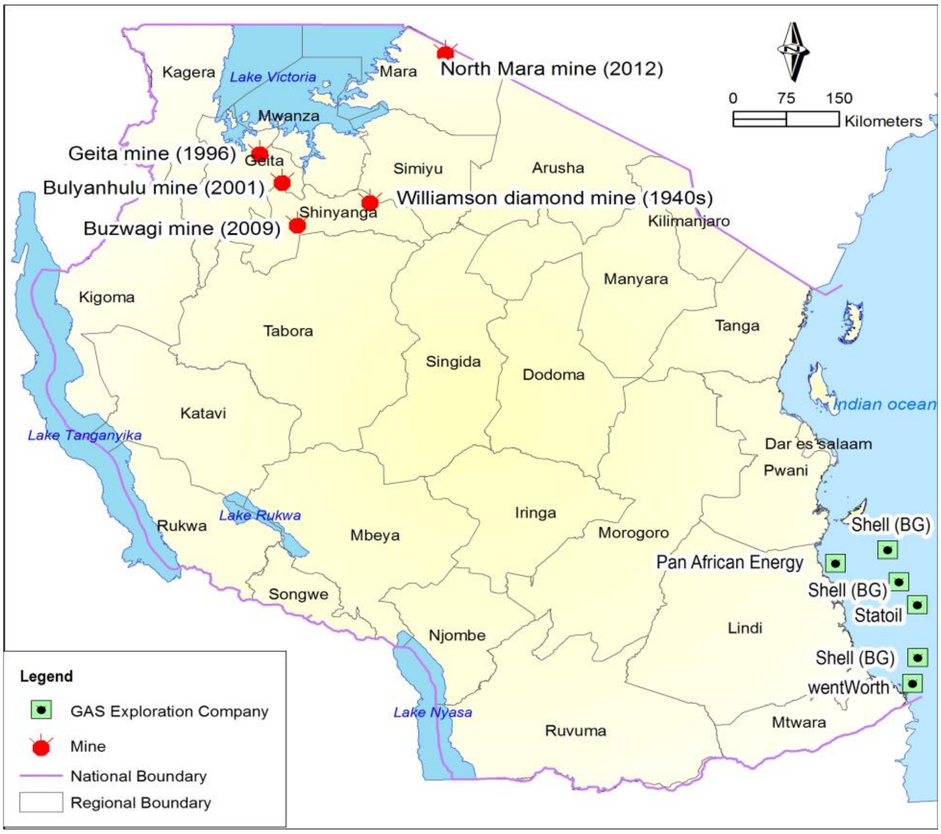
3.0 Acquiring and Maintaining the SLO

The term, SLO emerged from the mining subsector in early 1997 when Jim Cooney—former Director of Placer Dom—used it for the first time (Cooney, 2017). It refers to the acceptability of the companies' projects or activities by the neighboring community (Ogwang et al., 2018). Acquisition of SLO has been

[1] TEC stands for Tanzania Episcopal Conference while BAKWATA stands for Baraza la Waislamu Tanzania and CCT stands for Christian Council of Tanzania. TEC and CCT are Christian religious organizations for the Catholic church and a collective of protestant churches respectively while BAKWATA is a Muslim organization. They work to advance the interest of their respective religious communities.

seen as a strategy for companies to minimize the social risk facing them in the extractive sector (Boutilier & Thomson, 2011). Gunningham, Kagan and Thornton (2004) state that the need for SLO arises from "the demands on and expectations for a business enterprise that emerge from neighborhoods, environmental groups, community members and other elements of the surrounding civil society" (p. 308). The notion of 'demand' could suggest that communities have rights or entitlements, which they require that companies respect in the course of extractive operations. Expectations on the other hand may not necessarily be rights but desired actions that communities believe corporations would exhibit during operations. Based on this, it possible that rights are respected but if the desired actions–behaviors are not forthcoming, SLO may still be a problem. It appears that a combination of rights and desired behavior is what would earn companies the SLO.

Figure. 1: Map of Tanzania highlighting the sites data was collected.



Source: Authors.

Despite being important, earning SLO involves a complex process. This is because SLO requires effective balancing of two contradictory aspects involved in natural resource exploitation: the beneficial effects of extractive activities (Bridge, 2004; Davis & Franks, 2011; Ogwang et al., 2017) and the negative effects of these activities on the communities (Davis & Franks, 2011; Ogwang et al., 2018). As part of the strategy to earn SLO, companies have often pursued corporate social responsibility (CSR) activities (Idemudia, 2010). However, this strategy has failed due to structural and systemic limitations inherent in CSR approaches (Idemudia, 2010; Rajak, 2011; Gilberthorpe & Banks, 2012; Banks, Scheyvens, McLennan, & Bebbington, 2016).

As noted, SLO is granted by the local community; however, the definition of 'community' and the person or entity who represents or should represent it in accepting the activities of the corporation are not clear. A community is made up of a "network of stakeholders [and that] usually, there are political differences of opinions within the network of stakeholders" (Boutilier & Thomson, 2011, p. 3). The various stakeholders that may be involved in granting SLO include the local community, civil society organizations and other interest groups (Nelsen & Scoble, 2006). The involvement of different stakeholders within the same community may give rise to intra-community difference leading to a situation where a company earns the SLO from one segment of the community but may fails to earn it from other stakeholders from that same community (Gunningham, Kagan & Thornton, 2004). In the end, reconciliation of the competing interests requires making compromises among the concerned parties (Colub, 2014), a matter that is not always easy.

Another complexity with SLO is the difficulty of applying a strategy that worked in one community to another community (Chazan, 2011; Wilburn & Wilburn, 2011). A company may earn the SLO in one community based on particular strategy of negotiation, but that strategy may be rejected in another community. This was the case with Royal Dutch Shell, which used the same strategy in Philippines and Nigeria. Based on the strategy, Shell earned the SLO in the Philippines but failed to earn it in Nigeria (Chazan, 2011; Wilburn & Wilburn, 2011). What this experience reveals is that despite complexity, SLO can be acquired with the right strategy for specific context. In turn this requires a sound understanding of the community in which extractive activities are carried out in order to develop a strategy that fits the values and beliefs of that community rather than assuming that one-size-fits-all.

In a survey conducted by Nelsen and Scoble (2005) the majority of respondents mentioned success factors for earning the SLO as including: (a) maintaining a positive corporate reputation; (b) understanding local culture, language and history; (c) educating local stakeholders about the project; and (d) ensuring open communication among all stakeholders (Nelsen & Scoble, 2006). Respondents also mentioned that an understanding of sociopolitical and economic factors was critical to ensure that the right and adequate efforts were invested to earn the SLO (Nelsen & Scoble, 2006).

In an attempt to develop a model for how SLO is earned, Boutilier and Thomspson (2011) proposed a cumulative pyramid model. The model consists of four stages of SLO: (a) withheld/withdrawn, (b) acceptance, (c) approval, and (d) psychological identification. These authors contend that SLO is acquired in stages, moving from the lower level (e.g. acceptance) to a higher one (e.g. psychological identification). Based on further research, these authors revised the pyramid model and replaced it with the arrowhead model, which also has the same four levels that are arranged in a continuum and are to be earned cumulatively (Boutilier & Thomson, 2011). However, we argue that the withheld–withdrawn stage is not really a stage because there is no SLO yet to talk about. The three levels—acceptance, approval and psychological identification—in the arrowhead model, which is adopted in this study, are shown in Table 1. It is noteworthy that the highest stage in the SLO process is achieved when trust has deepened (Helliensen, 2012; Lange & Kinyondo, 2016). Obtaining SLO and maintaining it are different but related concepts. Obtaining SLO means that an organization or project has met the conditions required to earn the SLO from the community. Maintaining the SLO means that the company–project keeps implementing the actions that ensure a positive relationship with the community in order to motivate the community to continue allowing the company/project to undertake extractive activities.

Table 1: *Determinants and stages of SLO*

Determinants of SLO stages	**Stage of SLO**
Socio-economic Legitimacy Perception that the project–company offers a benefit: economic, social (e.g., employment, training and development pathways for youth, and infrastructural projects) **Socio-political legitimacy** Perception that the project–company contributes to the community's well-being and respects community formal and informal, legal, social, and cultural norms	**Acceptance** Tentative willingness to the let the company proceed with the project
Interactional trust Perception that the company and its management listens, responds, engages in mutual dialogue, shares information, and exhibits reciprocity in its interactions	**Approval** Stakeholder's support for the project—a resistance to the ideas disseminated by critics of the project–company
Institutionalized trust Perception that relations between the stakeholders' institutions (e.g., the community's representative organizations) and the project–company are based on an enduring regard for each other's interests or shared vision of mutual interdependence	**Psychological identification** Perception and belief that the community's future is tied to the future of the company's project.

Source: Based on Boutilier & Thomson (2011).

The lowest level of SLO, that is, the acceptance stage, represents the community's tentative willingness to let the company or project proceed even though doubts and complaints still exist. One could therefore consider acceptance stage to be a probation period where communities allow a project to proceed but under close observation. Boutilier & Thomson (2011) argue that the acceptance stage is a situation where the project is perceived to have economic legitimacy because it can offer social and economic benefits to the community. These benefits include (a) employment, (b) training, (c) development opportunities for youth, and (d) infrastructural projects. It is the combination of economic legitimacy and socio-political legitimacy that generates the acceptance stage of SLO (Boutilier & Thomson, 2011). Sociopolitical legitimacy is the perception that the project or company has been accepted and that it respects the local way of life—including norms, laws, social and cultural and formal and informal—keeps promises, and meets expectations about its role in society.

The approval stage, which is a higher stage of SLO, consists of stakeholder support for the project and a resistance to the ideas of the critics of the project. This stage depends on interactional trust. Interactional trust is the perception that the company and its management listens, responds, engages in mutual dialogue, shares information, and exhibits reciprocity in its interactions. How community members perceive the fairness of procedures through which the company's decisions that affect them are made is an important aspect of interactional trust.

The psychological identification stage is the highest stage of SLO and refers to the community's perception and belief that its future is tied to the future of the project (Boutilier & Thomson, 2011). Institutionalized trust, which underpins this stage, is defined as the perception that relations between the stakeholders' institutions such as representative organizations and the company or project are based on an enduring regard for each other's interests (Boutilier & Thomson, 2011). Credibility is implied in the relationship and emerges interactively as stakeholders fulfill each other's expectations.

4.0 Data and Methods

Qualitative data for this study was collected in July and August 2015 at sites where extractive activities were taking place in the country, that is, Mtwara, Lindi, (natural gas) and Shinyanga, Mara and Geita regions (mining activities). These sites were selected because they have had a track record of conflicts between companies and the neighboring communities. For example, Lange (2008) reported conflicts between the mining companies and communities around Geita gold mine, Bulyahulu gold mine and North Mara gold mine caused by communities' objection of company activities in those areas. Similarly, violence occurred in 2012 in Mtwara where natural gas was discovered as communities attempted to resist exploitation of natural gas and piping it to Dar es Salaam for processing and industrial use. Figure 1 shows the map of Tanzania and sites where data was collected.

The help of three research assistants was sought during data collection. Their role was to take extensive notes during interviews, which were later typed, reviewed, and used to identity emerging themes. Two groups of people were interviewed, that is, key informants and ordinary citizens. In all cases but one, we conducted focus group discussions (FGD). Lederman (as cited in Rabiee 2004) defines a focus group discussions as, "a technique involving the use of in-depth group interviews in which participants are selected because they are a purposive, although not necessarily representative, sampling of a specific population, this group being' focused' on a given topic" (p. 1). Participants in this type of research are selected on the criteria that they would have something to say on the topic, have similar socio-characteristics and would be comfortable talking to the interviewer and each other (Richardson & Rabiee, 2001).

In this study, key informants were interviewed because they had knowledge about the subject matter including knowledge on extractive sector policies, knowledge about the operations of the extractive companies, projects implemented by companies, and community engagements activities. Fifty-seven key informants were interviewed at various levels: regional (11), local authority (35) and village (11). In addition, 139 study participants were interviewed in 14 focus groups (124 citizens and 15 CSO representatives). Focus group discussions were held with communities and civil society organizations to obtain their views and experience about the actions of the companies. The interviewees had similar socio-characteristics and were comfortable talking about the subject; thus, meeting the criteria presented by Richardson and Rabiee (2001). Table 2 provides information on study participants.

A bottom-up approach to data analysis was applied. This involved, identifying themes within the data rather than imposing themes on the data (Draper, 2004). These emergent themes were classified, according to whether they fitted existing descriptions of SLO provided in the literature. Thick descriptions were then provided as well as interpretation and matching the emergent themes with stages of SLO and the underlying determinants. Thick description and interpretation are common approaches for analyzing qualitative data (Draper, 2004; Rabiee 2004). Direct quotes from the FGDs and interviews that were agreed upon by study participants are also provided as part of findings. Tables were also used to summarize findings within themes where appropriate. The elements of the model by Boutilier & Thomson (2011) and those used by Nelsen and Scoble (2006) were used as broad categories for organizing and presenting findings in this study.

Table 2. *Number of Study Participants in Regions, Local Authorities, and Villages*

Organization	**Participants**
Regional Administration	11
Local Government Authority	35
Civil Society Organizations	15
Community leaders	11
Villagers (Ordinary citizens)	124
Total	196

5.0 Research Findings

5.1 Corporate Social Responsibility (CSR) Projects

To gain economic legitimacy, companies implemented a number of projects based on the individual company's CSR policy. Pan African Energy (PAE) and Songas were the two companies that had activities at community level were in Lindi region. PAE was extracting natural gas at Songosongo ward, while Songas operated a gas pipe that transported gas to the Tanzanian commercial city of Dar es Salaam. There was no mention of Songas's contributions in the community neither was the pipe seen as an ongoing project. With regard to PAE, study participants informed that PAE had implemented a number of beneficial projects in the community, transforming living conditions for the better. The list of projects included (a) meeting the cost of supplying electricity and water to a large portion of the local population which in turn stimulated economic activities, (b) construction of dispensary and staff houses at Nangurukuru and a health centre at Kilwa Kivinje, (c) provision of solar power to all 27 secondary schools in the district, (d) supply of cement and iron sheets to all secondary schools to support construction of laboratories, and (e) a hostel at Songosongo secondary school among others. One study participant observed that:

> The village government is now using the 20% disbursed by the council to roof some of the grass-thatched houses of some members of the community. This will be implemented in phases and the target is to

> phase out all grass-thatched houses and supply electricity to each household. (Key informant, Kilwa DC, July 2015).

In the neighboring region of Mtwara, Stateoil, BG and WentWorth were known to have operations in the region. However, only BG's and WentWorth's activities were considered visible and hence commented upon by study participants. BG funded various projects including a business plan development training for youths under the "Self-employment for 100 youths" (Kijanajiajiri) program and a community development program that Africare International, a foreign Non-Governmental Organization (NGOs) implemented. The latter program supported seven youth agricultural groups, five poultry groups and five beekeeping groups. Pamoja Environmental Focus, an NGO that BG funded, assisted two youth groups to engage in aquaculture and assisted in setting up two Village Community Banks in Madimba and Msimbati villages. BG also funded educational and training institutions including the Vocational Education and Training Authority (VETA) and a number of secondary schools in the region. Together, BG and WentWorth provided employment to twenty youths from Msimbati and Madimba villages while WentWorth constructed a hostel at Msimbati secondary school and installed a water harvesting system in some primary schools. Although BG and WentWorth supported many projects in Msimbati na Madimba villages communities still wondered:

> If we compare the profits that these companies will make from natural gas when they extractive it with the value of these projects they are implementing in the villages, you will agree that the value of the projects is just too low. (FGD, Madimba Mtwara DC, July 2015).

The community was also concerned that the youths who had obtained training through company support did not secure employment. The FGD participants stated that "…even the youths who were received training, through the support of the companies, are still unemployed." (FGD, Madimba, Mtwara DC, July 2015).

While the community expressed frustration over all these concerns, members of the FGDs stated that people were generally afraid of raising their voice loudly for fear of a repeat of the riots that erupted in 2012 and subsequent central government intervention could take place. During the riots people were beaten, women were raped, and 12 people lost their lives (Thobias & Ksennia, 2017). The protests were related to claims popularized by local politicians that natural gas would be transported to the commercial city of Dar es Salaam, depriving the Mtwara region of the opportunity to become a 'Singapore' through natural gas-inspired industrialization. The other dimension of local politics related to benefit sharing with CSO. In this regard, local CSOs criticized BG for contracting a foreign NGO (that is, Africare) to implement local projects rather than using local NGOs who, as claimed, had better knowledge of the local environment and offered sustainable solutions.

In the mining areas the picture was not different from the one in natural gas areas. In that sense, companies operating in the mining areas also implemented CSR activities. The list of activities implemented at the Mwadui Diamond mine included: supporting artisanal miners with a grant of Tanzanian Shillings (TZS) 16.2 million2; installing a water pipe at Mwadui-Luhumbo village; construction of school classrooms and office for the village government, supply of desks to

[2] The average exchange rate at the time of this research (2015) was 1 US$=TZS 1,800.00

several schools and motorcycles to village chairmen of the eight surrounding villages. Similarly, Acacia funded a number of activities around the Buzwagi gold mine: the training of youth on how to produce interlocking bricks, organized workshops to engage the local business community and made efforts to procure local products rather than importing them. Also, the company funded (a) surgical missions (1–2 per year) where medical doctors from abroad performed surgery on people with cleft lips and cleft palates, (b) constructed secondary schools' laboratories, (c) constructed a five kilometer tarmac road, and (d) paid school fees and bought uniforms for some disabled children as well as those from poor families. Four-hundred households had benefited from such support at the time of this research. In addition, the company constructed and equipped a high school. Table 3 summarizes the CSR projects implemented by companies at each of the research sites. Our results confirm findings from previous research in which data was collected from companies (e.g. Lange & Kolstad, 2012).

In the areas around Geita Gold Mine, the Ashanti Gold Mine tried to create business opportunities by supplying tools for welding and tailoring to youth groups. It also procured food items mainly fruits from the local suppliers. Other projects were construction of a secondary school for girls and a water infrastructure, three classrooms at a primary school, administration block at the ward's headquarters and drilled a borehole at the primary school.

Around Bulyanhulu Gold Mine, Acacia implemented several projects including supporting youth and women's groups with cleaning equipment, employing women as cooks for the security guards at the company site, helped set up Savings and Credit Cooperative Societies and upgraded a dispensary (Bugarama) to a health center. Others included construction of laboratories, teachers' houses and classrooms and sponsoring children from poor families. Acacia implemented largely similar activities around North Mara Gold Mine: rehabilitation of the Nyamongo Health Centre, Igwe Secondary School and construction of staff houses, rehabilitation of eight primary schools and construction of two new ones. The company drilled boreholes to supply water to communities and constructed ward offices at Nyangoto Ward as well as a police post, among others.

Despite the investments made by the mining companies through their CSR programs, communities still blamed them. The main reason was that citizens viewed companies as the source of impoverishment in their areas because these communities could no longer pursue small-scale mining, one of the key sources of livelihood, as companies had taken over the extraction sites. The CSR activities implemented by the companies could not make up for lost incomes. For example, while Mwadui Diamond Mine had implemented a number of projects, it was castigated for doing too little to support the local economy. Communities also reported that employment that the Mwadui Diamond Mine provided to the local population was limited to low-skilled positions (e.g., pruning of trees, militia men, cooks, etc.). Similar concerns were expressed at the Geita Gold Mine with a sense of bitterness. A member of the FGD representing a shared position said, "I have been an artisanal miner since 1992 and managed to feed and educate my children. Now I cannot afford to do that because I was evicted from the mining area…" (FGD, Compound Street, Geita TC, August 2015).

At Bulyanhulu, concerns revolved about similar issues particularly the need to prioritize employment of local youths. At North Mara, the issue of small-scale miners topped the list. Overall, while the CSR projects implemented by companies were seen as useful, communities did not consider them as proving sufficient benefits compared to the profits that companies would be making from the extractive operations.

Table 3: Some of the Social-economic CSR Projects Implemented by Companies[3]

Social-economic CSR projects	**Company (a number represents a company)**								
	1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
Education									
Supply of power to schools, construction materials for labs, hostels, desks, etc.	✔	✔	✔	✔		✔	✔	✔	✔
Supporting Other educational institutions (e.g., VETA)	✔								
Health									
Construction of health facilities, houses, supply of equipment etc.			✔			✔		✔	
Support surgical missions							✔		
Utilities (water, power)									
Supply piped water, construction of borehole etc.		✔		✔				✔	✔
Installation of electricity supply			✔						

[3] These CSR projects were confirmed by local government officials.

Table 3 continued

Social-economic CSR projects	**Company (a number represents a company)**								
	1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
Economic sectors									
Initiatives to integrate local business with companies							✔		✔
Supporting youth employment activities (training on entrepreneurship, brick making, agriculture, beekeeping etc.)	✔		✔				✔		✔
Supporting community level economic institutions (Village Community Banks, Savings and Credit Cooperative Societies, etc.)	✔			✔		✔			
Infrastructure									
Construction of office village–Ward office				✔				✔	✔
Support to marginalized or poor families (sponsoring children to school, etc.)	✔					✔	✔		
Provide transport—village leaders				✔			□		

Key: (a) ✔ means that the company is perceived by the community to have implemented known CSR activity (ies) at community level (b) the shaded cell(box) means that the company is not perceived by the community to have implemented known CSR activity (ies) at community level, (c) 1= BG, 2= Wentworth, 3= PAE, 4= Mwadui(Petra), 5= Mwadui (El-Hilal), 6= Acacia at Bulyanhulu Gold Mine, 7= Acacia at Buzwagi Gold Mine,, 8= Acacia at North Mara Gold Mine,, 9= Ashanti- Geita Gold Mine.

5.2 Credibility Failures

According to the revised model of how to earn SLO (Boutilier & Thomson, 2011), the perception of credibility emerges from years of companies working together with stakeholders interactively, creating and fulfilling each other's expectations. The two aspects of credibility that emerged during this research are keeping of promises and fairness in dealing with communities' interests. Thomson and Joyce (as cited in Moffat et al., 2016), defined credibility as the quality of being believed. In this regard, keeping promises influences the perception of credibility or lack of it (Boutlier and Thomson, 2011). During the current study, a number of situations involving failure to keep promises were reported in both sectors. Examples in the petroleum sector are given bellow:

> Even this road is impassable during the rainy season…they promised to reconstruct the road but nothing has been done so far. These companies have heavy trucks that contribute to damaging the road but they do not think about improving it…(FGD, Madimba Village, Mtwara DC, July 2015).

Another complaint related to development of water infrastructure as part of a deal to construct a gas processing plant: Thus,"about 98% of the construction activities at Madimba gas processing plant were already completed. But the company which was contracted to build the plant may vacate the site without having completed developing the water infrastructure as promised." (FGD, Madimba Village, Mtwara DC, July 2015).

One of the concerns expressed with the mining sector was related to a promise to support a youth group with funds to finance youths' small businesses. Thus,

> Youth groups have been formed; for example, my group is known as Amani group and with money from our pockets we managed to register and open a bank account. However, to date nothing has been communicated back regarding disbursement of funds…(FGD, Mwadui-Luhumbo village, Kishapu DC, August 2015).

The consequence of the unfulfilled promises was that they generated negative feelings toward the companies among the communities. Thus, put together, the unfulfilled promises and concerns from local civil societies coalesced into a situation where there was no acceptance of companies' operations around the natural gas extraction sites.

Another aspect of credibility that emerged during the research and which proved problematic was the handling of compensations for the land that was taken over to give way for extractive operations. In this regard, compensation was not seen as fair. This problem was reported in the villages of Madimba and Msimbati in Mtwara region. These communities stated that the amount of compensation they received for land taken away from them to give way for petroleum activities was lower than the amount local politicians had promised. Available reports show that this is a common problem in the resource extractive sites in Tanzania as it occurred in the gold mining areas as well and caused ineffective guidance from central government regarding land compensation rates (Lange, 2008). Regarding findings in Lange's study, the negative perception was reinforced by the act of comparing the amount of compensation paid by another company, (i.e., Dangote Cement—a cement producer) to citizens in surrounding villages. It was reported that the payment by Dangote Cement was higher than the amount paid by petroleum companies to citizens at Madimba and Msimbati.

In the mining subsector, concerns about actions of a local investor—EL Hilal—surfaced. Participants informed that the surrounding communities were not compensated for the land taken over by El Hilal and the youths who used to operate as artisanal miners complained that as a result of eviction, they no longer had employment. The process at Buzwagi Gold Mine was described as having begun well but ended poorly. At the start, public meetings were held, and agreement reached regarding resettlement and compensations. All legal procedures were followed and government stipulated compensation rates. The company offered to construct new residential houses for displaced households. However, when time for effecting payment arrived challenges emerged: the government insisted on applying rates that were lower than what the company wanted to pay. That was not all however, as mentioned by key informant:

> I have been part of the Village Government since 2014 but I have not been paid any compensation. In 1995, I had a house where the mine is located today but I was evicted from my house–land along with others in 1996. In 2007, there was a huge land dispute involving many people. Efforts at reconciliation failed. The 1997 boundary has been shifting. (Key Informant, Mwadui-Luhumbo village, Kahama TC, August 2015).

Similarly, compensation for land taken over and eviction of artisanal miners were huge issues at Geita Gold Mine. Claims were made that people had not been compensated for the reason that these people constructed houses after the area was demarcated and given to the company. The study participants stated that the company expanded illegally into farmlands, which were originally not part of the mine. This situation is related to the problem reported by Kulindwa (as cited in Lange, 2008) where land planning and site demarcation implemented by central government and not communicating the revised–updated plans to communities. On the ground, people were not allowed to develop the land they considered theirs even when such land had not been paid for by company. To sum up these concerns, study participants remarked as follows: ”…some people found their farms and houses to have become part of mine because the company expanded into those areas. Small scale miners at Magema and Katumaini villages were evicted although they had not crossed into company mining site…” (FGD, Katoma village, Geita TC, August 2015).

5.3 Payment of Local Taxes

Payment of local taxes reflects the companies’ respect for local rules and norms and tends to earn companies sociopolitical legitimacy. In this regard, the local government laws empower Local Government Authorities (LGAs) to collect revenues from various sources. For example, the law allows LGAs to charge service levy to companies at a rate of 0.3% of company annual gross revenues (United Republic of Tanzania, 1982). Despite this, mining companies had agreed with central government to pay a fixed annual sum of US$200,000. This prevailed for quite some time despite being heavily disputed by LGAs. In 2014, the LGAs where the mines were located, with the support of central government, signed a memorandum of understanding with companies encouraging compliance with LGA laws. This memorandum of understanding resulted in a change from paying a fixed amount of US$200,000 to paying 0.3% of the gross turnover of the companies as stipulated in the Local Government Finance Act. While local authorities noted the increase in service levy as (see Table 4) from a paltry US$200,000 (about TZS 300 million then) to close to TZS billion or more, there were still concerns among them about the reliability of companies' self-reported data. This highlights another layer of issues in the SLO equation.

Table 4: *Service levy paid by extractive companies to LGAs*

Company	**Local norms (or local laws)**
BG	Not applicable. BG had not started to pay Service Levy as it was yet to start producing gas. Service is calculated based on turnover
WentWorth	M & P began to pay local levy from 2011/12 and had paid TZS (TZS) 93.55 million between 2011/12–2014/15 from 2011/12 to the first two quarters of 2014/15.
PAE	Began to pay local levy from 2012/20/13 and had paid about TZS 1.2 billion by July 2014. This was the largest source of own source revenue computed as 0.3% of company turnover.
Mwadui PETRA	Service levy began to be paid in 2012. The two companies had paid TZS 200 million in 2012 and TZS 316 million in 2013/14. Mwadui Diamond Mine (PETRA) was also paying each of the surrounding 8 villages TZS 19.5 million per year.
Mwadui-El-Hilal	Service levy began to be paid in 2012 but the amount paid by El-Hilal and PETRA were not specified at the time of research.
Bulyanhulu Gold Mine	The council used to receive US$200,000 per annum. From 2014/15 the formula for determining levy changed to 0.3% of the gross turnover and hence the council received TZS 749 million in the first quarter of 2014/15 and a further TZS 500 million from service companies supplying services to mine - exceeding 50% of own source revenues.
Buzwagi Gold Mine	Prior to 2014/15, Acacia paid the Council a fixed sum of US$200,000. Following revision of the formula to the application of 0.3% of the gross turnover, the council received TZS 1.4 billion in 2014/15
North Mara Gold Mine	At the time of the research, the council had received between TZS 800-900 million as service levy based on the .3% of the gross turnover formula – equaling 20% of own source revenues.
Geita Gold Mine	Before 2014, the Council used to receive US$200,000. Following revision of the formula to the application of 0.3% of the gross turnover, the council received TZS 2billion in 2014/15 – representing 50% of own source revenue.

Sources: Ngowi (2015) and Field Notes

5.4 Interactional and Institutionalized Trust

The elements of interactional and institutionalized trust (see Table 1) emerged during the FGDs and interviews. For example, while the local government officials reported that meetings with communities at Madimba and Msimbati villages to discuss petroleum exploration activities were held, the meetings were organized in an ad-hoc manner. Also, adequate information was not provided about the benefits the communities would gain from extractive of companies. This allowed for the politicization of the community engagement agenda resulting in conflicting messages leading to eruption of violence in 2012. Similarly, in Lindi, initial contacts with communities by Tanzania Petroleum Development Corporation in the 1980s did not go well due to absence of community engagement. However, this was corrected when TDPC granted PAE its exploration rights: PAE upheld the citizens' demand generated through an engagement process.

In the mining subsector, a number of negative experiences with company actions were reported. For example, the Mwadui Diamond Mine closed down a market facility within its compound in order to stop citizens from entering the site—denying communities' access to a lucrative market of their products–wares. Other negative aspects related to how the company treated citizens when they got into its demarcated site. An FGD participant made the following statement, which was supported by all other study participants.

> Petty traders who were caught selling their wares within the company's compound were arrested while community members found grazing their cattle close to the mine's fence were fined and women found collecting firewood within the mining site were subjected to harassment and in some cases raped by the company security people. (FGD, Mwadui–Luhumbo village, Kishapu DC, August 2015).

The quote above raises complex issues about property rights that could be further explored. According to members of this community, collecting wood in a neighboring bush did not seem wrong even though the bush was located in the company's earmarked land as that was seen as not harmful to the company's business.

Although the relationship between Buzwagi Gold Mine and the community improved over time, early years were problematic. The early years—around 2009—of operations were characterized by attempts by the youth to break into the mining site and other acts of violence. When unrest and vandalism erupted at the site in 2010, the Regional Commissioner—who is part of central government—advised parties to engage in a dialogue leading to agreement on how the community would benefit from the opportunities created by the presence of the company in that community. Some of these were youth employment as guards, contracts to women for catering services as well as temporary employment of another 30 women for laundry among other menial jobs. The mine also organized suppliers' meetings where the company provided details on (a) services needed, (b) priorities and standards, and (c) the bidding procedures to be followed by bidders. Table 5 summarizes the situation at the sites that experienced community-company conflicts.

Table 5: *Situation Regarding Company–Community Relations by 2015*

Site	**Year when violence erupted**	**Situation at time of study (2015)**
Mtwara (natural gas discovery)	2012 (protest against transporting gas to Dar es Salaam)	Calmed down but resentment persists over unresolved issues (compensation issues; natural gas-related benefits).
Mwadui Diamond Mine	Mine operated since 1940s	No violence reported but resentments over inadequate support to local economy exists.
Bulyanhulu Gold Mine	1996: small-scale minors evicted	Calmed down but resentment persists over unresolved issues (land, welfare of small-scale minors).
Geita Gold Mine	Around 1999	Calmed down but resentment persists over unresolved issues (land, welfare of small-scale minors).
North Mara Gold Mine	Around 1996	Violence reduced; stakeholders still had concerns (youth unemployment).
Buzwagi Gold Mine	Around 2009	No violence; youth unemployment remained a thorny issue.

Based on Lange, 2008; field notes, 2015.

While historically, there was a lack of community engagement by all the mines, widespread riots as expressions of dissatisfaction with the way companies treated communities led to companies beginning to implement strategies—albeit inadequate—to calm down tensions. One study participant from Nyangoto village, supported by the rest of the FGD members stated as follows:

> There are positive changes in the security system and as such killings have decreased! Nyamongo is now peaceful after setting our own bylaws and formulating 'Saiga' who watch over each other to ensure compliance with agreed norms.…The establishment of Saiga has resulted into peaceful environment as youths do not invade the mine anymore nor do they carry machetes or knives as they used to do. We also collect the remaining (sand and stones) for reprocessing a… (FG, Nyangoto Village, Tarime DC 2015).

Institutionalized trust was discernable only at the Songosongo where PAE had operations. The local government authority officials reported that when they had an issue, especially financial, they would approach PAE for support which in most cases it responded to positively. The company had also identified itself with the community needs. For example, the company had set aside three seats on its plane for members of community to fly them to Dar es Salaam whenever the plane flew. This gesture was highly valued by the citizens because it provided them with a convenient means of transport at no cost. The manner in which study participants described PAE suggested that the company had become part of the community and a trusted organization. PAE's openness and cooperative approach towards the community were highly praised and formed the basis of the institutionalized trust. People in this area had come to view their life as having been shaped by the company in a supportive way and considered their future to be bright with continued involvement of PAE in their area.

5.5 State of SLO at the Researched Sites

The foregoing discussions show that except for PAE the rest of the companies did not meet the conditions that would earn them the SLO. For example, results show that El-Hilal missed out on all factors that would make the community grant them the social license to operate. The other companies–sites had implemented a number of CSR activities and other actions to varying degrees to earn socio-economic and sociopolitical legitimacy. Despite this, there were still significant concerns expressed by the community, which would amount to lack of SLO.

Table 6 presents the status of SLO for each of the companies based on the assessment of their performance on the determinants of SLO (see Table 1). The concerns citizens presented in the findings, were taken into account in judging whether the companies had secured SLO or not. The YES/NO indicate if SLO has been granted—irrespective of stage—or not. The rating was done by comparing actions of the companies, the intensity of concerns expressed by communities and by asking communities if they would be happy if the company stopped extractive activities.

According to the data, if companies are at higher levels of SLO—e.g., approval stage and implemented only part of the processes required in that stage—they risk falling to lower levels of SLO including a withdrawal. In the case of withdrawal, the community would start actions to resist the presence of the company amongst their midst.

Table 6. *Overall Assessment and Implication*

Determinant–Component of SLO		**Company–project Code** 1	2	3	4	5	6	7	8	9
Economic and social	CSR projects (Socio-economic benefits)	✔	✔	✔	✔		✔	✔	✔	✔
Political legitimacy	Payment of Local taxes (Socio-political benefits)	✔	✔	✔	✔	✔	✔	✔	✔	✔
Interactional trust (listening, responding, reciprocity engaging with community etc.)				✔						
Institutionalized trust (mutually beneficial relations between the company and community institutions)				✔						
Implications		NO	NO	YES	No	NO+	NO	NO	NO	NO

Key: (a) ✔ means that the company is perceived to implement all or some of the expected actions to gain SLO, (b) the shaded cell means that that the company is not perceived to implement any of the expected actions to gain SLO, (c) 1= BG, 2= Wentworth, 3= PAE, 4= Mwadui(Petra), 5= Mwadui (El-Hilal), 6= Bulyanhulu Gold Mine, 7= Buzwagi Gold Mine,, 8= North Mara Gold Mine,, 9= Geita Gold Mine, (d) YES means the company had implemented actions to gain the SLO and that the SLO had been granted by the community; NO means the company had implemented actions to gain the SLO but the SLO was yet to be granted by the community, meaning it is in the withheld/withdrawn stage of the continuum; NO+ means that the company had not done anything activity to gain SLO and hence not granted the SLO.

6.0 Discussion

The findings from this research show that with the exception of PAE—which communities and authorities spoke positively about—the rest of the companies that had extractive operation in Tanzania had not earned the SLO from communities neighboring extractive sites. This is despite the efforts companies made to earn the SLO including implementing extensive CRS projects, paying compensations for land taken over and generating some employment and reasons for failure to earn the SLO were lack of legitimacy in social, economic business opportunities around extractive sites. The findings show that the main and political terms.

In terms of socioeconomic legitimacy, communities perceived that the CSR projects that companies implemented had little value in comparison to the benefits that the communities felt companies derived from extracting natural resources. Although this concern was expressed both in the south of the country where natural gas was being extracted and in the north west where mining took place, it was a more serious feeling in the mining areas where people who used to operate as artisanal miners were evicted to give way to the operations of large companies. In these areas, people had the sense that companies were making large sums of money that the CSR projects were only a 'drop in the sea' and did not reflect profits the companies made. The youth unemployment and subsequent poverty that was attributed to the eviction of artisanal miners made this concern sound grave as the means of livelihood were taken away.

In the areas around natural gas, the issues related to time horizon also influenced the perception about the usefulness of the CSR projects. While companies invested in activities that would generate returns after a long period of time—for example education—communities seemed to care for both long term projects (education for children) as well as short term (e.g. employment for existing youths and increasing well-being of the community). This explains why communities valued social projects such as construction of classes and hostels as well as health but still expressed concern with ability of the projects to offer employment to the existing youths. The lack of meaningful engagement to create alternative meaningful employment for the evicted populations made this feeling intense. This finding confirms the argument in the literature that without socioeconomic and political legitimacy (Boutilier & Thomson, 2011), which involves a consideration of economic benefits by the communities, SLO would not be granted (Idemudia, 2010). These findings support that study by Nelsen & Scoble (2006) that socioeconomic factors played a role in influencing the granting of the SLO implying that that if these factors are not addressed fully, it would not be granted.

Coupled with this, was a lack of congruence between what communities valued and what companies thought communities wanted. Thus, in Mtwara (i.e., Madimba village), villagers criticized the introduction of fish farming in an area which was near the sea as communities thought it was better to fish from the sea than making ponds to farm fish. Indeed, for CSR projects to be effective, they need to involve beneficiaries in the selection of those projects (Andrews, 2013). Findings in this research support the criticisms of company-driven CSR which tends to be less relevant to communities' priorities (Banks et al., 2016; Gilberthorpe & Banks, 2012). Lange and Kolstad, (2012) state that:

> There seems to be the typical emphasis on physical infrastructure, on roads and pipelines, on new buildings, on visible and tangible output that looks good on a corporate website but need not reflect the most pressing needs of the communities in which these companies operate. It is therefore more than possible that these activities reflect corporate rather than local community priorities. (p. 9)

There was also absence of sociopolitical legitimacy. The failure by the companies to initially respect local laws, especially the local government laws governing local taxes in the form service levy, had angered local governments in the mining areas. Although this problem was resolved following the intervention of central government through the then minister for mines and energy, this issue had still left a bad taste in the minds of the leadership of local governments. At the time of the study, a sense of optimism was beginning to emerge but it was clear that the refusal to comply and instead try to circumvent payment of the legally stipulated rate had earned companies a bad reputation and helped feed negative feelings toward the companies. Also fueling the negative feelings of the extractive companies was the perception that these companies lacked credibility since they failed to keep the promises they made to the communities. As the literature shows, lack of credibility which involves among other things failure to keep promises made to the stakeholders, tends to generate negativity (Boutilier & Thomson, 2011), leading in turn to failure to earn the SLO because trust is breached.

The broader sociopolitical issues around sharing of resource benefits played a role in influencing how communities viewed natural resources extraction. For example, while communities from the seashore—Lindi and Mtwara regions—were not deprived of their economic base–foundation as the case was in the mining areas, these communities were concerned that natural gas would be transported away from their locality and hence miss out on the opportunities that utilization of the extractive gas would generate. While their anger and frustration were directed at the companies, hence the effect on the SLO, the solution to this problem lay with government more than companies as this is a national policy issue, making companies fall victims to broader politics of resource exploitation–utilization. Thus, regardless of extensive CSR activities companies pursued, the fundamental question would not go away as no amount of CSR could provide the sort of benefits that utilization of gas around the communities would provide: (a) jobs, (b) linkages to the rest of the local economy, and (c) the general modernizing effect of industrialization.

The findings in this research show that central government has a moderating role to play for SLO to be granted, with the fundamental role lying with firms and its engagement with all stakeholders, especially the local community. The role of government is not limited to managing the local perceptions of resource benefits but also in influencing discussions on and enforcing compensations that companies could pay for taking over the land that was originally inhabited by communities. This includes providing guidelines and rates for compensating communities for land taken. This supports Golub's (2014) assertion that central government has an important role in the SLO processes. It means that while it is the companies that need to access SLO, central government has great influence over that factors that contribute to the granting or withholding of SLO by local communities. Intervention by central agencies is also crucial for companies to show respect for community formal (e.g., respecting laws) and informal norms. The MoU signed by central government agencies with companies for the later to comply with local government laws on service levy proved valuable. This cements the conclusion that granting of SLO involves various actors: (a) local communities and stakeholders (CSOs), (b) central government agencies, which provide policies, (Boutilier & Thomas, 2011) and (c) the companies that access to resources. These policies that central government set, create the context within which local actors negotiate with investors and grant companies the SLO. As discussed earlier, compensation rates promoted by government that were seen as not reflecting market conditions, contracts which allowed companies to ignore local laws, ineffective enforcement of environmental standards were all part of central government role which influence the granting of SLO.

7.0 Conclusion

SLO is a complex issue that company efforts alone are not sufficient to earn. This research confirmed that even from the perspective of communities, SLO remains a large problem for extractive companies in Tanzania largely because there has not been effective community engagement, and government policies as regards compensation have not been helpful. CSR programs that companies implemented have not yielded the expected results in a large number of cases. This suggests that SLO is an issue that needs to be addressed from multiple angles; bearing in mind the influence of different stakeholders. To address the lack of SLO, companies and policy makers need to invest enough time and attention to the issues affecting the granting of the SLO. On one hand, government needs to pursue policies which create a supportive environment for companies and local stakeholders to engage and generate the SLO. On the other hand, companies need to engage with communities more deeply to build the trust with them as well as pay adequate attention to their socioeconomic concerns. When combined, the approaches appear to enhance the likelihood of earning the SLO and maintaining it. For future research, it is important to study the evolution of community–company relations as companies continue to make efforts to gain and maintain the SLO. The limitation of this study is that qualitative data was collected from small samples consisting of small sections of stakeholders in the communities at each site, which means that the results may not be generalizable. A larger sample survey using a structured questionnaire could be helpful in collecting quantitative data to enable quantitative analysis and results that can be generalized.

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